Magma Fincorp Limited
Regd. Office
Magma House
24 Park Street, Kolkata 700 016
Tel : 91 33 4401 7350 / 7200
Fax : 91 33 4401 7313
CIN : L51504WB1978PLC031813
Web: www.magma.co.in

MAGMA
Investing in the smallest dream

7 August 2017

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

Dear Sir,

Sub: Annual Report for the Financial Year ended 31 March 2017 in terms of Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Annual Report of the Company for the Financial Year ended 31 March 2017 as approved by the shareholders of the Company at the Annual General Meeting held on 2 August 2017.

This is for your information and record.

Thanking You

Yours faithfully,
For **Magma Fincorp Limited**

Shabnum Zaman
Company Secretary
ACS No. 13918

Encl: as above

MAGMA

Investing in the smallest dream

2016-17

ANNUAL REPORT | MAGMA FINCORP LIMITED

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Equity Share Information

- Market capitalisation (31st March, 2017): ₹ 2513 Crores
- Proposed dividend: ₹ 0.80 per share (Face value ₹ 2)
- Promoters holding: 27.75 %
- National Stock Exchange (NSE): MAGMA
- Bombay Stock Exchange (BSE): 524000

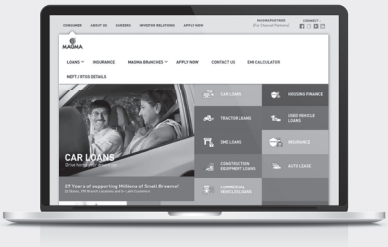
₹ 16,101 cr
Loan Book

₹ 6,716 cr
Disbursements

₹ 2,399 cr
Revenue

7.43 %
Net income margin

Figures of 2016-17 (consolidated)



DIGITAL FIRST

For more details visit our website: **www.magma.co.in**

Corporate Information

CIN: L51504WB1978PLC031813

BOARD OF DIRECTORS

Mr. Narayan K Seshadri
Non Executive Independent Chairman

Mr. Mayank Poddar
Whole Time Director

Mr. Sanjay Chamria
Vice Chairman and Managing Director

Mr. Nabankur Gupta
Non Executive Independent Director

Mr. Satya Brata Ganguly
Non Executive Independent Director

Mr. Sanjay Nayar
Non Executive Director

Ms. Ritva Kaarina Laukkanen
Non Executive Director

Mr. V K Viswanathan
Non Executive Independent Director

CHIEF FINANCIAL OFFICER

Mr. Kailash Baheti

COMPANY SECRETARY

Ms. Shabnum Zaman

BANKERS

Punjab National Bank (Lead Banker)
State Bank of India
ICICI Bank Limited
Axis Bank Limited
UCO Bank
Oriental Bank of Commerce
United Bank of India
Corporation Bank
IDBI Bank Ltd
Indian Bank
Bank of Baroda
Union Bank of India
Bank of India
Dena Bank
Andhra Bank
Syndicate Bank
Central Bank of India
Bank of Maharashtra
Indian Overseas Bank
Canara Bank
Vijaya Bank
Allahabad bank
Punjab & Sind Bank
Catholic Syrian Bank

STATUTORY AUDITORS

B S R & Co. LLP
Chartered Accountants
Firm's Registration No.-
101248W/W-100022
Maruthi Info-Tech Centre
11-12/1 Inner Ring Road
Koramangala
Bangalore-560071

SECRETARIAL AUDITOR

M/s. MKB & Associates
Practicing Company Secretaries
Manoj Kumar Banthia (Proprietor)
COP No.-7596
Shantiniketan, 5th Floor, Room No. 511,
8, Camac Street, Kolkata-700 017

REGISTERED OFFICE

MAGMA HOUSE
24, Park Street, Kolkata - 700 016
Tel: +91 33 4401 7350/7200
Fax: +91 33 4401 7731
Email Id: secretary@magma.co.in
Website: www.magma.co.in

CORPORATE OFFICE

Equinox Business Park
2nd Floor, Tower 3, Off BKC
Ambedkar Nagar
LBS Marg, Kurla West
Mumbai - 400 070
Tel: +91 22 6229 1100/1150

REGISTRAR AND SHARE TRANSFER AGENT

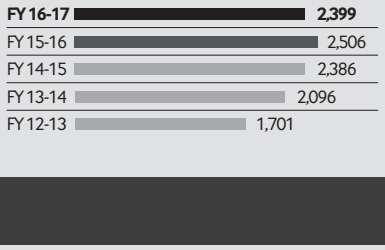
Niche Technologies Private Limited
D-511, Bagree Market, 5th Floor
71, B.R.B. Basu Road, Kolkata - 700 001
Tel: +91 33 2235 7270 / 7271, +91 33 2234 3576
Fax: No. +91 33 2215 6823
Email Id: nichetechpl@nichetechpl.com

Performance at a Glance

PROFIT AND LOSS METRICS (Consolidated)

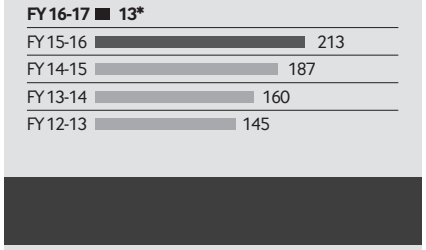
Revenue

(₹ in Crores)



Profit After Tax

(₹ in Crores)

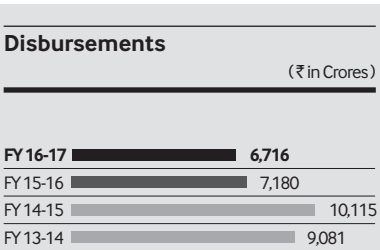


*Impacted due to loss on sale of NPA

BALANCE SHEET METRICS (Consolidated)

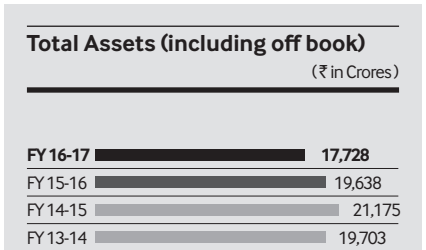
Disbursements

(₹ in Crores)



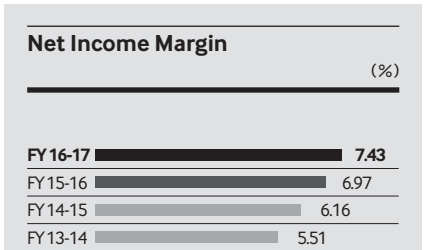
Total Assets (including off book)

(₹ in Crores)



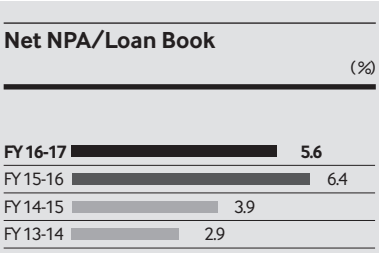
Net Income Margin

(%)



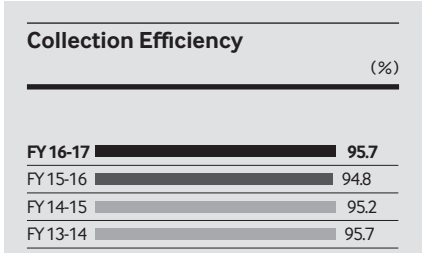
Net NPA/Loan Book

(%)



Collection Efficiency

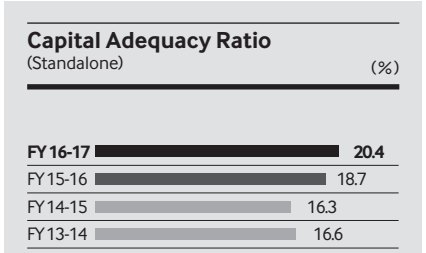
(%)



Capital Adequacy Ratio

(Standalone)

(%)



NETWORK

Branch Network

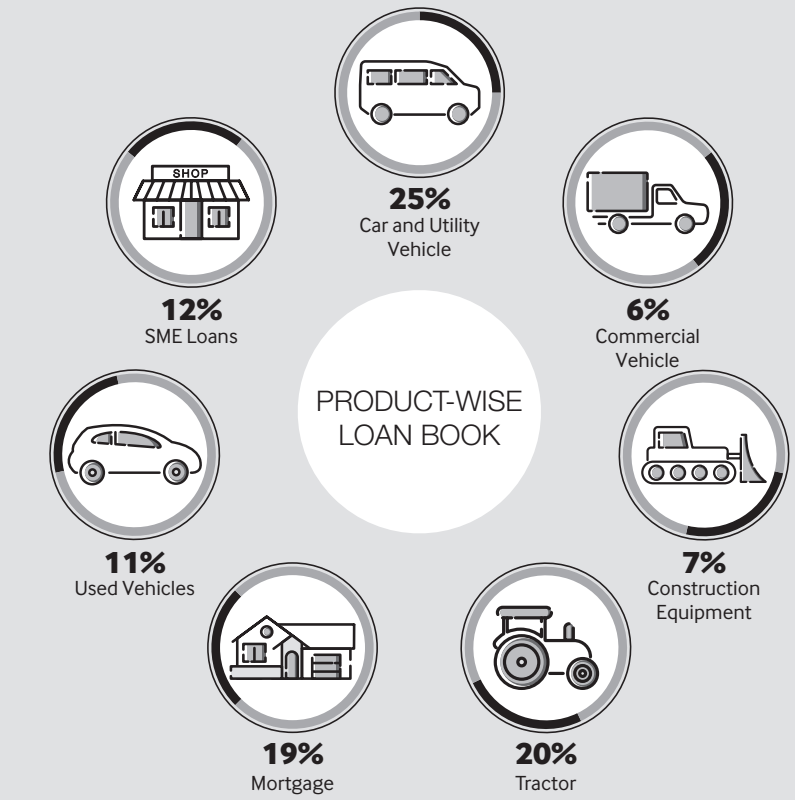
(No.)

Customer Base

(No.)

(Numbers rounded off to nearest thousand)

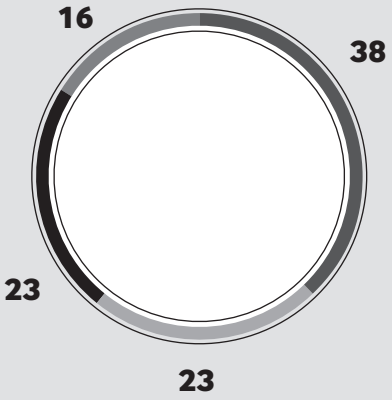
LOAN BOOK BREAK-UP



As on 31 March 2017

Geographic Break-up of Loan Book

(%)



North	38
West	23
South	23
East	16

Board's Report & Management Discussion and Analysis

The IMF estimates economic growth to recover to 7.2% growth in FY2017-18 and to further rise to 7.7% in FY2018-19.

Narayan K Seshadri
Chairman

Dear Shareholders,

Your Directors have pleasure in presenting the 37th Annual Report along with the Audited Financial Statements of the Company for the financial year ended 31 March 2017.

Financial highlights is given below:

(₹ in lacs)

	Consolidated		Standalone	
	FY 2016-17	**FY 2015-16**	**FY 2016-17**	**FY 2015-16**
Total income	**239,945.16**	250,633.08	**202,204.50**	213,915.55
Profit before interest and depreciation	**122,073.72**	153,690.22	**99,687.52**	130,340.43
Less: Interest and finance charges	**112,544.47**	119,159.57	**93,788.05**	99,808.90
Less: Depreciation	**4,850.13**	3,948.43	**4,828.66**	3,934.44
Profit before tax	**4,679.12**	30,582.22	**1,070.81**	26,597.09
Tax Expense	**3,405.89**	9,234.35	**461.13**	7,882.12
Profit after tax (Before Minority Interest)[1]	**1,273.23**	21,347.87	**609.68**	18,714.97
Minority Interest	**(772.04)**	210.16	**-**	-
Profit after tax (After Minority Interest)	**2,045.27**	21,137.71	**609.68**	18,714.97
Add: Surplus brought forward	**55,160.75**	42,725.31	**47,129.24**	37,285.78
Add: Impact of pre-acquisition surplus on change of shareholding in Magma HDI General Insurance Company Limited	**-**	1,239.67	**-**	-
Balance available for appropriation	**57,206.02**	65,102.69	**47,738.92**	56,000.75
- Statutory reserves	**800.05**	4,820.00	**130**	3,750.00
- General reserve	**-**	1,880.00	**-**	1,880.00
Provision for dividend[2]				
- On preference shares	**2.08**	428.23	**2.08**	427.87
- On equity shares	**-**	2,265.36	**-**	2,265.36
- Dividend tax	**0.42**	548.35	**0.42**	548.28
Balance carried forward	**56,403.47**	55,160.75	**47,606.42**	47,129.24

[1] The Company has sold non-performing assets (NPAs) of ₹ 67,802.19 lacs which includes NPAs greater than 2 years in asset backed portfolio and greater than 6 months in mortgage portfolio. The aforesaid sale has resulted in reduction of profit after tax by ₹ 14,526.88 lacs for the quarter and year ended 31 March 2017.

[2] Refer Note No. 3 and 4 of standalone and consolidated financial statements of the Company.

ECONOMIC AND INDUSTRY OVERVIEW

Economic Overview

Financial Year (FY) 2016-17 was marked by two major developments for the Indian Economy – withdrawal of high-denomination banknotes from circulation (demonetization); and, passage of Constitutional amendment for implementation of Good and Services Tax (GST).

During the financial year, the Indian economy suffered a modest setback as a result of disruptions to consumption and business activity due to demonetization. The International Monetary Fund (IMF) envisages GDP growth for FY2016-17 to slow down to 6.8%.

However India's overall Economic Outlook is positive and appears as a bright spot in the global economic landscape. Improved external current account, continued fiscal consolidation, low inflation and an anti-inflationary monetary policy stance have provided the much-needed macroeconomic stability to the economy.

The IMF estimates economic growth to recover to 7.2% growth in FY2017-18 and to further rise to 7.7% in FY2018-19. According to the IMF India has a favorable medium-term growth prospects, as it expects GDP growth to rise to about 8% over the medium term. This can be attributed to the implementation of key reforms such as GST, reduction of supply-side bottlenecks and appropriate fiscal and monetary policies.

Industry Overview

NBFC Sector

Over the past few years, NBFCs have been continuously gaining some market share in the origination of retail loans to banks, thus playing an important role in the Indian financial sector. This role assumes even greater significance at a time when banking institutions especially Public Sector Banks are struggling with growth and asset quality.

FY 2016 -17 has thrown up several challenges and opportunities for the NBFC sector. The key challenges to the sector were demonetization, increased competition from banks in retail loans segment, changes in regulation of underlying asset class like selective ban on diesel cars, moving to BS IV emission norms and moral hazards arising due to farm loan waivers announced by few state governments. On the other hand, the opportunities for the sector were normal monsoon after 2 years of successive rainfall deficit, notification of SARFAESI for NBFC sector, 7th Pay commission, lower interest rates and relaxation in credit linked subsidy scheme of Pradhan Mantri Awas Yoyana (PMAY).

After overcoming the challenges posed in FY2016-17, NBFCs are now well poised to benefit from the above mentioned opportunities in FY2017-18.

Overview of underlying asset class

Automobile sector

The sale of new passenger vehicles recorded a growth of 9.2% during FY2016-17, against 7.2% growth recorded in FY2015-16. Within the Passenger Vehicles segment, Passenger Cars, Utility Vehicles and Multipurpose Vehicles grew by 3.8%, 29.9% and 2.4%, respectively, compared to the corresponding previous year.

All India sales of new Commercial Vehicles (CV) recorded a growth of 4.2% during FY2016-17, as against growth of 11.5% in FY2015-16. The slowdown in CV was largely due to muted demand for Medium and Heavy Commercial Vehicles (MHCV). The Small Commercial (SCV) and Light Commercial (LCV) vehicles witnessed better growth of 7.3% and 4.2%, respectively.

Volume in the Construction Equipment (CE) segment declined 12.5% in FY2016-17, as against 14.9% growth in FY2015-16.

Revival in rural demand due to better Kharif and Rabi crop and higher infrastructure spending by the Government will drive growth for the passenger vehicle, CV and CE segment in FY2017-18.

A normal monsoon led to 18.9% volume growth in tractors during FY2016-17. This growth was after two successive years of de-growth in tractor volumes. In 2017-18, demand for tractors to be better on back of increased farm activities with normal monsoon forecast and improved soil moisture and reservoir levels. Upward revision in Minimum Support Price (MSP), farm mechanization and non-agriculture demand will also contribute to tractor growth in 2017-18.

SME Sector

The SME business got adversely impacted due to demonetization during the year under review. In the short-term, demonetization along with the implementation of GST in FY2017-18 could lead to uncertainties in the SME Sector. However, in medium to long term, both demonetization and GST will lead to formalization of the sector which is structurally positive. Further, as announced in Union Budget of 2017-18, for SMEs with turnover of less than ₹ 50 crores in FY 15-16, the income tax rate has been reduced by 5%. This steep reduction in income tax rate is a big boost to SME segment as it would enable them to be more competitive.

Mortgage Sector

Affordable housing has been a key focus area of the current Government. To give impetus to this segment, the Government has announced a number of initiatives which includes 39% higher allocations in 2017-18 compared to FY2016-17 under the Pradhan Mantri Awas Yojana (PMAY) and extension of the credit-linked subsidy scheme upto to an income level of ₹ 18 lakhs. The Government is also making additional efforts to address the supply and demand side issues in the affordable housing space. These steps taken by Government in this space will create huge opportunity for NBFCs sector in coming years.

OVERVIEW OF COMPANY'S PERFORMANCE

FY 2016 -17 has been characterized by extraordinary impact of demonetization and NPA sale by the Company. Though it has impacted the profitability for the year as a whole, the Company has emerged much stronger with a healthier Balance Sheet as on 1 April 2017. Therefore FY 2016-17 was a defining year for your Company, along with the clean up of old hard bucket NPAs, it has taken several new initiatives under a new and stronger leadership to embark on a profitable growth path in FY 2017-18.

Asset quality

During the year 2016-17 your Company has sold Non-performing assets (NPAs) of ₹ 59,347.56 lacs at standalone level and ₹ 67,802.19 lacs at consolidated level. This includes NPAs which were greater than 2 years in Asset Backed Finance (ABF) business; and greater than 6 months in the mortgage business. Loss on account of NPA sale on the standalone PAT was ₹ 12,625.97 lacs and ₹ 14,526.88 lacs on consolidated PAT in FY 2016-17. This consequently led to lower profits of ₹ 609.68 lacs at standalone level and ₹ 2,045.27 lacs at the consolidated level in FY2016-17. However, this sale of NPAs improved the Company's standalone GNPA and NNPA ratio as at 31 March 2017 to 6.6% and 5.5% respectively. Magma recognizes NPA on 120 DPD basis. On a consolidated basis, GNPA and NNPA ratio were 6.7% and 5.6%, respectively, as at 31 March 2017.

The Company would now increase focus on the balance NPAs, which are just about an average of 8 months into NPA buckets. The NPA management team would be very sharply focused on recoveries in these early bucket NPAs and leading to quick and better resolution and thereby, reducing the overall NPAs and credit cost going forward.

Peaking of NPAs in older portfolio, significant improvement in asset quality of new portfolio originated post December 2015 (under new business model) and increase in contribution on newer book will lead to further reduction in NPAs in FY2017-18. Hence the worst with respect to NPAs seems to be behind for the Company.

Disbursements and loan assets

The Company's disbursement in FY 2016-17 on standalone basis declined to 0.7% yoy to ₹ 5,96,750 lacs and on consolidated basis it declined 6.5% yoy to ₹ 6,71,582 lacs. This decline in largely attributed due to the weak second half of the fiscal which was impacted by the demonetization.

Total assets on standalone basis declined by 10% yoy to ₹ 15,01,259.72 lacs and on consolidated basis declined by 10% yoy to ₹ 17,72,774.45 lacs as on 31 March 2017. Lower disbursements and sale of NPAs led to this decline in total assets. On similar lines, total Loan Assets on standalone basis declined by 12% yoy to ₹ 13,51,422 lacs and on consolidated basis declined by 11% to ₹ 16,10,058 lacs as on 31 March 2017.

New Initiatives and business outlook

Magma shifted its corporate office to Mumbai and now its leadership team operates out of the new Mumbai office. This will lead to better coordination and collaboration and enable better interface with the industry players and OEMs. The leadership team is fully committed to lead the transformational journey of Magma starting with this year and over the next few years.

Asset Backed Finance (ABF) business under its new leadership has taken many initiatives to return to the path of healthy growth with clear focus on portfolio quality. Several initiatives have been launched in the areas of business origination, underwriting, receivables management, and hygiene and efficiency enhancement. With these initiatives, Magma expects ABF business to register a superior performance in FY 2017-18.

Mortgages business, the company made a significant transition to lower ticket loans in FY 2016-17. Average ticket size in the mortgage business disbursements reduced to ₹ 14 lacs compared to ₹ 20 lacs in FY16. This shift to lower ticket size loans impacted our disbursement and loan growth of mortgage business in FY 2016-17. With this transition being completed now, the Company expects steady growth in the business going forward. The push to affordable housing by the Government of India will further boost Company's current housing strategy.

SME Business continues to remain a bright spot for us. With better yields and lower credit cost, SME profitability is best among the products which we offer. Temporary disruption due to demonetization led to lower disbursement in second half of fiscal 2016-17, however on the positive side, SME business saw the best collections performance during demonetization period. In FY 2017 - 18, SME business will focus on increasing contribution of business from tier 2/3 towns, build geo-cluster and industrial segment expertise to have a micro-market approach to business

growth, shift sourcing mix toward sectors impacted positively by GST, and increase contribution of business from Direct Sourcing starting with pre-approved loans on large existing customer database.

Insurance business has turned the corner and returned to profitability in FY 2016-17. The leadership team of the insurance business is now based in Mumbai and during the year a sound foundation has been laid by the new management team. The Company has achieved improved loss ratios through portfolio correction measures and ensuring that the underwriting guidelines and processes are well defined. This would ensure that the Company would grow in a responsible and calibrated manner in FY 2017 - 2018. The Company intends to launch new products and shall continue to invest in technology so as to enhance the dealing experience for channel partners resulting in an improved customer experience. This would ensure that the Company remains nimble and cost-efficient in its operations.

Branch network

Magma has realigned its existing branch network in FY2016-17 by opening 56 branches in rural India. The current network of 284 branches is well placed to drive the business growth going forward. It also focused on exploiting the untapped potential of existing branches and ensured that more products are available across our branch network. General insurance and mortgage finance products are available in 80 and 159 branches, respectively. There would be a planned roll-out of these two business across the remaining branches of Magma.

FINANCIAL PERFORMANCE

(All figures are on consolidated basis unless specifically mentioned otherwise)

The Company Profit after Tax (PAT) on consolidated basis declined 94% yoy to ₹ 1,273 lacs in FY2016-17 compared to ₹ 21,348 lacs in FY2015-16 largely on account of one time impact of loss incurred on NPA sale of ₹ 67,802.19 lacs. The impact of the NPA sale on FY16-17 PAT was of ₹ 14,526.88 lacs.

Better interest cost management and a prudent mix of products financed helped the Company increase it's Net Income Margin (NIM) by 47 bps from 6.97 % to 7.43 % during FY2016-17. Average lending rates on income earning loan assets improved by 7 basis points (bps) to 16.35 % during FY2016-17 versus 16.28% last year and total cost of funds declined from 9.99% in FY2015-16 to 9.81% in FY2016-17.

However due to the lower loan assets compared last year, income from operations during the year declined by 5.3% yoy on a consolidated basis from ₹ 247,220 lacs last year to ₹ 234,447 lacs this year. Consequently, the Company's total Income also reduced by 4.3% from ₹ 250,633 lacs to ₹ 239,945 lacs.

The Company has taken various measures to optimise the opex in FY2016-17, which resulted in decrease in Personnel Costs and Brokerage & Commission by 7.53% and 8.79%, respectively. Other operating cost (including Depreciation) increased by 10.86%. Despite a decline in overall cost, the Opex ratio increased from 3.36% of AUM in FY2015-16 to 3.62% in FY2016-17 due to a decline in loan assets.

On a Standalone basis, the total Capital Risk Adequacy Ratio (CRAR) for the year 2016-17 was 20.4 %, against the RBI stipulated norm of 15% for non-deposit taking Asset Finance Companies.

OPPORTUNITIES, CHALLENGES AND OUTLOOK

Opportunities

Two-thirds of India's population lives in rural areas where financial services have made few inroads so far. Rural India, however, has seen a steady rise in incomes creating an increasingly significant market for financial services. Normal monsoon leading to better crop output and increased budget allocation to rural India further enhances the underlying opportunities in these regions. Over the last decade, as part of a deliberate strategy, Magma has been focusing on Rural and Semi Urban India which we believe will provide significant growth opportunities in future.

The Government's special focus on infrastructure and on reviving growth without compromising on financial discipline, along with RBI's focus on credit growth without inducing inflationary pressure, is expected to reap rich dividends in the long term. Magma focuses on the self-employed non-professional customer segment in the semi urban and rural locations and these customer segments are expected to benefit from infrastructure-driven growth impetus provided by the current government. Further, the Government's focus on affordable housing provides a significant opportunity for Magma to grow its mortgage portfolio.

Technology has penetrated into rural India through the surge in usage of smartphones. Increasing use of technology to reach rural India is a paradigm-shifting enabler. Internet kiosk based channels are expected to become the bridge that connects rural India to the financial services sector. As rural India gets connected to the outside world, consumer awareness on formal channels of financing will increase thus providing a platform for rural focused companies to chart new growth regions.

Challenges

The Government needs to push industry friendly regulations to provide a fillip to commercial activity. Inability or delay of the Government in taking concrete steps to smoothen the policy making processes will result in a more prolonged economic recovery process.

Competitive intensity in the retail loans is expected to increase from banks as they are witnessing significant stress in corporate loans. The entry of payment banks and small banks will further intensify competition in the rural and semi-urban markets. Any significant adverse financial event in the global markets is expected to have a negative impact on the domestic markets as well. Though growth rate remained robust despite demonetization, lagged effect from the move cannot be eliminated. Uncertainty around commodity prices, especially of crude oil, has implications for the fiscal situation of emerging economies. While the market opportunity is huge for multiple players to co-exist, entities which can cater to the under-penetrated customer segments and have strong risk management abilities will be on a stronger footing.

Outlook

After suffering from the transient negative impact of demonetization in FY2016-17, GDP growth is expected to exceed the 7% mark in FY2017-18. On the other hand, demonetization is expected to leave a positive impact on the economy through greater tax compliance, increased digitalization and investments in capital formation. Besides, to mitigate the adverse impact of demonetization, several pro-poor and pro-rural initiatives have been taken during Union Budget 2017-18 to spur demand, contributing towards economic growth. Demonetization also led to an increase in bank deposits. Flushed with cash, the banks are expected to cut lending rates. Real estate prices are also expected to remain low.

The Goods and Services Tax (GST) is expected to be implemented by 1 July 2017, and it is likely to lead to spurt in growth, competitiveness, indirect tax simplification and greater transparency. Apart from widening of the tax net, GST will also contribute significantly to the GDP.

Faster and more effective decision making and implementation of various initiatives already launched by the incumbent government are key drivers for the economic recovery. Reduction in global crude oil prices and consumer inflation numbers has provided the Indian Government with a window of opportunity to put in place the building blocks for a sustained growth trajectory.

Magma remains confident of the long-term growth prospects and opportunities ahead of it in each of its businesses and chosen customer segments. It is uniquely positioned within the NBFC industry to capitalize on the opportunities provided and shall continue to seek growth in its target market segments of rural and semi-urban India.

Magma feels that its blend of business model, infrastructure, technology, management bandwidth and field force will lead to a sustainable high growth trajectory in years to come. It would be pertinent to mention that the adverse impact of demonetization is almost over and the Company has witnessed substantial improvement in the business and collections in the last quarter of FY2016-17. With improved focus on the existing portfolio as well as fresh business, the Company is expecting to build quality loan book and better financials in the years to come.

CHANGE IN NATURE OF BUSINESS

During the year, there was no change in the nature of business of the Company or its subsidiaries.

MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION BETWEEN THE END OF THE FINANCIAL YEAR AND DATE OF THE REPORT

There are no material changes or commitments affecting the financial position of the Company, which have occurred between the end of the financial year and the date of this Report.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the requirements in terms of Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (hereinafter referred to as 'Listing Regulations') your Company prepared Consolidated Financial Statements in accordance with Accounting Standard-21-"Consolidated Financial Statements" and Accounting Standard-27-"Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India. The Consolidated Financial Statements forms part of this Report.

SUBSIDIARIES AND JOINT VENTURE COMPANIES

Subsidiaries

Magma Advisory Services Limited (MASL) is a subsidiary of the Company and which further holds investment in Magma Housing Finance Limited {Formerly Magma Housing Finance (A Public Company with Unlimited Liability)} (MHFL). MASL has operating loss of ₹ 0.56 lacs for the year ended 31 March 2017 against PBT of ₹ 3.58 lacs in previous year.

MHFL is a step down subsidiary of the Company. MHFL has made disbursements of ₹ 47,539.02 lacs against ₹ 87,427.51 lacs in previous year. This decline in disbursement is largely due to the Company's conscious decision to focus on the lower ticket size loans. MHFL has earned a PBT of ₹ 5,197.88 lacs for the year ended 31 March 2017 against ₹ 3,533.46 lacs in previous year.

Magma ITL Finance Limited (MITL), a subsidiary of the Company and Joint Venture with International Tractors Limited, manufacturers of Sonalika brand of tractors, is registered with the RBI as a Non-Deposit Taking NBFC. MITL has made disbursements of ₹ 27,292.94 lacs against ₹ 29,529.20 lacs in previous year and reported operating loss of ₹ 1,884.71 lacs for the year ended 31 March 2017 against operating profit of ₹ 684.36 lacs in previous year. Operating loss is primarily due to loss on sale of NPA amounting to ₹ 2,019 lacs (net of provision) in FY17.

Joint Ventures

The Company's Joint Venture with HDI Global SE (Formerly HDI-Gerling Industrie Versicherung AG) for General Insurance Business in India named Magma HDI General Insurance Company Limited (MHDI) (the 'JV Company') has completed four full years of operation in the year ending 31 March 2017. MHDI has reported Gross Written Premium (GWP) of ₹ 42,287.96 lacs in FY 2016-17 against ₹ 42,736.70 lacs in FY 2015-16. MHDI has earned PBT of ₹ 717 lacs for the year ended 31 March 2017 as against loss of ₹ 658 lacs for the year ended 31 March 2016.

Jaguar Advisory Services Private Limited (JASPL), a Joint Venture with HDI Global SE (Formerly HDI-Gerling Industrie Versicherung AG) and the Company, is an Advisory Services Company domiciled in India. Presently, JASPL provides manpower services. JASPL has earned a PBT of ₹ 1.92 lacs for the year ended 31 March 2017 against ₹ 4.37 lacs in previous year.

Statement containing salient features of Accounts of the Company's subsidiaries and joint venture companies

Pursuant to Section 129(3) of the Companies Act, 2013 a statement in Form AOC-1 containing the salient features of the Financial Statement of your Company's subsidiaries and joint ventures forms part of this Report and hence not repeated here for the sake of brevity.

DIVIDEND

As stipulated in SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016, the Company has adopted Dividend Distribution policy which has been posted on the Company's website at its weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/. In accordance with the Policy the Board would endeavor to maintain a total dividend pay-out ratio in the range of 10% to 20% of the annual standalone PAT of the Company. But to deliver sustainable value to its shareholders your Directors recommend the following dividend, subject to your approval at the ensuing Annual General Meeting as under:

1. **On Equity Shares** @ 40% i.e ₹ 0.80 per Equity Share of the face value of ₹ 2/- each.

2. **On Preference Shares:** 4.57% i.e. ₹ 4.57 pro-rata per share dividend on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 20/- each for 3 days i.e. 1 April 2016 to 3 April 2016 (both days inclusive); the shares were then fully redeemed on 4 April 2016 (1, 2 and 3 April 2016 being holidays).

TRANSFER TO RESERVE

The Company proposes to transfer a sum of ₹ 130 lacs to Statutory Reserve as required by RBI. An amount of ₹ 47,606.42 lacs is proposed to be retained in the Surplus Account as at the end of FY 2016-17.

DEPOSITS

Being a non-deposit taking Company, your Company has not accepted any deposits from the public within the meaning of the provisions of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016 and provisions of Companies Act, 2013.

EMPLOYEE STOCK OPTION SCHEME

Your Company had formulated and implemented Magma Employees Stock Option Plan 2007 (MESOP 2007) and Magma Restricted Stock Option Plan 2014 (MRSOP 2014) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and SEBI (Share Based Employee Benefits) Regulations, 2014 including any amendments thereto ('SEBI Guidelines/Regulations').

The Nomination and Remuneration Committee of the Board of Directors of the Company, inter alia, administers and monitors the MESOP 2007 and MRSOP 2014 in accordance with the applicable SEBI Guidelines/Regulations.

The details of the options granted and outstanding as on 31 March 2017 along with other particulars as required by Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014 is posted on the website of the Company www.magma.co.in at

https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/ and the Auditors' Certificate would be placed at the forthcoming Annual General Meeting pursuant to Regulation 13 of the said Regulations.

SHARE CAPITAL

Equity Shares

During the year, the following changes were effected in the Share Capital of the Company:

Issue of Equity Shares under the Magma Employees Stock Option Plan 2007:

During the year 1,31,000 Equity Shares of the face value of ₹ 2/- each were allotted to the eligible employees (including an ex- employee) at a price of ₹ 60/- per Equity Share (including a premium of ₹ 58/- per Equity Share) upon the exercise of stock options by the employees.

After the close of the financial year, 14,000 Equity Shares of the face value of ₹ 2/- each were allotted to the eligible employee at a price of ₹ 60/- per Equity Share (including a premium of ₹ 58/- per Equity Share), upon the exercise of stock options by the eligible employees of the Company.

The new Equity Shares issued shall rank pari passu with the existing Equity Shares of the Company in all respects.

Consequent to issue of the additional Equity Shares as above, the issued, subscribed and paid up Equity Share Capital of the Company stands increased to ₹ 4,739.47 lacs divided into 23,69,73,672 (Twenty Three Crore Sixty Nine lacs Seventy Three Thousand Six Hundred Seventy Two Only) Equity Shares of ₹ 2/- each as on date.

DEBT

Secured Debt

During the year, the Company issued 550 Nos. Secured Redeemable Non-Convertible Debt in the nature of Debentures of face value ₹ 10 lacs each, aggregating to ₹ 5,500 lacs. Total amount raised through Secured Redeemable Non-Convertible Debt Instruments is ₹ 5,500 lacs.

Unsecured Subordinated Debentures

During the year, the Company issued 1130 Nos. Unsecured Redeemable Non-Convertible Subordinated Debt in the nature of Debentures of face value of ₹ 10 lacs each, aggregating to ₹ 11,300 lacs. The Company had also raised a term loan in the nature of Subordinated Debt aggregating to ₹ 10,000 lacs, which carries an interest rate of (floating - 1 year MCLR + 1.35%) for the tenure of 7 years. It is repayable in 18 equal monthly installments after initial moratorium of 66 months from the date of the loan viz. 30 June 2016.

Perpetual Debt Instrument

During the year, the Company issued 94 Nos. of Unsecured Redeemable Non-Convertible Perpetual Debt in the nature of Debentures of face value of ₹ 5 lacs each aggregating to ₹ 470 lacs and 159 Nos. of Unsecured Redeemable Non-Convertible Perpetual Debt in the nature of Debentures of face value of ₹ 10 lacs each aggregating to ₹ 1,590 lacs. Total amount raised through Unsecured Redeemable Non-Convertible Perpetual Debt instruments is ₹ 2,060 lacs.

CREDIT RATING

During the FY 2016-17, the Company has obtained ratings from SMERA Ratings Limited (SMERA AA) for its long term Subordinated Debt Instruments. Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Credit Analysis & Research Limited ('CARE') retained its ratings on the Company's Short term debt instruments & long term Secured & Unsecured Debt instruments. Short-term debt instruments are reaffirmed at CARE A1+, rating for Subordinated Debt instruments, Secured Debt Instrument and Bank Facilities are re-affirmed at CARE AA-, reflecting that these instruments have high degree of safety regarding timely payment of financial obligations and carry very low credit risk. The rating of Perpetual Debt instruments have also been reaffirmed at CARE A+. The long term secured debt instruments and the Bank Facilities of the Company have been reaffirmed by ICRA Limited & India Ratings & Research Pvt Limited at ICRA AA - and IND AA- respectively.

Rating for Short-term debt instruments from CRISIL are re-affirmed at CRISIL A1+.

Instrument	Rating	Rating Agency
Rating Under Basel Guidelines		
Fund Based & Non Fund Based from Banks	AA-	CARE
	AA-	ICRA
	AA-	India Ratings
Short Term Debt (Commercial Paper)	A1+	CARE/CRISIL
Secured Redeemable Long Term Bond/Note	AA-	CARE
	AA-	ICRA
	AA-	India Ratings
Unsecured Subordinate Tier II Bonds	AA-	CARE
	AA	Brickwork/SMERA
Perpetual Debt Instruments	A+	CARE
	AA-	Brickwork

A status of ratings assigned by rating agencies and migration of ratings during the year is also provided in note no. 35(i) to the standalone financial statements.

PARTICULARS OF LOANS, GUARANTEE AND INVESTMENTS OUTSTANDING DURING THE FINANCIAL YEAR

Particulars of loans, guarantee and investments outstanding during the financial year is furnished in note nos. 14, 19, 30 and 43 to the standalone financial statements of the Company.

RISK MANAGEMENT

The Risk Management Committee (RMC), functions in line with the Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015. The Committee met 4 times during the year, its terms of reference and functioning are set out in the Corporate Governance Report. The Company understands that risk evaluation and risk mitigation is a function of the Board of the Company and the Board of Directors are fully committed to developing a sound system for identification and mitigation of applicable risks viz., systemic and non-systemic. The Company has also implemented/adopted Risk Management Policy.

To make the current Risk Management practice more robust and aligned to the industry practice, the management is taking help of external experts to set up an Integrated Risk Management (IRM) Framework encompassing both the Credit Risk and the Operational Risk of the organization. The said framework will eventually help manage the various types of credit and non-credit risks through constant monitoring of key parameters within the organization. Involvement of the Senior Management team with the external experts will ensure that the output of this IRM Framework is acclimatized to Magma's parlance and easily implementable across various functions.

Currently, Magma's Risk Management team of dedicated professionals uses latest statistical tools and applications to help it benchmark against the best competitive practices of the industry and accordingly align its credit policies for every customer category in accordance with the organization's own risk appetite and historical portfolio performance.

The country faced challenges this year during the months of demonetization in Q3 FY 2017 due to which the customer cash flows, particularly that of the entry level customers, was severely affected. However, the situation improved in Q4 and the collection performance of Magma improved significantly that helped the organization overcome the demonetization effect completely.

Challenges of Portfolio quality faced in FY 2016 that led to further calibration of the credit process and offerings has largely been overcome in FY 2017 in the new business model being followed for asset based finance products. Aided by a robust hind-sighting process, hawk like focus on early warning indicator (EWI) cases and resolution thereof with strong monitoring of portfolio quality measurement parameters, the initial results are encouraging.

Market risk

Magma's approach towards mitigation of market risk operate at two levels; namely -

(a) Identification of the macro-economic indicators as relevant to Magma's lending business and

(b) Establishing and regular monitoring of delinquency parameters at the portfolio level

Lead indicators

Lead macro-economic growth indicators that govern Magma's credit & risk policies are as follows:

1. Gross Domestic Product
2. Index of Industrial Production
3. Core Sector index
4. WPI Inflation
5. CPI Inflation

The above indicators have direct impact on customer cash flows and operational viability of a number of commercial assets that Magma funds; these are tracked very closely throughout the year to ensure portfolio level corrective steps from time to time.

Regular portfolio reviews by Magma's Risk Department that eventually reports to Magma's Risk Management Committee ensures assessment of the evolving and changing market risks. The RMC meets at regular intervals to chalk out road-map in respect of building asset base as well as maintaining portfolio quality in the evolving market.

Operational risk management

Operational risk encompasses anything that is beyond credit or market risk and covers a wide range of the Company's activities. It involves alignment of all functions and verticals towards identifying the key risks in the underlying process. Each functional vertical does transaction testing to evaluate internal compliance and thereby lay down processes for further improvement. Thus, the approach is "bottom-up" ensuring acceptance of findings and faster adoption of corrective actions, if any, to ensure mitigation of perceived risks.

Magma's Risk Department is working closely with external experts to set up a robust Operational Risk Framework in the organization to build up strong safe-guards against the perceived operational risks. With the proposed framework in place, Magma will look forward towards an automated Risk Control system which will better manage both policy and processes and help minimize frauds and improve portfolio quality.

Presently Magma already has following mechanisms and implemented processes that help minimize operational risks:

- All processes are standardized and documented
- Clearly defined delegation of authority matrix
- Segregated operations vertical to ensure effective maker and checker system
- Implementation of training calendar for all functions
- Easy access for all employees to various processes, rules, regulations and operating guidelines through web-based interactive system
- Internal audit process covering both on-site and off-site audit of branches and departments

In a nutshell, internal metrics form the key of risk management in Magma. The entire credit process is metrics-driven to achieve the risk-return goals and ensure a healthy portfolio.

Asset liability risk

Any mismatch in tenures of borrowed and disbursed funds may result in liquidity crisis and thereby impact Company's ability to service its loans. Thus it is imperative that there exists nil or minimal mismatch between the tenures of borrowed funds and assets funded. At Magma, prudence and appropriate risk is the guiding principle for decision making in the treasury functions. The Company has maintained appropriate asset liability maturity as regards its tenure and interest rates.

Foreign exchange risk

The Company has marginal exposure to foreign exchange risk, since its disbursements are in rupee terms and also its borrowings are in the nature of domestic rupee debt. Wherever limited foreign exchange exposure exists, the Company has entered into appropriate currency hedging to adequately cover up the said risk.

Liquidity risk management

Magma has over a period of 3 decades, worked meticulously in diversifying its borrowing profile and has repeatedly enhanced the set of institutions it borrows from. Such diversified and stable funding sources emanate from several segments of lenders like Banks, Insurance Companies, Mutual Funds, Pension funds, Financial and other institutions including Corporates. In addition to this the Company has established a formidable track record in its access to the securitization/ assignment market. As a matter of prudence and with a view to manage liquidity risk at optimum levels, Magma keeps suitable levels of unutilized bank limits to effectively mitigate possible contingencies arising out therefrom.

The Company has in place an Asset Liability Management Committee (ALCO) comprising of Board Members, which periodically reviews the asset-liability positions, cost of funds and sensitivity of forecasted cash flow over both short and long-term time horizons. It accordingly recommends for corrective measures to bridge the gaps, if any. The ALCO reviews the changes in the economic environment and financial markets and suggests suitable strategies for effective resource management. This results in proper planning on an on-going basis in respect of managing various financial risks viz. asset liability risk, foreign currency risk and liquidity risk.

People Risk

We are vigilant in ensuring that various possible people risks are anticipated and addressed at the earliest if they occur. Some people risks that Magma focuses on include:

Risks associated with recruitment:

- Not finding candidates with appropriate qualifications & experience at affordable cost and in the location required
- Cultural misalignment

Risks associated with employing people:

- Losing high performers / people in critical roles
- Lack of timely action against non-performers
- Ethical and fraud related issues

Risks associated with redeploying or letting people go include:

- Terminations or job loss due to organization restructuring

Further the Board is of the opinion that at present there are no material risks that may threaten the functioning of the Company.

INTERNAL CONTROL SYSTEM

Internal Control and Audit

Magma has an adequate system of internal controls in place. The company has documented its policies, controls and procedures, covering all financial and operating functions, designed to provide a reasonable assurance with regard to reliability of financial reporting, monitoring of operations, protecting assets from unauthorized use or losses, compliances with regulations, prevention and detection of fraudulent activities etc. The Company has continued its efforts to align all its processes and controls with leading practices.

A well-established, independent Internal Audit team reviews, monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, procedures and policies of the Company and its subsidiaries. The scope and authority of the Internal Audit division is derived from the Audit Charter, duly approved by the Audit Committee.

The Audit Committee of the Board of Directors, comprising of independent directors, regularly reviews the audit plans, significant audit findings, adequacy of internal controls, compliance with accounting standards as well as reasons for changes in accounting policies and practices, if any.

Internal Financial Control

Your Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively. In this regard, your Board confirms the following:

- Systems have been laid to ensure that all transactions are executed in accordance with management's general and specific authorization. There are well-laid manuals for such general or specific authorisation.

- Systems and procedures exist to ensure that all transactions are recorded as necessary to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles or any other criteria applicable to such statements, and to maintain accountability for aspects and the timely preparation of reliable financial information.

- Access to assets is permitted only in accordance with management's general and specific authorization. No assets of the Company are allowed to be used for personal purposes, except in accordance with terms of employment or except as specifically permitted.

The existing assets of the Company are verified/checked at reasonable intervals and appropriate action is taken with respect to any differences, if any.

VIGIL MECHANISM/ WHISTLE BLOWER POLICY

The Company has in place a vigil mechanism named "Breach of Integrity and Whistle Blower (Vigil Mechanism) Policy" to provide a formal mechanism to the Directors and employees to report their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy. The Policy provides for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee.

The details of the said Policy is explained in the Corporate Governance Report and also posted on the website of the Company www.magma.co.in at https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

HUMAN RESOURCE- PEOPLE COUNT AT EVERY STEP

At Magma, our belief is that people are key in ensuring consistent business success. Our aim is to provide a conducive work environment and enhance their skills, so that they can add more value for the Company while meeting their career aspirations.

Learning and development

During 2016-17 we launched some key initiatives to create an ecosystem of continuous learning. Performing field staff was taken through a structured training program to prepare them for the next role and thus, create a steady supply of trained manpower for the first level managerial roles. For branch managers a focused program was conducted to impart skills for becoming effective in a multi-product business model. They were also given inputs on people management and client relationship management in an experiential manner. Train the Trainer (TTT) workshops were conducted to create a pool of trainers in business who imparted product/process training to their teams. During the TTT participants were trained on platform skills, session engagement, query handling and creating a conducive learning environment, using appropriate communication tools.

We have provided our field officers with user-friendly tabs to streamline the process and save time. Relevant training has also been given to utilise this technology in the best possible way.

We conducted trainings through our online channel portal to ensure all-round development, anytime, anywhere.

Driven by technology

PeopleSoft implementation is well underway and Leave & Attendance, Employee Confirmation, even automated Birthday mails have gone live. We have a full agenda ahead of us with a complete suite of modules scheduled to go live. Intent is to significantly leverage technology thereby simplifying lives of our internal stakeholders (employees) and quicker decisioning and access to information.

Incentive schemes

Schemes are sharper with clear key performance indicators (KPIs) for people to ensure better accountability and understanding. We have monthly incentive schemes based on the monthly performance of employees. These are dynamic schemes that reflect changes in the external business environment also. In FY 17, we responded to the challenges of demonetisation with schemes driving Collections and focusing on specific business drivers.

Employee retention endeavours

Employee retention has always remained one of our most significant focus areas. To strengthen the process, we emphasise on:

- Maintaining work-life balance
- Personally communicating with our employees to understand their problems
- Strengthening employee touch points with HR via branch visits, open house
- Clarifying career aspirations for key talent so that they remain aware of their growth within Magma.

OUTLOOK

In the coming year, we will focus on the following areas:

- Talent acquisition & management
  - Recruitment / staffing
  - Signature new hire orientation framework
  - Talent management
- Enhance HR processes by Leveraging technology. Enable all PS modules – Separation, Flexi Pay, Recruitment, Manpower Planning, Dashboards
- Enable efficiencies and performance by strengthening Performance management architecture
  - Simplify and implement a robust performance improvement plan
- Cultural transformation
  - Create and execute a roadmap for driving the key cultural shifts across the organisation
  - Galvanise and motivate the 'rank and file' of the organisation
- Strengthening process of employee investigation and consequence management
  - Drive mandatory online programs (Annual Certification)
  - Value based recognition framework

Sexual Harassment of Women at Workplace

The Company has zero tolerance towards sexual harassment at the workplace and has adopted a 'Policy for Prevention of Sexual Harassment' to prohibit, prevent or deter any acts of sexual harassment at workplace and to provide the procedure for the redressal of complaints pertaining to sexual harassment, thereby providing a safe and healthy work environment, in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act 2013 and the rules thereunder. During the year under review, one case of sexual harassment was reported, which was then resolved by the Company.

INFORMATION TECHNOLOGY

Magma Information Technology strives to emerge as an enabler for the business functions and have been instrumental in driving automations and transformations.

This year Information Technology focused on business value and cost optimization along with focus on regulatory controls implementation.

In 2016-17 Magma's Datacenter Compute and Storage has been enhanced significantly to enable quick, efficient and quality delivery of various IT initiatives bringing business value. Worked closely and collaborated with various stakeholders to expand Magma footprint by an additional 56 branches. As part of the cost optimization drive, brought all tablet users into a uniform data plan, removed barely utilized hardware reducing rack and AMC charges.

Magma Service Desk (MSD), which is the primary interface for all employees to address their IT, HR or Admin requirements, has evolved well resulting in greater satisfaction amongst employees regarding the various services being delivered by IT, Admin and HR departments. MSD has been enabled for accessing from internet in a secured way by authenticating with company's employee data and also made the same available in tablets enabling sales force and FOS to also address their needs and concerns through MSD.

The initiatives of last year - Decision Support System (DSS) on mobile tablets, CADD form to assist the decision for credit team, fuzzy logic system to de-duplicate customer records have now got adopted very well have improved the speed of credit sanctions.

Business Intelligence dashboards usage have gone up showcasing the near-optimal utilization of automation processes to drive decisions. Attendance and Leave management have been rolled out in Peoplesoft as part of the initiative of consolidation of HR processes. Asset management module on MSD is now hosting the list of all IT Assets like laptop, desktop, Network equipment and Softwares.

Other initiatives in this year included – Empowering of Customer service desk with automated lead generation through 'Cross Sale lead management" module, Journey planning for Sales and other allied functions including Credit, F&F, Product team giving more visibility to the senior leadership about visit plans and actual visits and enablement of cross sell of Insurance products (MLS, LP) through integration at FO Tab and building deviation dashboards.

Various Security initiatives to prevent data leakage, enhancement of Anti-malware, Anti-Ransomware capabilities and Information Rights Management (IRM) to authenticate users while accessing confidential/sensitive data has been implemented. These cover Seclore – IRM for secure document sharing, Zscalar –protection for laptops from Internet threats when connected on personal Wifi (out of Magma Network), Web Application Firewall (WAF) to prevent Hacking attacks on web based applications. These initiatives along with few automations like deletion of user accounts on last working day of employee improvised the IT compliance to a considerable extent.

During FY17-18, we will continue the stabilization of various initiatives and work towards a continual improvement cycle.

CORPORATE IMAGE BUILDING & ENGAGING TARGET AUDIENCE

The group had an overall objective plan to rectify the quality of the book and ensure that the incremental business is of a superior quality. Larger focus was on collections and revamping and establishing a revised sales and under writing process through the year. Hence, for Magma group in FY17, the key focus continued to be on Below-The-Line marketing activations across targeted geographies, where we had planned a larger share of the budgeted disbursals. These activation programs were largely consisting of low-cost visibility at dealership level and engaging the target audience through well planned series of activities at local levels. In branch communications and events were focused more in order to achieve better cross sell and upsell to existing customers. Of course, keeping in mind that we are seen as a 'Multi-Product Loan Solutions Provider'.

Through these events, we have showcased all asset products from Magma stable – Vehicles, new and used, Unsecured SME lending and the Housing products. The key focus in sales activities revolved around automation and tablet adoption, to leverage the revamped sales process changes being undertaken across all loan products. Customer convenience and ease of decision making to reduce the Turnaround times was the key deliverable of these technology based solutions on tablets. The same had been truly appreciate by channels and customers both.

For Autolease business, in FY 2016-17, we have been able to show significant growth. The same was achieved by increasing the penetration of the current set of corporates and also by adding new customers. This was achieved with a lot of employee engagement activities at these corporates, working closely with the manufacturers and dealers. Special offers were worked out with the dealers for these corporates, and we had new range of collaterals made to attract the eligible employees at these corporates to finalise their car lease option. We continued to work closely with the large brands within our portfolio such as Honda, Hyundai, Mercedes, BMW, Ford, etc., that helped us to get a higher mindshare from targeted audience.

In the Housing business, Magma focused on Affordable Housing projects by putting up hoardings at approved project locations and those funded by us for Construction loans. We attended all National Housing Bank and builder association anchored events and in some smaller locations, even organized Builder meets to make them familiar with Magma Housing products and build relationships. "Shikhar", an in-branch Cross selling initiative was taken across all the states through-out the year where existing customer of ABF business were invited and availed spot sanctions on Home loans. As part of the PMAY schemes, towards the end of the year, we have geared up to promote these schemes very proactively at some of the affordable housing projects. The branches were decorated around all key festivals when these events were conducted, and entire ABF teams were also involved, as the existing customers was the key target for this activity.

At MHDI, like the other businesses, the focus was more on local events and activities engaging both end consumers & intermediaries. At MHDI, we revamped the Loyalty program, tied up with a new partner and renewed the relationship for a much superior offering to our channel partners. We have created a new specially designed channel kit that was shared with most of the Agents, which was highly appreciated. Preferred partner Conclave was organized for our large channel and corporate partners in Delhi, which saw an exceptional response. An Agent marketing application was developed in order to engage with the agents, with all possible details for the channels to be able to engage with their end customers.

In order to improve the brand recall and enhance our brand image and position the Aapke Sapne Hamara Saath', campaign launched

last year continued to be the key theme for our communications strategy. To connect with our Rurban target audience, the said communication was executed in vernacular languages and to maintain uniform & cohesive communication we have already implemented this communication strategy across all internal, consumer & channel touch points. The channel portal, a unique medium of communications and messaging to the channels has been in use this year. It is not being offered by any other bank or NBFC to the extent we have, with two way communications possible, along with servicing and complaints as the key pillars of this portal, each channel having its own log-in credentials to access the same. This is over and above the adoption of Tablets as a front end device for not just channel and customer visits, but to log in the files, service them and provide a stage wise update on the movement of the file at various processing stages. The Housing and SME business this year have also rolled out the same, which is helping us to improve the service levels for channels and also our customers.

CUSTOMER RELATIONSHIP MANAGEMENT

Magma has a diverse product portfolio across asset financing, mortgage financing, SME financing, general insurance, and is well positioned to provide a one stop solution to a wide range of financing requirements of its target customers. Magma's credit screens and processes are aligned to deliver superior customer service to the target customers who are largely first time buyers and small customers in deeper catchments of rural and semi urban India.

In our constant endeavor to provide excellence in customer relationship management & constantly improve our service delivery level, we have revised the bar for superior service levels. The number of customer queries and complaints have been significantly reduced. The call centre has been thrown open now to the entire country, with customers calling in from across all states on this toll free number. The promised service levels in terms of Turnaround times have been significantly reduced as we strive towards a close to 98% level of queries and complaints being resolved within the promised service levels of turnaround time. The regular updates to customers over SMS for their loans during processing or even servicing and closure has helped us to provide a quick, almost instant update and transparency to our customers.

Events like "Shikhar" – the in branch invitation for spot sanction for new Homeloans provided to our existing ABF and SME customers has continued to help us reach out and cross sell serve existing customers. The focus on Customer Service desk in all branches has helped us to tap online queries of our potential customers, potential channel partners & potential employees & engage them through multiple initiatives. During the year, we have also launched various customer feedback studies through our call centre, in-branch customer services, short-code services & emailer campaigns.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Appointment

Your directors at its meeting held on 13 August 2016 on the recommendation of the Nomination and Remuneration Committee had appointed Mr. V K Viswanathan (DIN: 01782934) as the Additional Director in the capacity of Non-Executive Independent Director with effect from 13 August 2016. The shareholders of the Company at the Annual General Meeting of the Company held on 19 September 2016 had approved the appointment of Mr. Viswanathan as an Independent Director of the Company with effect from 13 August 2016.

Retirement by Rotation

In accordance with the provisions of the Companies Act, 2013, and Regulation 36 of the Listing Regulation, the details of the director liable to retire by rotation is furnished in the Notice of the ensuring Annual General Meeting (AGM) of the Company.

The Board of Directors of your Company recommends the re-appointment of the Director liable to retire by rotation at the ensuing Annual General Meeting (AGM).

Resignation

Mr. Srenik Singhvi (DIN: 01320619) who was appointed as the Additional Director of the Company in the capacity of the Non Executive Independent Director of the Company resigned from the Board of Directors with effect from 11 August 2016.

Chief Financial Officer

Mr. Kailash Baheti has been appointed as the Chief Financial Officer of the Company with effect from 4 November 2016 in place of Mr. Atul Bansal who stepped down from the post of Chief Financial Officer of the Company with effect from close of business hours of 3 November 2016. The Nomination and Remuneration Committee and the Audit Committee of the Board has recommended the said appointment to the Board of Directors.

Independent Directors

The Company has received declarations pursuant to Section 149(7) of the Companies Act, 2013 from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed both under Section 149(6) of the Companies Act, 2013 and in terms of Regulation 16 of Listing Regulations.

Familiarization programme

In compliance with the requirement of Regulation 25 of Listing Regulations, the Company has put in place a familiarization programme for the Independent Directors to familiarize them about the Company and their roles, rights, responsibilities in the Company. The details of the familiarization programme are explained in the Corporate Governance Report. The same is also available on the website of the Company www.magma.co.in at https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

Performance Evaluation

The Board evaluated the effectiveness of its functioning and that of the Committees and of individual directors by seeking their inputs on various aspects of Board/Committee Governance through structured questionnaire.

The aspects covered in the evaluation included the contribution to and monitoring of corporate governance practices, participation in the long-term strategic planning and the fulfilment of Directors' obligations and fiduciary responsibilities, including but not limited to, active participation at the Board and Committee meetings.

The Chairman of the Board had one-on-one meetings with the Independent Directors and the Chairman of the Nomination and Remuneration Committee had one-on-one meetings with the Executive and Non-Executive Directors. Also, the Nomination and Remuneration Committee has carried out evaluation of every director's performance and reviewed the self evaluation submitted by the respective directors. These meetings were intended to obtain Directors' inputs on effectiveness of Board/ Committee processes.

The Board considered and discussed the inputs received from the Directors. Further, the Independent Directors at their meeting, reviewed the performance and role of non-independent directors and the Board as a whole and Chairman of the Company. Further, the IDs at their meeting had also assessed the quality, quantity and timeliness of flow of information between the Company management and the Board that was necessary for the Board to effectively and reasonably perform their duties.

Remuneration Policy

The Board has, on the recommendation of the Nomination and Remuneration Committee adopted the Remuneration Policy, which inter-alia includes policy for selection and appointment of Directors, Key Managerial Personnel, Senior Management Personnel and their remuneration. The Remuneration Policy is stated in the Corporate Governance Report.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of our knowledge and belief, your Directors make the following statements in terms of Section 134 (5) of the Companies Act, 2013:

a. that in the preparation of the annual accounts for the year ended 31 March 2017, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

b. that such accounting policies as mentioned in Notes to the annual accounts have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2017 and of the profit of the Company for the year ended on that date;

c. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d. that the annual accounts have been prepared on a going concern basis;

e. that proper internal financial controls are in place and that the financial controls are adequate and are operating effectively; and

f. that proper systems to ensure compliance with the provisions of all applicable laws are in place and that such systems are adequate and operating effectively.

MEETINGS

Minimum four pre-scheduled Board meetings are held annually. Additional Board meetings are convened by giving appropriate notice to address the Company's specific needs. In case of business exigencies or urgency of matters, resolutions are passed by circulation.

During the year four Board Meetings and four Audit Committee Meetings were convened and held, the details of which are given in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and Listing Regulations.

Audit Committee

Pursuant to induction of Mr. V K Viswanathan, the Audit Committee was reconstituted and presently comprises of Mr. Narayan K Seshadri who serves as the Chairman of the Committee and Mr. Nabankur Gupta, Mr. Satya Brata Ganguly, Mr. Sanjay Nayar and Mr. V K Viswanathan as other members. The terms of reference of the Audit Committee has been furnished in the Corporate Governance Report. All the recommendations made by the Audit Committee during the year were accepted by the Board.

Nomination and Remuneration Committee

Pursuant to induction of Mr. V K Viswanathan, the Nomination and Remuneration Committee was reconstituted and presently comprises of Mr. Nabankur Gupta who serves as the Chairman of the Committee and Mr. Narayan K Seshadri, Mr. Mayank Poddar, Mr. Satya Brata Ganguly, Ms. Ritva Kaarina Laukkanen and Mr. V K Viswanathan as other members. The terms of reference of the Nomination and Remuneration Committee has been furnished in the Corporate Governance Report.

Stakeholders' Relationship Committee

The composition and terms of reference of the Stakeholders' Relationship Committee has been furnished in the Corporate Governance Report.

Corporate Social Responsibility (CSR) Committee

The Corporate Social Responsibility Committee comprises of Mr. Mayank Poddar who serves as the Chairman of the Committee and Mr. Sanjay Chamria and Mr. Satya Brata Ganguly as other members.

The Annual Report on CSR activities is annexed herewith and marked as Annexure 1.

CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All transactions with Related Parties are placed before the Audit Committee for approval. All related party transactions that were entered into during the financial year were on an arm's length basis and in the ordinary course of business, the particulars of such transactions are disclosed in the notes to the financial statements. Further, there has been no materially significant related party transactions between the Company and its directors, their relatives, subsidiaries or associates, hence, the Company is not required to provide the details of form AOC-2.

The Policy on Related Party Transactions has been posted on the Company's website at its weblink i.e.https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

There were no significant material orders passed by the Regulators / Courts / Tribunals which would impact the going concern status of the Company and its future operations.

STATUTORY AUDITORS

M/s. B S R & Co. LLP, Chartered Accountants, Bangalore, bearing Registration No. 101248W/W-100022 have been appointed as the Statutory Auditors of the Company for a period of 5 years from the conclusion of the 36th AGM (for FY 2015-16) till the conclusion of the 41st AGM (for FY 2020-21). The Board now recommends the appointment of M/s. B S R & Co. LLP for ratification by the Members at the Annual General Meeting for the FY 2017-18.

Statutory Auditors' Observations

The notes on financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors Report does not contain any qualification, reservation, adverse remark or disclaimer.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors of the Company has appointed M/s. MKB & Associates, Practicing Company Secretaries [Membership No-7596] to conduct the Secretarial Audit for the FY 2016-17. The Secretarial Audit Report for the financial year ended 31 March 2017 is annexed herewith and marked as Annexure-2. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

BUSINESS RESPONSIBILITY REPORT (BRR)

As stipulated in Regulation 34(2)(f) of the Listing Regulations, the Business Responsibility Report describing the initiatives taken by the Company from environmental, social and governance perspective forms part of this Report.

CORPORATE GOVERNANCE

Your Company complies with the provisions laid down in Corporate Governance laws. It believes in and practices good corporate governance. The Company maintains transparency and also enhances corporate accountability. In terms of regulation 34 of Listing Regulations read with Schedule V, the following forms part of this Report:

(i) Declaration regarding compliance of Code of Conduct by Board Members and Senior Management Personnel;

(ii) Report on the Corporate Governance; and

(iii) Auditors' Certificate regarding compliance of conditions of Corporate Governance.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

Your Company does not have any activity requiring conservation of energy or technology absorption and the foreign exchange earnings and the foreign exchange outgo of the Company is furnished in note no. 34 to the standalone financial statement.

EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in form MGT 9 forms part of this Report and is annexed herewith and marked as Annexure-3.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

In terms of the provisions of Section 197(12) of the Companies Act, 2013 ('the Act') read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are provided in this Report and marked as Annexure-4.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016 are provided in this Report and marked as Annexure-4.

TRANSFER OF AMOUNT TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of the Companies Act, 2013, relevant amount which remained unpaid or unclaimed for a period of seven years have been transferred by the Company, from time to time on due dates, to the Investor Education and Protection Fund (IEPF). During the year under review your Company has transferred ₹ 1,73,935/- (Rupees One lacs Seventy Three Thousand Nine Hundred Thirty Five Only) to IEPF.

Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 19 September 2016 (date of last Annual General Meeting) on the Company's website (www.magma.co.in), as also on the Ministry of Corporate Affairs' website.

FRAUD REPORTING

There was no fraud reported by the Auditors of the Company under section 143(12) of the Companies Act, 2013, to the Audit Committee or the Board of Directors during the year under review.

APPRECIATION

Your Directors would like to record their appreciation of the hard work and commitment of the Company's employees and warmly acknowledge the unstinting support extended by its bankers, alliance partners and other stakeholders in contributing to the results.

CAUTIONARY STATEMENT

Statements in the Board's Report and Management Discussion and Analysis, describing the Company's objectives, outlook, opportunities and expectations may constitute "Forward Looking Statements" within the meaning of applicable laws and regulations. Actual results may differ from those expressed or implied expectations or projections, among others. Several factors make a significant difference to the Company's operations including the government regulations, taxation and economic scenario affecting demand and supply, natural calamity and other such factors over which the Company does not have any direct control.

For and on behalf of the Board

Narayan K Seshadri	**Sanjay Chamria**
Chairman	Vice Chairman and Managing Director
DIN: 00053563	DIN: 00009894

Mumbai
11 May 2017

Annexure -1 to Board's Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

[Pursuant to clause (o) of sub-section (3) of section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014]

1. **A brief outline on the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs**

   Magma firmly believes that it has a commitment to all its stakeholders, customers, employees and the community in which it operates and it can fulfill this commitment only by sustainable and inclusive growth. The Company aims to improve quality of life through its positive intervention in the community.

   Magma's key CSR initiatives is undertaken with a long-term view. Initiatives that are sustainable, that have long-term benefits to the society at large and that have business linkage, but which do not result in business benefits. The focus area of CSR initiatives at Magma are education, health and environment.

   Web-link of the CSR Policy:

   The CSR Policy adopted by the Company may be referred to, at the web-link https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

2. **The Composition of the CSR Committee**

Sl No.	Name of the Directors	Category
1.	Mr. Mayank Poddar (Chairman)	Promoter, Executive
2.	Mr. Sanjay Chamria	Promoter, Executive
3.	Mr. Satya Brata Ganguly	Independent, Non-Executive

3. **Average net profit of the Company for last three financial years**

   Average net profit of the Company for last three years is ₹ 20,673.73 lacs

   The Company has reviewed adjustment hitherto being done for provisions on standard and non-performing assets for calculating available profit for calculation of CSR, and recalculated the balance amount of CSR expenditure required to be incurred as at the beginning of the year i.e. 1 April 2016.

4. **Prescribed CSR expenditure (2% of the amount as in item no. 3 above)**

   The Company was required to spend ₹ 413.47 lacs based on the average net profit mentioned in Para 3 above.

5. **Details of CSR spent during the financial year**

   a. **Total amount to be spent for the financial year:**

   The total amount to be spent by the Company during the year was ₹ 748.24 lacs which included amount brought forward from the previous years i.e. ₹ 334.77 lacs.

   b. **Amount unspent, if any:**

   During the year the Company has spent a sum of ₹ 374.07 lacs and the balance unspent amount of ₹ 374.17 lacs is carried forward for the next financial year.

c. **Manner in which the amount spent during the financial year is detailed below:**

(₹ In lacs)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	**CSR project or activity identified**	**Sector in which the project is covered**	**Location of project (District & State)**	**Amount outlay**	**Amount spent on the projects or programs**	**Cumulative Expenditure up to the reporting period**	**Amount spent: Direct or through implementing agency**
1	Trucker's Initiative	Health, Sanitation and Environment	Karimnagar & Vijaywada (Andhra Pradesh), Kanpur (Uttar Pradesh), Bhillai, (Chattisgarh), Patna (Bihar), Sangrur, Chandigarh, Patiala, Bhatinda, Moga, Mandi, Baddi, Ludhiana, Jalandhar, Amritsar, (Punjab), Hapur, Gurgaon, Rewari, & Faridabad (NCR), Karnal, Hissar (Haryana), Sankari (TamilNadu), Nagpur, Nashik (Maharashtra), Ranchi, Jamshedpur (Jharkhand)	250.00	253.08	253.08	Direct
2	Forest Plantation	Environment	Kolkata (West Bengal)	80.00	6.83	6.83	Direct
3	M Scholar	Education	PAN India	61.00	49.51	49.51	Direct
4	Mid Day Meal	Health and Education	Kolkata (West Bengal), Nellore (Andhra Pradesh)	19.00	19.20	19.20	ISKCON Food Relief Foundation (IFRF)
5	Ekal Vidyalaya Project	Education	Simdega (Jharkhand)	4.00	12.92	12.92	Friends of Tribal Society (FTS)
6	Magma Swayam	Healthcare, Education and Environment	Kolkata (West Bengal), Bhubaneshwar (Orissa), Chandigarh (Punjab), Karnal (Haryana), Jaipur (Rajasthan), Delhi, Lucknow (Uttar Pradesh), Hyderabad (Andhra Pradesh), Vijayawada (Andhra Pradesh), Kerala, Raipur (Chattisgarh), Chennai (Tamil Nadu)	95.00	15.23	15.23	Direct
7	Sanitation and clean drinking water for rural school	Heath and Environment	West Bengal, Andhra Pradesh	15.00	-	-	-
Total Direct expenses of projects & programmes (A)				524.00	356.77	356.77	
Overhead Expenses (B)				25.00	17.30	17.30	-
Total (A) + (B)				**549.00**	**374.07**	**374.07**	

6. Key achievements

Magma has made sustainable finance a key pillar of its future growth. With business units active in the areas of financial inclusion by providing finance for car, commercial vehicle, construction equipment, tractor, used asset, SME loans and mortgage, Magma has created an impact among the most disadvantaged stakeholders in the society to catalyze a shared sustainable future.

Inclusive growth has always been paramount to us, which is reflected in our commitment towards socio-economic development of the under-privileged communities around us. Corporate Responsibility at Magma starts with the shared values that form the foundation of our culture: Openness and transparency, Integrity and credibility, Fairness and impartiality, Trust and respect for people and demanding excellence.

Today, our CSR involvement comprises a wide range of activities as well as strong stakeholder involvement, both of which we continuously develop. For Magma, CSR means responsible business practices, something that encompasses economic, ecological and social aspects. Key achievements are highlighted below:

Trucker's Initiative

Over the years, Magma has been encouraging millions of drivers within the country's transportation sector to turn into entrepreneurs by financing the purchase of commercial vehicles. Fuel accounts for 50-60 per cent of the operating costs of plying a truck. At a time when diesel costs peaked at ₹ 67/- per litre and profitability of the transport sector declined, Magma reasoned that its CSR engagement needed to focus on how truckers could derive superior mileage, better earnings and wider prosperity.

Magma collaborated with Petroleum Conservation Research Association (PCRA), a Government of India undertaking to launch a nation-wide initiative to help Indian truckers reduce their operating costs by improving their mileage and hence reduce air pollution that causes many ailments among truckers. Training workshops on improving driving habits for better mileage and fuel conservation are organized regularly. Besides, certification and installation of E-toilets are also carried out with an aim to improve the hygiene sanitation facility. Through a survey done for the initiative for all group companies, we found that 90% of the drivers were satisfied from the trainings and 88% have implemented the techniques which resulted in saving significant volume of fuel and reduced large amount of CO_2. Under the program, Magma and PCRA have so far trained over 80,000 Truckers in 143 Transport Nagars across the country.

"M-Scholar" - the scholarship scheme for meritorious students'

Magma provided financial assistance to 99 meritorious students from low income families across the country to meet a part of their education and related expenses while pursuing higher studies. The scholarship is applicable for the Indian students who have appeared for senior secondary board exams and who wish to pursue Undergraduate and Postgraduate studies at a recognized college/ university in India.

Under this scheme Magma is supporting students whose parents are daily wage earners/machine operators/ household help etc. Inspite of the hardships, the students have managed to enroll in eminent colleges like St Stephens, Delhi, reputed Engineering colleges like IIT, ISM, NIT and leading medical colleges.

Mid Day Meal Program

Mid Day Meal is a strategic program, instituted by Government of India, to liberate the underprivileged children from scourge of hunger and malnutrition. ISKCON Food Relief Foundation (IFRF) is the biggest implementer of this program under the brand name 'Annamitra' in select schools in Delhi, Maharashtra, Rajasthan, Andhra Pradesh, Madhya Pradesh, Uttaranchal, Haryana, Jharkhand, Assam and West Bengal. The 'Annamrita' program is based on the belief that one meal a day brings thousands of children to school. Magma pledged support for "Annamrita" for 1,581 students from KMC schools for a complete school year. The idea was to provide hygienically cooked, balanced, nutritious, wholesome food for children in municipal and government aided schools in Kolkata (West Bengal) and Nellore (Andhra Pradesh).

Ekal Vidyalaya Project - taking education to remote India

Magma partnered with the Friends of Tribal Society (FTS) for their Literacy Project and adopted school in rural village. Titled Ekal Vidyalaya, this is an innovative concept of One Teacher, where a single trained teacher educates children in the age group of 6-14 years for three hours every day using informal methods. The school curriculum is tailored to teach the children basic literacy and life skills to help them develop self-confidence and succeed in rural occupations and pursue higher education.

Magma Swayam – Corporate Volunteering Program

Behind the successful implementation of the CSR programs, stand the employees of Magma with their vast skills and knowledge. Magma runs Swayam, a volunteering program that encourages employees to be catalyst for social benefits. Magma encourages employees to contribute their time and expertise in a variety of forms to support social initiatives. Swayam was run through 13 locations where the local Magmaites took their time out and contributed to social good.

Awards

The impact made by Magma has received its due commendation. Magma has received the following Awards for its CSR practices:

- Runner-up award at the 20th NHRD National Conference 2016 in the Category of Corporate CSR Best Practice Award for the project Highway Heroes.
- CSR Impact Award by NGO Box for the project Highway Heroes.
- CSR Leadership Award at National CSR Leadership Congress.
- Corporate Responsibility Awards from i-Invest magazine UK in 2016.

7. The reasons for not spending the minimum allocated amount:

Your Company would like to submit that this being the initial phase of structured implementation of CSR initiatives, Magma is under process of tie-up up with various associations/organization/trust for pursing the CSR activities as envisaged in the CSR Policy. Magma along with its subsidiary companies has formed Magma Foundation, Registered Trust for undertaking various CSR projects and programs going forward.

Magma has been extending support to the Society by way of various CSR activities. Pursuant to enactment of Companies Act, 2013, this is the third year in which the Company commenced the CSR activities in an organised way. The process of identifying activities and various tie ups delayed the expenditure towards the minimum allocation of the CSR spend towards the year end and hence the Company could not spend full amount of envisaged CSR expenditure. The Company would strive to fulfill its commitment for the FY 2016-17 by spending the amount carried forward in the FY FY 2017-18.

8. Responsibility Statement

The CSR Committee confirms that the implementation and monitoring of CSR Policy is in line with the CSR objectives and policy of the Company.

Sanjay Chamria
(Vice Chairman and Managing Director)

Mayank Poddar
(Chairman CSR Committee)

Annexure -2 to Board's Report

SECRETARIAL AUDIT REPORT
FORM NO. MR-3
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
The Members,
Magma Fincorp Limited

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s Magma Fincorp Limited** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

The Company's Management is responsible for preparation and maintenance of secretarial records and for devising proper systems to ensure compliance with the provisions of applicable laws and regulations.

Based on the verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2017, to the extent applicable, according to the provisions of:

i) The Companies Act, 2013 (the Act) and the rules made thereunder;

ii) The Securities Contracts (Regulation) Act, 1956 and Rules made thereunder;

iii) The Depositories Act, 1996 and Regulations and Bye-laws framed thereunder;

iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Overseas Direct Investments, Foreign Direct Investments and External Commercial Borrowings;

v) The following Regulations and Guidelines prescribed under the Securities & Exchange Board of India Act, 1992 ("SEBI Act") or by 'SEBI', to the extent applicable:

   a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011

   b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015

   c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009

   d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014

   e) The Securities and Exchange Board of India (Issue and listing of Debt securities) Regulations, 2008

   f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993

   g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009

   h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998

vi) The following Directions, Circulars and Guidelines prescribed by the Reserve Bank of India, inter alia, specifically applicable to the Company:

a) The Reserve Bank of India Act, 1934 (Chapter IIIB), Sec 45 IA

b) Master Circular dated 1st July, 2015 on Know Your Customer (KYC) Guidelines – Anti Money Laundering Standards (AML) – Prevention of Money Laundering Act, 2002

c) Master Circular dated 1st July, 2015 on Fair Practices Code

d) Master Circular dated 1st July, 2015 on Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015

e) Master Circular dated 1st July, 2015 on Miscellaneous Instructions to NBFC- ND-SI

f) Master Circular dated 1st July, 2015 on Frauds- Future approach towards monitoring of frauds in NBFCs

g) Issuance of Non-Convertible Debentures (Reserve Bank) (Amendment) Directions, 2010 read with Guidelines on Raising Money through Private Placement by NBFCs issued on 27 June, 2013 read with RBI's Circular dated 2 July, 2013 and 20 February, 2015

h) Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015

i) Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

j) Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016

k) Master Direction - Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016

l) Master Direction- Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016

m) Master Direction on Know Your Customer (KYC) Direction, 2016

n) Other Circulars/ Directions/ Guidelines issued by RBI in relation to Non-Banking Financial Companies, from time to time;

We have also examined compliance with the applicable clauses of the following:

a) The Secretarial Standards issued by The Institute of Company Secretaries of India

b) The Listing Agreements entered into by the Company with the BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) and the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that

a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

b) Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

c) None of the directors in any meeting dissented on any resolution and hence there was no instance of recording any dissenting member's view in the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the period under audit there were:

a) Redemption of 65,00,999 nos. Cumulative, Non-Convertible, Redeemable Preference shares of ₹ 100/- each on 04/04/2016;

b) Allotment of Equity Shares of ₹ 2/- each pursuant to exercise of Options under the Scheme of ESOP, namely, 'Magma Employee Stock Option Plan, 2007' as under:

   i. 15,000 nos. allotted on 26/04/2016;

   ii. 90,000 nos. allotted on 13/08/2016;

   iii. 26,000 nos. allotted on 08/02/2017;

c) Preferential issue & allotment of Rated Secured Redeemable Non-Convertible Debentures of ₹ 10,00,000/- each as under:

   i. 50 nos. allotted on 10/01/2017;

   ii. 500 nos. allotted on 13/02/2017;

d) Preferential issue and allotment of Rated Unsecured Redeemable Non-Convertible Subordinated Debentures of ₹ 10,00,000/- each as under:

   i. 350 nos. allotted on 07/12/2016;

   ii. 100 nos. allotted on 14/12/2016;

   iii. 30 nos. allotted on 28/12/2016;

   iv. 50 nos. allotted on 03/01/2017;

   v. 200 nos. allotted on 06/01/2017;

   vi. 250 nos. allotted on 24/01/2017;

   vii. 150 nos. allotted on 03/03/2017;

e) Preferential issue of Rated Unsecured Non-Convertible Subordinated Perpetual Debt in the nature of debentures as under:

   i. 60 nos. allotted on 14/06/2016 of ₹ 5,00,000/- each;

   ii. 34 nos. allotted on 05/07/2016 of ₹ 5,00,000/- each;

   iii. 100 nos. allotted on 01/08/2016 of ₹ 10,00,000/- each;

   iv. 30 nos. allotted on 09/09/2016 of ₹ 10,00,000/- each;

   v. 19 nos. allotted on 03/02/2017 of ₹ 10,00,000/- each;

   vi. 10 nos. allotted on 07/03/2017 of ₹ 10,00,000/- each;

We further report that during the period under audit, the Company has altered Articles 209, 220, 221, 222 and 225 of the Company's Articles of Association as approved by the shareholders by special resolution on 19 September 2016 pursuant to section 14 of the Companies Act, 2013 and rules made there under.

We further report that during the period under audit the Company has passed the following special resolution which authorized the Board to exercise power thereto, but presently does not have any major bearing on the Company's affairs:

i. Issuance of debt securities during FY 2017-18 upto an overall ceiling of ₹ 2,000 crores on Private Placement Basis pursuant to Section 42, 71 and 180(I) (c) of the Companies Acts, 2013.

This report is to be read with our letter of even date which is annexed as Annexure-I which forms an integral part of this report.

For **MKB & Associates**
Company Secretaries

Manoj Kumar Banthia
[Partner]
ACS no. 11470
COP no. 7596

Date: 26.04.2017
Place: Kolkata

ANNEXURE- I
To
The Members,
Magma Fincorp Limited

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.

4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events, etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For **MKB & Associates**
Company Secretaries

Manoj Kumar Banthia
[Partner]
ACS no. 11470
COP no. 7596

Date: 26.04.2017
Place: Kolkata

Annexure -3 to Board's Report

FORM NO. MGT- 9
EXTRACT OF ANNUAL RETURN
as on the Financial Year ended on 31st March 2017
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS :

i)	CIN	:	L51504WB1978PLC031813
ii)	Registration Date	:	18th December, 1978
iii)	Name of the Company	:	Magma Fincorp Limited
iv)	Category / Sub-Category of the Company	:	Public Company – Limited by shares
v)	Address of the Registered office and contact details	:	Magma House, 24, Park Street Kolkata- 700 016, West Bengal, India. Telephone Nos. : 033-4401 7350 / 7200 Facsimile Nos. : 033-4401 7313 e-mail : shabnum.zaman@magma.co.in
vi)	Whether listed company	:	Yes
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	:	Niche Technologies Private Limited D-511, Bagree Market, 5th Floor, 71 B. R. B. Basu Road, Kolkata- 700 001, West Bengal, India. Telephone Nos. : 033-2235 7270 / 7271 Facsimile Nos. : 033-2215 6823 e-mail : nichetechpl@nichetechpl.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY :

(Contributing 10% or more of the total turnover of the company)

Sl. No.	Name and Description of main products / services	NIC Code of the Products / services	% to total turnover of the Company	
			Gross Turnover	Net Turnover
1	Financing for Tractors, Commercial Vehicle, Construction Equipment, Cars, Used Vehicles, mortgage and loans to micro, small and medium enterprises (MSME)	649	99%	99%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES :

Sl. No.	Name and Address of the Company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held by the Company	Applicable Section
1.	Magma ITL Finance Limited Magma House, 24 Park Street Kolkata - 700 016, West Bengal.	U65910WB2007PLC120137	Subsidiary	74%	2(87)
2.	Magma Advisory Services Limited Magma House, 24 Park Street Kolkata - 700 016, West Bengal.	U74999WB2012PLC181922	Subsidiary	100%	2(87)
3.	Magma Housing Finance Limited (Formerly Magma Housing Finance [A Public Company with Unlimited Liability]) 8 Sant Nagar, East of Kailash New Delhi - 110 065.	U65922DL2004PLC125931	Step Down Subsidiary	100%	2(87)
4.	Jaguar Advisory Services Private Limited 24 Park Street, Kolkata - 700 016, West Bengal.	U74140WB2009PTC136492	Joint Venture	48.89%	2(6)
5.	Magma HDI General Insurance Company Limited 24 Park Street, Kolkata - 700 016, West Bengal.	U66000WB2009PLC136327	Joint Venture	31.33%	2(6)

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Shareholding :

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. PROMOTERS									
(1) Indian									
(a) Individual/HUF	481580	-	481580	0.203	481580	-	481580	0.203	-
(b) Central Governments	-	-	-	-	-	-	-	-	-
(c) State Governments	-	-	-	-	-	-	-	-	-
(d) Bodies Corporate	63450383	-	63450383	26.792	65270503	-	65270503	27.545	0.753
(e) Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
(f) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A)(1):-	**63931963**	**-**	**63931963**	**26.995**	**65752083**	**-**	**65752083**	**27.748**	**0.753**
(2) Foreign									
(a) NRIs -Individuals	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(b) Other-Individuals	-	-	-	-	-	-	-	-	-
(c) Bodies Corporate	-	-	-	-	-	-	-	-	-
(d) Banks/Financial Institutions	-	-	-	-	-	-	-	-	-
(e) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A)(2):-	-	-	-	-	-	-	-	-	-
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**63931963**	**-**	**63931963**	**26.995**	**65752083**	**-**	**65752083**	**27.748**	**0.753**
B. PUBLIC SHAREHOLDING									
(1) Institutions									
(a) Mutual Funds	1668391	-	1668391	0.704	1561571	-	1561571	0.659	-0.045
(b) Banks/Financial Institutions	28895	122690	151585	0.064	79431	122690	202121	0.085	0.021
(c) Central Governments	-	-	-	-	-	-	-	-	-
(d) State Governments	-	-	-	-	-	-	-	-	-
(e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
(f) Insurance companies	-	-	-	-	-	-	-	-	-
(g) Foreign Institutional Investors (FII)	21004428	-	21004428	8.869	250482	-	250482	0.106	-8.763
(h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
(i) Others (Specify)-									
Qualified Foreign Investors	96150672	5	96150677	40.599	75795148	5	75795153	31.987	-8.612
FPI – Corporate Cat-I	34720	-	34720	0.015	21571	-	21571	0.009	-0.006
FPI – Corporate Cat-II	22815107	-	22815107	9.634	33791927	-	33791927	14.261	4.627
FPI – Corporate Cat-III	11058700	-	11058700	4.669	5227501	-	5227501	2.206	-2.463
Sub-total (B)(1):-	**152760913**	**122695**	**152883608**	**64.555**	**116727631**	**122695**	**116850326**	**49.312**	**-15.243**
(2) Non-Institutions									
(a) Bodies Corporate									
i) Indian	7997742	38985	8036727	3.393	34050612	38985	34089597	14.386	10.993
ii) Overseas									
(b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹1 lakh	5715461	1062465	6777926	2.862	9719041	1008135	10727176	4.527	1.665
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	1916792	70000	1986792	0.839	6405200	70000	6475200	2.733	1.894
(c) Others (Specify)-									
1. NRI	644768	8165	652933	0.276	2124739	8165	2132904	0.900	0.624
2. Overseas Corporate Bodies	-	165	165	0.000	-	165	165	0.000	-
3. Foreign Nationals	-	-	-	-	-	-	-	-	-
4. Clearing Members	1345884	-	1345884	0.568	604721	-	604721	0.255	-0.313
5. Trusts	1212674	-	1212674	0.512	327500	-	327500	0.138	-0.374

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity) (Contd.)

(i) Category-wise Shareholding :

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
6. Foreign Bodies – D. R.	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):-	**18833321**	**1179780**	**20013101**	**8.450**	**53231813**	**1125450**	**54357263**	**22.939**	**14.489**
Total Public Shareholding (B)= (B)(1)+(B)(2)	**171594234**	**1302475**	**172896709**	**73.005**	**169959444**	**1248145**	**171207589**	**72.252**	**-0.753**
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	**235526197**	**1302475**	**236828672**	**100.000**	**235711527**	**1248145**	**236959672**	**100.000**	**-**

(ii) Shareholding of Promoters :

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year (*)
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1	Microfirm Capital Private Limited	34015928	14.363	-	34015928	14.355	-	-0.008
2	Celica Developers Private Limited	29434455	12.429	-	29434455	12.422	-	-0.007
3	Columbine Decorative & Marketing Private Limited[1]	-	-	-	1820120	0.768	-	0.768
4	Mansi Poddar	285000	0.120	-	285000	0.120	-	-
5	Shaili Poddar	125000	0.053	-	125000	0.053	-	-
6	Kalpana Poddar	55080	0.023	-	55080	0.023	-	-
7	Ashita Poddar	16500	0.007	-	16500	0.007	-	-
	Total	**63931963**	**26.995**	**-**	**65752083**	**27.748**	**-**	**0.753**

(*) % Changes due to others various allotment

[1] Columbine Decorative & Marketing Private Limited (CDMPL), member of the promoter group of the Company, acquired shares of the Company pursuant to scheme of amalgamation between CDMPL and Namokar Commercial Private Limited.

(iii) Change in Promoters' Shareholding:

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
1.	**At the beginning of the year -**	63931963	26.995	-	-
2.	**Changes during the year -**				
	Columbine Decorative & Marketing Private Limited	-	-	1820120	0.768
	At the End of the year -			65752083	27.748

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) :

Sl. No.	For each of the top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year -				
01.	Zend Mauritius VC Investments Limited	34276629	14.473	34276629	14.473
02.	International Finance Corporation	23000000	9.712	23000000	9.712
03.	Indium V (Mauritius) Holdings Limited	20355524	8.595	20355524	8.595
04.	Lavender Investments Limited	18851431	7.960	18851431	7.960
05.	LeapFrog Financial Inclusion India Holdings Limited	18518519	7.819	18518519	7.819
06.	Bank Muscat S A O G A/c Bankmuscat India Fund	8754888	3.697	8754888	3.697
07.	Laurus (Mauritius) Limited	7900000	3.336	7900000	3.336
08.	Bay Pond MB	7796529	3.292	7796529	3.292
09.	Bay Pond BMD MB	3841857	1.622	3841857	1.622
10.	KKR Mauritius Direct Investments I. Limited	3674831	1.552	3674831	1.552
	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.) -				
	Bay Pond MB (13/05/2016) – Market Deal	-69283	-0.029	-69283	-0.029
	Bay Pond BMD MB (13/05/2016) – Market Deal	-16835	-0.007	-16835	-0.007
	Bay Pond MB (20/05/2016) – Market Deal	-89779	-0.038	-89779	-0.038
	Bay Pond BMD MB (20/05/2016) – Market Deal	-53127	-0.022	-53127	-0.022
	Bay Pond MB (27/05/2016) – Market Deal	-354448	-0.150	-354448	-0.150
	Bay Pond BMD MB (27/05/2016) – Market Deal	-178356	-0.075	-178356	-0.075
	Bay Pond MB (03/06/2016) – Market Deal	-343600	-0.145	-343600	-0.145
	Bay Pond BMD MB (03/06/2016) – Market Deal	-167141	-0.071	-167141	-0.071
	Bay Pond MB (10/06/2016) – Market Deal	-494053	-0.209	-494053	-0.209
	Bay Pond BMD MB (10/06/2016) – Market Deal	-220905	-0.093	-220905	-0.093
	Bay Pond MB (17/06/2016) – Market Deal	-778628	-0.329	-778628	-0.329
	Bay Pond BMD MB (17/06/2016) – Market Deal	-389099	-0.164	-389099	-0.164
	Bay Pond MB (24/06/2016) – Market Deal	-813413	-0.343	-813413	-0.343
	Bay Pond BMD MB (24/06/2016) – Market Deal	-395887	-0.167	-395887	-0.167
	Bay Pond MB (30/06/2016) – Market Deal	-196789	-0.083	-196789	-0.083
	Bay Pond BMD MB (30/06/2016) – Market Deal	-117395	-0.050	-117395	-0.050
	Bay Pond MB (08/07/2016) – Market Deal	-501155	-0.212	-501155	-0.212
	Bay Pond BMD MB (08/07/2016) – Market Deal	-251500	-0.106	-251500	-0.106
	Bay Pond MB (15/07/2016) – Market Deal	-399634	-0.169	-399634	-0.169
	Bay Pond BMD MB (15/07/2016) – Market Deal	-198961	-0.084	-198961	-0.084
	Bay Pond MB (22/07/2016) – Market Deal	-30882	-0.013	-30882	-0.013
	Bay Pond BMD MB (22/07/2016) – Market Deal	-23923	-0.010	-23923	-0.010
	Bay Pond MB (29/07/2016) – Market Deal	-313921	-0.133	-313921	-0.133
	Bay Pond BMD MB (29/07/2016) – Market Deal	-144679	-0.061	-144679	-0.061
	Bay Pond MB (05/08/2016) – Market Deal	-519920	-0.220	-519920	-0.220
	Bay Pond BMD MB (05/08/2016) – Market Deal	-256659	-0.108	-256659	-0.108
	Bay Pond MB (12/08/2016) – Market Deal	-401662	-0.170	-401662	-0.170
	Bay Pond BMD MB (12/08/2016) – Market Deal	-197771	-0.084	-197771	-0.084
	Bay Pond MB (19/08/2016) – Market Deal	-170097	-0.072	-170097	-0.072
	Bay Pond BMD MB (19/08/2016) – Market Deal	-96032	-0.041	-96032	-0.041

Sl. No.	For each of the top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	Bay Pond MB (26/08/2016) – Market Deal	-85790	-0.036	-85790	-0.036
	Bay Pond BMD MB (26/08/2016) – Market Deal	-30484	-0.013	-30484	-0.013
	Bay Pond MB (02/09/2016) – Market Deal	-74241	-0.031	-74241	-0.031
	Bay Pond BMD MB (02/09/2016) – Market Deal	-17331	-0.007	-17331	-0.007
	Bay Pond MB (09/09/2016) – Market Deal	-598319	-0.253	-598319	-0.253
	Bay Pond BMD MB (09/09/2016) – Market Deal	-300865	-0.127	-300865	-0.127
	Bay Pond MB (16/09/2016) – Market Deal	-42522	-0.018	-42522	-0.018
	Bay Pond BMD MB (16/09/2016) – Market Deal	-12652	-0.005	-12652	-0.005
	Bay Pond MB (23/09/2016) – Market Deal	-32801	-0.014	-32801	-0.014
	Bay Pond BMD MB (23/09/2016) – Market Deal	-16683	-0.007	-16683	-0.007
	Bay Pond MB (30/09/2016) – Market Deal	-1485592	-0.627	-1485592	-0.627
	Bay Pond BMD MB (30/09/2016) – Market Deal	-755572	-0.319	-755572	-0.319
	Ashish Dhawan (18/11/2016) – Market Deal	500000	0.211	500000	0.211
	Ashish Dhawan (25/11/2016) – Market Deal	800000	0.338	800000	0.338
	Ashish Dhawan (02/12/2016) – Market Deal	45906	0.019	45906	0.019
	Ashish Dhawan (09/12/2016) – Market Deal	44636	0.019	44636	0.019
	Ashish Dhawan (16/12/2016) – Market Deal	14170	0.006	14170	0.006
	Ashish Dhawan (23/12/2016) – Market Deal	1879	0.001	1879	0.001
	Ashish Dhawan (31/12/2016) – Market Deal	393409	0.166	393409	0.166
	Ashish Dhawan (06/01/2017) – Market Deal	43171	0.018	43171	0.018
	Ashish Dhawan (13/01/2017) – Market Deal	156829	0.066	156829	0.066
	Ashish Dhawan (20/01/2017) – Market Deal	473000	0.200	473000	0.200
	Ashish Dhawan (03/03/2017) – Market Deal	127000	0.054	127000	0.054
	Ashish Dhawan (10/03/2017) – Market Deal	56453	0.024	56453	0.024
	Ashish Dhawan (17/03/2017) – Market Deal	243547	0.103	243547	0.103
	Indium V (Mauritius) Holdings Limited (17/03/2017) – Market Deal	-20355524	-8.590	-20355524	-8.590
	Ashish Dhawan (24/03/2017) – Market Deal	100000	0.042	100000	0.042
	Laurus (Mauritius) Limited (24/03/2017) – Market Deal	-7900000	-3.334	-7900000	-3.334
	India Value Fund V LLP (24/03/2017) – Market Deal	28255524	11.924	28255524	11.924
	Ashish Dhawan (31/03/2017) – Market Deal	83496	0.035	83496	0.035
	At the End of the year (or on the date of separation, if separated during the year)				
01.	Zend Mauritius VC Investments Limited	34276629	14.465	34276629	14.465
02.	India Value Fund V LLP	28255524	11.924	28255524	11.924
03.	International Finance Corporation	23000000	9.706	23000000	9.706
04.	Lavender Investments Limited	18851431	7.956	18851431	7.956
05.	LeapFrog Financial Inclusion India Holdings Limited	18518519	7.815	18518519	7.815
06.	Bank Muscat India Fund	8754888	3.695	8754888	3.695
07.	KKR Mauritius Direct Investments I. Limited	3674831	1.551	3674831	1.551
08.	Ashish Dhawan	3494210	1.475	3494210	1.475
09.	RIMCO India Limited	3000000	1.266	3000000	1.266
10.	SM Tradecom LLP	1820125	0.768	1820125	0.768

(v) Shareholding of Directors and Key Managerial Personnel :

Sl. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year -				
	Nabankur Abhay Gupta (Non-Executive Independent Director)	5000	0.002	5000	0.002
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.) -				
	Vegulaparanan Kasi Viswanathan (Non-Executive Independent Director)[2] – [02/09/2016 – Market Deal]	100	0.000	100	0.000
	At the End of the year -				
	Nabankur Abhay Gupta (Non-Executive Independent Director)	5000	0.002	5000	0.002
	Vegulaparanan Kasi Viswanathan (Non-Executive Independent Director)	1432	0.001	1432	0.001
	Kailash Baheti (Chief Financial Officer)[3]	45000	0.019	45000	0.019

[2] Appointed as a Non-Executive Independent Director of the Company w.e.f. 13 August 2016
[3] Appointed as Chief Financial Officer of the Company w.e.f. 4 November 2016

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment:

(₹ In lacs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	835,778.40	146,713.59	-	982,491.99
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	8,108.59	3,138.49	-	11,247.08
Total (i+ii+iii)	**843,886.99**	**149,852.08**	**-**	**993,739.07**
Change in Indebtedness during the financial year				
Addition	1,022,046.98	1,227,411.86	-	2,249,458.84
Reduction	(1,173,908.14)	(1,211,500.00)	-	(2,385,408.14)
Net Change	(151,861.16)	15,911.86	-	(135,949.30)
Indebtedness at the end of the financial year				
i) Principal Amount	686,859.03	162,224.63	-	849,083.66
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	5,166.80	3,539.31	-	8,706.11
Total (i+ii+iii)	**692,025.83**	**165,763.94**	**-**	**857,789.77**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and / or Manager :

(₹ In lacs)

Sl. No.	Particulars of Remuneration		Name of MD/WTD/Manager		Total Amount
			Mayank Poddar-WTD	Sanjay Chamria-Vice Chairman & Managing Director	
1.	Gross salary				
	(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	60.00	60.00	120.00
	(b)	Value of perquisites u/s 17(2) of the Income-tax Act, 1961	5.15	5.15	10.30
	(c)	Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	74.77	74.77	149.54
2.	Stock Option		-	-	-
3.	Sweat Equity		-	-	-
4.	Commission - as % of profit - others		-	-	-
5.	Others		10.08	10.08	20.16
	Total Amount (A)		**150.00**	**150.00**	**300.00**
	Ceiling as per the Act		The Ceiling is as per the Companies Act read with Part II Section II of Schedule V		

B. Remuneration to the other Directors :

(₹ In lacs)

Sl. No.	Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board / Committee Meetings	Commission	Others	
1.	**Independent Directors -**				
	Mr. Narayan Keelveedhi Seshadri	2.90	-	-	2.90
	Mr. Nabankur Abhay Gupta	2.60	-	-	2.60
	Mr. Satya Brata Ganguly	5.30	-	-	5.30
	Mr. V K Viswanathan	1.40	-	-	1.40
	Total Amount (B)(1)	12.20	-	-	12.20
2.	Other Non-Executive Directors –				
	Sanjay Omprakash Nayar	0.80	-	-	0.80
	Ritva Kaarina Laukkanen	0.80	-	-	0.80
	Total Amount (B)(2)	1.60	-	-	1.60
	Total Amount (B) = (B)(1) + (B)(2)	13.80	-	-	13.80
	Total Managerial Remuneration (A+B)				313.80
	Overall Ceiling as per the Act	The Ceiling is as per the Companies Act read with Part II Section II of Schedule V			

C. Remuneration to Key Managerial Personnel other than MD/Manager

(₹ in lacs)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		Atul Bansal (Chief Financial Officer upto 3/11/2016)[4]	Kailash Baheti (Chief Financial Officer w.e.f. 4/11/ 2016)	Shabnum Zaman (Company Secretary)	Total Amount
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	35.50	24.50	6.96	66.96
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	1.00	0.31	0.19	1.50
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	41.87	23.55	8.46	73.88
2.	Stock Option (in numbers)	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - as % of profit - others	-	-	-	-
5.	Others	5.97	49.11	3.52	58.60
	Total	**84.34**	**97.48**	**19.13**	**200.94**

[4] Resigned as a Chief Financial Officer w.e.f. 3 November 2016

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty					
Punishment			None		
Compounding					
B. DIRECTORS					
Penalty					
Punishment			None		
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment			None		
Compounding					

Narayan K Seshadri
Chairman
DIN: 00053563

Mumbai
11 May 2017

Annexure -4 to Board's Report

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013, READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014 AND COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) AMENDMENT RULES, 2016

(i) The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during FY 2016-17, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for FY 2016-17 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under:

Sl No.	Name of Director/KMP and Designation	Remuneration of Director/ KMP for FY 2016-17 (₹ in lacs)	% increase in Remuneration in FY 2016-17	Ratio of remuneration of each Director/ to median remuneration of employees
1	Mayank Poddar Wholetime Director	150.00	0.00%	42.42
2	Sanjay Chamria Vice Chairman and Managing Director	150.00	-51.61%	42.42
3	Narayan K Seshadri Non-Executive Independent Chairman	2.90	-96.24%	0.82
4	Nabankur Gupta Non-Executive Independent Director	2.60	-91.77%	0.74
5	Satya Brata Ganguly Non-Executive Independent Director	5.30	-77.64%	1.50
6	Sanjay Nayar Non-Executive Director	0.80	-42.86%	0.23
7	Ritva Kaarina Laukkanen Non-Executive Director	0.80	33.28%	0.23
8	V K Viswanathan Non-Executive Independent Director	1.20	0.00%	0.34
9	Kailash Baheti [1] Chief Financial Officer	97.48	33.33%	56.57
10	Shabnum Zaman Company Secretary	19.13	21.27%	5.66
11	Atul Bansal [2] Chief Financial Officer	84.34	0.00%	0.34

[1] Appointed as Chief Financial Officer w.e.f 4 November 2016

[2] Resigned as Chief Financial Officer w.e.f. 3 November 2016

Note: For directors, the median has been worked based on actuals and for others the median has been taken based on annual remuneration.

ii) The median remuneration of employees of the Company during the financial year was ₹ 3.54 lacs.

iii) In the financial year, there was an increase of 10.77 % in the median remuneration of employees.

iv) There were 4154 permanent employees on the rolls of Company as on 31 March 2017.

v) Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2016-17 was 6.06% whereas the increase in the managerial remuneration for the same financial year was -27.22% since no commission was paid during FY 2016-17.

vi) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other employees.

For and on behalf of the Board

Narayan K Seshadri
Chairman
DIN: 00053563

Mumbai
11-May-2017

PARTICULARS OF EMPLOYEES

Information as per Section 197(12) of the Companies Act, 2013 read with Rules 5(2) and 5(3) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016 referred to in the Board's Report for the year ended March 31, 2017 and forming part thereof

1. Top ten employees of the Company in terms of the remuneration drawn

Name	Age (in yrs)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (₹ in lacs)	Particulars of last employment, last post, employer
Mayank Poddar	63	B Com	Wholetime Director	1-Jul-96	42	150.00	Calcutta Credit Corporation Ltd (erstwhile)-Managing Director
Sanjay Chamria	52	FCA	Vice Chairman & Managing Director	1-Jan-92	32	150.00	Magma Leasing Ltd (erstwhile)-Chief Executive
Dhrubashish Bhattacharya	46	B Sc (Hons), MBA	Business Head	6-Jun-94	23	81.09	Consortium Finance Limited - Management Trainee
Mahender Bagrodia	47	B Com , ACA	Chief Receivables Management	9-Oct-00	24	131.90	Tijaya Enterprises Ltd - General Manager
Kailash Baheti	53	B Com (Hons) FCA, ACS, ACMA	Chief Financial Officer	18-Oct-11	32	173.31	Century Extrusions Ltd - CEO & CFO
Harshvardhan Chamria	28	School of Engg Cornell, MBA Stanford	Biz Innovation Mgr - SME	1-Sep-14	3	77.92	Magma Fincorp Ltd.
Atul Bansal*	57	ACA, CFA & MBA	Executive Vice President	10-Mar-15	32	120.63	Mu Sigma Business Solutions - CFO
Jashobrata Bose	39	B Tech, PGDM XLRI Jamshedpur	Chief - Corporate Initiatives	6-May-16	16	92.72	Sanofi India Limited-Director-Strategy
Debraj Sinha	43	MPM Symbiosis	Chief People Officer	1-Nov-16	18	75.63	Max Bupa Health Insurance Company Limited-Chief Human Resource Officer
Kaushik Banerjee	54	B Com Sydenham, MBA AIMM Philippines	President & CEO - ABF	11-Nov-16	25	82.57	Cholamandalam Investment and Finance Company Limited-President Strategy & Corporate Affairs

*Resigned as Chief Financial Officer w.e.f. 3 November 2016

2. Employed throughout the year and in receipt of remuneration aggregating ₹ 1,02,00,000/- or more per annum.

Name	Age (in yrs)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (₹ in lacs)	Particulars of last employment, last post, employer
Mayank Poddar	63	B Com	Executive Director	1-Jul-96	42	150.00	Calcutta Credit Corporation Ltd (erstwhile)-Managing Director
Sanjay Chamria	52	FCA	Vice Chairman & Managing Director	1-Jan-92	32	150.00	Magma Leasing Ltd (erstwhile)-Chief Executive
Mahender Bagrodia	47	B Com , ACA	Chief Receivables Management	9-Oct-00	24	131.90	Tijaya Enterprises Ltd - General Manager
Kailash Baheti	53	B Com (Hons) FCA, ACS, ACMA	Chief Financial Officer	18-Oct-11	32	173.31	Century Extrusions Ltd - CEO & CFO

3. Employed for part of the year and in receipt of remuneration aggregating ₹ 8,50,000/- or more per month.

Name	Age	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (₹ In lacs)	Particulars of last employment, last post, employer
Atul Bansal*	57	ACA, CFA & MBA	Executive Vice President	10-Mar-15	31	120.63	Mu Sigma Business Solutions - CFO
Jashobrata Bose	39	B Tech, PGDM XLRI Jamshedpur	Chief - Corporate Initiatives	6-May-16	16	92.72	Sanofi India Limited-Director-Strategy
Debraj Sinha	43	MPM Symbiosis	Chief People Officer	1-Nov-16	18	75.63	Max Bupa Health Insurance Company Limited-Chief Human Resource Officer
Kaushik Banerjee	54	B Com Sydenham, MBA AIMM Philippines	President & CEO - ABF	11-Nov-16	25	82.57	Cholamandalam Investment and Finance Company Limited-President Strategy & Corporate Affairs
Chirag Jain	46	IIT Delhi, IIM Ahmedabad	Chief Operating Officer	7-Feb-17	22	27.49	Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited-Chief Operating Officer

Notes:

1. Gross remuneration comprises salary, medical reimbursement, leave travel concession, housing, Company's contribution to provident fund, pension and gratuity fund, monetary value of other perquisites as per the Income Tax Act and Rules, leave encashment, bonus and commission.

2. All appointments were made in accordance with the terms and conditions as per Company Rules.

3. None of the employee hold 2% or more of the paid up share capital of the Company either by himself or along with his/her spouse and dependent children.

4. None of the above employee is related to any Director of the Company except Mr. Harshvardhan Chamria who is a relative of Mr. Sanjay Chamria.

For and on behalf of the Board

Narayan K Seshadri
Chairman
DIN: 00053563

Place: Mumbai
11-May-2017

Business Responsibility Report (BRR)

Magma Fincorp Limited is one of India's premier and one of the largest Non-Banking Financial Company (NBFC), with a strong distribution and service network, along with an impressive penetration in rural India. Here below, we present the Business Responsibility Report of the Company for the financial year ended on 31st March, 2017, pursuant to Regulation 34 (2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

SECTION A: General Information about the Company

1	Corporate Identity Number (CIN) of the Company	L51504WB1978PLC031813
2	Name of the Company	Magma Fincorp Limited
3	Registered address	"Magma House" 24, Park Street, Kolkata- 700 016, India
4	Website	www.magma.co.in
5	E-mail id	shabnum.zaman@magma.co.in
6	Financial Year reported	2016-17
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	649
8	List three key products/services that the Company manufactures/ provides (as in balance sheet)	Financing for Vehicles, Mortgage and Small and Medium Enterprises financing
9	Total number of locations where business activity is undertaken by the Company	i. Number of International locations- None ii. Number of National Locations-Headquartered in Kolkata with 284 branches
10	Markets served by the Company-Local/State/National/International	The services of Magma Fincorp Limited cater to a pan-India market

SECTION B: Financial Details

1	Paid up Capital (INR)	₹ 4739.19 lacs
2	Total Turnover (INR)	₹ 202,204.50 lacs
3	Total profit after taxes (INR)	₹ 609.68 lacs
4	Total Spending on Corporate Social Responsibility (CSR) initiatives	₹ 374.07 lacs
5	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax	38.02%
6	Notable activities in which CSR expenditure has been incurred (2016-17)	a. Education b. Health c. Environment

SECTION C: Other Details

1	Does the Company have any Subsidiary Company/ Companies?	Yes (Three Subsidiaries)
2	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent Company? If yes, then indicate the number of such subsidiary Company(s)	All BR activities of the subsidiary company are conducted as part of the parent company.
3	Do any other entity/entities (e.g. suppliers, distributers etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities?	No other entities (such as investors, customers etc.) participate in the BR initiatives of the Company.

SECTION D: BR Information

1. Details of Director/Directors responsible for BR

a) Details of Director/Directors responsible for implementation of the BR policy/policies

DIN	Name	Designation
00009409	Mayank Poddar	Wholetime Director

b) Details of the BR head

Sl.No	Particulars	Details
1.	DIN Number (if applicable)	N.A
2.	Name	Debraj Sinha
3.	Designation	Chief People Officer
4.	Telephone No.	+91 22 6229 1100/1150
5.	Email id	debraj.sinha@magma.co.in

2. Principle-wise (as per NVGs) BR Policy/policies

PRINCIPLE 1

Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

PRINCIPLE 2

Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

PRINCIPLE 3

Businesses should promote the wellbeing of all employees

PRINCIPLE 4

Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

PRINCIPLE 5

Businesses should respect and promote human rights

PRINCIPLE 6

Business should respect, protect, and make efforts to restore the environment

PRINCIPLE 7

Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

PRINCIPLE 8

Businesses should support inclusive growth and equitable development

PRINCIPLE 9

Businesses should engage with and provide value to their customers and consumers in a responsible manner

Sl. No.	Questions	P 1 Ethics and Transparency	P 2 Product Responsibility	P 3 Wellbeing of employees	P 4 Responsiveness to Stakeholders	P 5 Respect Human Rights	P 6 Environmental Responsibility	P 7 Public policy advocacy	P 8 Support inclusive growth	P 9 Engagement with customers
1.	Do you have a policy/policies for....	Y	Y	Y	Y	Y	Y	N	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
3.	Does the policy conform to any national/ international standards? If yes, specify?	Y Note 1	Y Note 1	Y Note 1	Y Note 1	Y Note 1	Y Note 1	-	Y Note 1	Y Note 1
4.	Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	-	Y	Y
5.	Does the Company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	-	Y	Y
6.	Indicate the link for the policy to be viewed online?	Y Note 2	Y Note 2	Y Note 2	Y Note 2	Y Note 2	Y Note 2	-	Y Note 2	Y Note 2
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
8.	Does the Company have in-house structure to implement the policy/policies	Y	Y	Y	Y	Y	Y	-	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	-	-	-	Y
10.	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y Note 3	Y Note 3	Y Note 3	Y Note 3	Y Note 3	-	-	Y Note 3	Y Note 3

P1: The Company has a Breach of Integrity and Whistle Blower (Vigil Mechanism) Policy and Anti Money Laundering Policy and also has Code of Conduct, for its employees and directors and Code of Business Ethics for all its stakeholders.

P2: Considering the nature of our business, this principle has limited applicability on the Company.

P3: The Company's Code of Conduct and Business Ethics strongly embraces gender equality, equal opportunity and anti-harassment in the workplace.

P4: The Company plays an important role in nation building and financial inclusion by complementing the banking sector in reaching out credit to the unbanked and under-banked segments of society, especially to the micro, small and medium enterprises (MSMEs), which form the cradle of entrepreneurship and innovation. The Company also adheres to the guidelines laid down by Reserve Bank of India applicable to NBFCs.

P5: The Company upholds the principles of Human Rights and conducts operations with integrity and openness and respect for human rights of the employees. They adhere to the directives issued by Central/State Governments regarding the same.

P6: Considering the nature of our business, this principle has limited applicability on the Company.

P7: The Company is associated with apex industry institutions that are engaged in policy advocacy, like Bharat Chamber of Commerce (BCC), Confederation of Indian Industry (CII), Finance Industry Development Council (FIDC), The Federation of Indian Chambers of Commerce and Industry (FICCI) and various other forums. The Company's engagement with the relevant authorities is guided by the values of commitment, integrity, transparency and the need to balance interests of diverse stakeholders.

P8: The Company has a CSR Policy which guides all its CSR activities we undertake for the disadvantaged, marginalized and vulnerable stakeholders.

P9: The Company's Fair Practices Code aims to provide to all the stakeholders, good, fair and trustworthy practices by setting certain standards and ensures transparency in the Company's dealings with its customers. The Customer Grievance Redressal Policy aims at minimizing instances of customer complaints and grievances. The Company also ensures privacy and confidentiality of customers' data.

Note 1: All policies have been developed as a result of detailed consultations and research on the best practices adopted by NBFCs and organizations across the industry, and as per the requirements of the Company and in conformity with the applicable laws.

Note 2: It has been the Company's practice to upload all polices on the intranet for the information and implementation by the internal stakeholders and some of these policies are also available at the following website: https://magma.co.in/about-us/investor-relations/secretarial documents/download-secretarial-documents/

Note 3: All policies of the Company are evaluated internally as and when required.

3. Governance related to BR

Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year

An egalitarian process is instilled in our company's DNA to reach out to the society and lend a helping hand for their progress. We believe that our business responsibility performance is a reflective process whereby our holistic growth towards sustainable development can be measured and tracked for future improvement.

The business responsibility initiatives and agendas of the company has been entrusted to the Corporate Social Responsibility (CSR) Committee of the Board. The CSR committee would henceforth oversee and review the Company's BR performance. The CSR Committee meets annually for implementation of CSR initiatives undertaken by the Company.

Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

This is the first time a Business Responsibility Report (BRR) is being prepared by the Company and the same forms part of the Annual Report 2016-17. We do not have any prior Sustainability Report or Business Responsibility Report.

SECTION E: Principle-wise performance

PRINCIPLE 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

The Company has in place a Corporate Governance Policy, the policy is steered based on our corporate governance philosophy, which is anchored on the values of trusteeship, transparency,

ethical corporate citizenship, empowerment, control and accountability as integral parts of a good management. Integrity and credibility in our acts, fairness and impartiality in our dealings with others, trust and respect for people and demanding excellence are the essence of our flawless operation. Policies and processes are set up at various levels across the Company to guide different stakeholders and ensure compliance to regulatory and voluntary norms. We strongly adhere to the above work ethics which we believe are the corner stone to achieve our vision of being one of the India's largest asset finance company.

1. Does the policy relating to ethics, bribery and corruption cover only the Company? Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/Others?

   No. The Code of Business Ethics applies to all Directors, officers and employees of Magma. The Company also encourages employees of the subsidiary entities of Magma to adopt and follow the Code of Business Ethics. Third parties, such as consultants and agents are required to comply with the Code of Business Ethics when acting on Magma's behalf.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?

Stakeholder Complaints in FY 2016-17			
Particulars	**No. of complaints received**	**No. of complaints resolved**	**% of complaints resolved**
Shareholders	2	2	100
Customers	550	545	99
Employees	104	104	100

PRINCIPLE 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

   The Company constantly aims to reduce the impact on environment by identifying ways to optimize resource consumption in its operations although the very nature of its business has limited impact on the environment.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

   a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?

   b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

   The Company strives relentlessly to maintain the highest standards of safety and sustainability in its services offered in alignment to our values.

   On account of the nature of our services, the major resource consumed at the Company is paper. The Company contributes towards sustainable service delivery through paperless transaction. The Company has a paper recycling initiative in terms of re-usage of old print outs which are no longer required and also monitor usage of paper consumption. Above all, we emphasize on integrating sustainable practices within our value chain (suppliers and customers) through acceptance of payments through ECS/ ACH/NACH/Digital/online mode which in turn helps the customers in paper less transaction. We pay our vendors through NEFT/RTGS mode thereby reducing the usage of paper.

   The Company ensures reduction of paper usage through various initiatives viz. leads are generated online with customer related data, online system to record customer related transactions, e learning platform for knowledge sharing / enhancement of employees, customers are updated through SMS during loan processing at every stage till sanction.

   The Company's operation is spread across India's 22 states and union territories. To ensure sustainability of our operation by reducing the impact of local and regional risks e.g. drought, floods, political instability, we have kept our loan book exposure for each state limited to around 10%.

3. Does the company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably?

   The primary resource consumption of the Company is in printing paper. The Company entered into vendor agreements for procurement of paper and tracks consumption of resources to reduce their wastage. Above all, we emphasize on integrating sustainable practices within our value chain (suppliers and customers) through acceptance of payments through ECS/ACH/NACH/Digital/ online mode which in turn helps the customers in paper less transaction.

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

   The Company has its presence PAN India and has a practice of purchasing goods and services required for normal operations from local suppliers. The Company has worked with most vendors to bring them up to procurement standards and requirements. The Company is progressing more towards digital transactions, hence we encourage these vendors/suppliers more towards digitization.

5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%)?

   Yes. The Company's primary waste products comprises of paper waste, municipal waste and electronic waste. The Company puts in place mechanisms for responsible disposal of waste through authorized third party vendors. We have a paper recycling initiative in terms of re-usage of old print outs which are no longer required.

PRINCIPLE 3: Businesses should promote the wellbeing of all employees

The capability of the Company's talent pool is surmised on a work culture that nurtures quality talent and promotes a causative work environment combining the need to focus on performance and results with a caring and compassionate work ethics. The Company places utmost care in promotion of employee wellbeing. We strongly embrace gender equality, equal opportunity and work-life balance in day to day work. Our Policies ensure a work environment that is free from any form of discrimination among employees in terms of compensation, training and employee benefits based on caste, religion, disability, or gender.

Sl.No	**Particulars**		**Details**
1	Total number of employees		As on 31 March 2017, the Company has 4195 employees
2	Total number of employees hired on temporary/contractual/casual basis		All employees at the Company are hired on a permanent basis
3	Number of permanent women employees		The Company has 274 permanent women employees on 31 March 2017
4	Number of permanent employees with disabilities		The Company being an equal opportunity employer, made no distinction between employees on the basis of disabilities.
5	Do you have an employee association that is recognized by management		The Company does not have an employee association.
6	What percentage of your permanent employees is members of this recognized employee association ?		N.A
7	Number of complaints relating to child labor, forced labor, involuntary labor, sexual harassment in FY 2016-17.		
#	Category	No. of complaints filed during the financial year	No. of complaints pending as on end of the financial year
7.1	Child labor/forced labor/involuntary labor	None	None
7.2	Sexual harassment	1	0
7.3	Discriminatory employment	None	None
8	What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?		
a	Permanent Employees		During the reporting period, 4554 employees were covered in various functional and behavioral training programs viz. Functional Refresher for FOs, MS Excel Advance program, skill improvement, HR policies, customer relationship etc.
b	Permanent Women Employees		80 women employees were imparted training during the year, which is over 29% of the Company's total women employees.
c	Casual/Temporary/Contractual Employees		Not applicable since the Company only hires employees on a permanent basis
d	Employees with Disabilities		The Company does not measure this metric

PRINCIPLE 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized

1. Has the Company mapped its internal and external stakeholders?

   Yes

2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders?

   The Company views the unbanked and under-banked segments of society in urban India as disadvantaged in terms of integration into India's mainstream economy, which leaves them vulnerable to socio-economic exploitation.

3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders?

   The Company's collaborative partnerships with communities are manifested in its programmes such as the Trucker's Initiative, M Scholar, Mid-Day Meal program, Ekal Vidyalaya, Medical kit Cum First Aid Box, Every Child is Special, Pre School Education, Mobile Health Camp. The details of each of the initiatives have been given under Principle 8 later.

PRINCIPLE 5: Businesses should respect and promote human rights

The Company's HR policies espouse these principles and these are clearly demonstrated in their policies where nobody is discriminated on the basis of gender, caste, religion or physical disability. Any incidences of misconduct or harassment are dealt with seriousness within the organization. This helps in building a healthy and lively work place strengthened through mutual trust and ethical behavior.

1. Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/Others?

   The Company has implemented policies that covered various aspects of human rights specific to its employees, stakeholders and vendors. The Company has put in place Whistleblower mechanism to ensure that any violations to its Code of Conduct and Code of Business Ethics (including violation of human rights) are addressed objectively. The aforesaid policies are also adopted by the group companies.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

   The Company did not receive any complaint in the area of human rights violations.

PRINCIPLE 6: Business should respect, protect, and make efforts to restore the environment

1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/others?

   Magma endeavours to ensure and enhance effective social and environmental management practices in all its activities with a special focus on the following:

   - Ensuring that social and environmental safeguards as defined by the applicable Indian social and environmental legislation are adequately integrated by the customer prior to its financing and in its implementation.
   - Influencing interested parties, especially clients and other domestic financial institutions, to be more socially and environmentally responsible.
   - Ensuring transparency in its Social and Environmental Management System & Procedures.

   The Company recognizes that all activities and projects are in compliance with the Social and Environmental Management System-Policy and Procedures document. The policy is based on guidelines from IFC and ensures that the Company abstains from lending to socially and /or environmentally irresponsible businesses or ventures.

2. Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.?

   The Company has taken the following initiatives viz. awareness generation among the employees to conserve and responsibly use electricity, Reduction of usage of energy (through installation of LED bulbs, energy efficient electrical equipment), e-waste management and handling, distribution of sapling and paper conservation (e.g. Both side printing, re-use of papers) and paper waste recycling.

These initiatives would directly or indirectly lead to reduced energy consumption. In country such as India, since energy is produced mostly with fossil fuel leading to emissions of greenhouse gases and global warming, energy conservation would significantly contribute to mitigation of global warming.

3. Does the Company identify and assess potential environmental risks?

   Yes, the Company assesses its environmental risks in multiple ways. We believe that at Magma, which is primarily an asset financing NBFC focusing on providing finance mainly to the semi-urban and rural areas and developing rural entrepreneurship, the scale and magnitude of the environmental and social risks may not match that of large project financing institutions or commercial banks. However, we recognize that, even smaller clients, be it individuals or SMEs, do have social and environmental risks; employment of child labour, illegal mining or quarrying leading to destruction of the environment, ground and water pollution on account of non-treatment of effluents are examples of some risks faced by a micro entrepreneur. While individually these risks may not be very high, cumulatively they may have a considerable impact on society.

4. Does the Company have any project related to Clean Development Mechanism? If so, provide details. Also, if yes, whether any environmental compliance report is filed?

   The Company has no project related to Clean Development Mechanism.

5. Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.?

   The Company has managed all the electrical equipment in a manner so that they help in conserving energy. The Company has initiated installation of LED lights in new and upcoming branches wherever possible. Company is also in the process of replacement of existing lights with LED lights in a phased manner.

6. Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

   Yes- All the primary wastes mainly paper and electronic are recycled to the maximum possible extent. The emissions and wastes of the Company are within the permissible limits of the laws applicable.

7. Number of show cause/ legal notices received from CPCB/ SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

   The Company has not received any notice during the reporting year.

PRINCIPLE 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

1. Is your Company a member of any trade and chamber or association? If Yes, name only those major ones that your business deals with:

   The Company maintains a steady interface on matters concerning the Finance industry across the country through active participation in apex industry institutions including the following:

   - Bharat Chamber of Commerce (BCC)
   - Confederation of Indian Industry (CII)
   - Finance Industry Development Council (FIDC)
   - The Federation of Indian Chambers of Commerce and Industry (FICCI)

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good?

   The Company made various representation to Reserve Bank of India (RBI) / Finance Ministry through the office of FIDC when views are solicited on various RBI guidelines pertaining to NBFC. The Company had also represented in past through FIDC to RBI that NBFC-AFCs should have identical limits as banks for credit delivery to the target segment of Priority Sector lending (PSL) and specific limits at concessional rates over and above the Maximum Permissible Banking Finance (MPBF) should be set up to enable such credit delivery.

PRINCIPLE 8: Businesses should support inclusive growth and equitable development

1. Does the Company have specified programmes/initiatives/ projects in pursuit of the policy related to Principle 8?

Under the broader ambit of the CSR Policy, the Company continues to regularly identify and engage with all different sections of the communities, in which it operates, to promote equitable development and equip them with the necessary coping mechanisms to have a better life. Some of the notable initiatives are highlighted below:

i	Trucker's Initiative	● Covering Health and Sanitation A nation-wide initiative to help Indian truckers reduce their operating costs by improving their mileage and hence reduce air pollution that causes many ailments among truckers. Trained around 80,000 Truckers in approximately 143 Transport Nagars across the country
ii	M Scholar	● Provided financial assistance to 99 meritorious students from low income families (daily wage earners/machine operators/household help) across the country to meet a part of their education and related expenses while pursuing higher studies
iii	Mid Day Meal	● Pledged support for "Annamrita" program for 1,581 students from Govt. schools located in West Bengal, for a complete school year. The idea was to provide hygienically cooked, balanced, nutritious, wholesome food for children in municipal and government aided schools in Kolkata.
iv	Ekal Vidyalaya Project	● Adopted schools located in a particular village and made it conducive for the kids learning
		● Teaching the children basic literacy and life skills to help them develop self-confidence and succeed in rural occupations and pursue higher education
v	Robert High School	● Providing safe and conducive environment for the education of the student belongs to the under privileged section of the society
vi	Medical Kit Cum First Aid Box	● Medical assistance to forest guard of Palpur Kuno Sanctuary
vii	Every Child is Special	● Infrastructural support to Balajothi Centre for disabled
		● A place that provides Respite Care, Rehabilitation, and Special Education to children with special needs
viii	Mobile Health Camp	● Free Medical Check-up at various location in West Bengal
		● 4 camps in a month, have benefitted around 1,000 patients.
ix	Pre School Learning	● Support to Svackshee Sansthan, an NGO to set up a pre-school centre for the slum kids
		● Provided books, toys and uniform for the kids of the Mewat District in Rajasthan

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?

   CSR initiatives are implemented either directly by the Company or through implementing partners which include NGOs having an established track record of at least 3 years in carrying on the specific activity. The Company works with Petroleum Conservation Research Association (PCRA), Friends of Tribal Society (FTS) and ISKCON Food Relief Foundation (IFRF).

3. Have you done any impact assessment of your initiative?

   We have a dedicated internal team for carrying out the impact assessment study of the undertaken project. Since we have started the CSR activity just 2 years ago so presently the internal team is doing the evaluation but going forward we have plans to get it done by an external agency.

4. What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?

   The Company's contribution to community development projects amounts to ₹ 374.07 lacs during the Financial Year 2016-17. Details of some of the major initiatives the Company has invested during the financial year are given in Point No. 1 above.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community?

   The Company has taken care to ensure the sustainability of the project activities. We have a dedicated team whose job is to take the first hand feedback from the people who were part of our project. The team tries to meet them in person, do their pre and post project impact assessment, note the differences, identify the hurdles in the project and then try to reduce them while replicating the same at other locations. The CSR Committee of the Board meets annually to review the successful implementation of their programs.

PRINCIPLE 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner

We believe that to become India's leading asset finance company, customer service and satisfaction lies at the top of our prioritization pyramid. We constantly endeavour to provide world class products and serviced to our customers, especially when our customers need our help the most. To maintain our impeccable customer service performance, we strictly adhere to the following cornerstones while we cater to our customers.

1. Maintain complete transparency about the loan sanctioning process

2. Easy and fast documentation so that the loan is disbursed in a timely manner

3. Build and develop the best performing and efficient team to cater our customers

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year?

   Customer complaints are treated very seriously in the organization. We hear our customers through various mediums such as emails to customercare@magma.co.in & headcustomerservice@magma.co.in, 8am to 8pm Call Centre toll free number – 1800 3002 3202, websites, telephone, letter, fax etc. In our Company, 550 complaints were received and 5 complaints were pending during the FY 2016-17.

2. Does the Company display product information on the product label, over and above what is mandated as per local laws?

   The Company has followed the highest standards of product and service responsibility. The Company complied fully with the regulations of the RBI for financial products. All notices and regulations are displayed at branches as per the requirements of the RBI. A comprehensive list of customer policies that the Company adheres to, are available on the Company's website at www.magma.co.in.

3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof.

   During the last five years stakeholder has not filed any complaint pertaining to unfair trade practices, irresponsible advertising and/or anti-competitive behaviour against the Company.

4. Did your Company carry out any consumer survey/ consumer satisfaction trends?

   We drive the Company's customer satisfaction initiatives and measurement and regularly conduct customer satisfaction surveys through our call centre.

Board's Report on Corporate Governance

1. COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE

Magma pursues its long-term corporate goals on the bedrock of financial discipline, high ethical standards, transparency and trust. Enhancing shareholders' value and protecting the interests of all stakeholders' is a tradition at Magma. Every effort is made to follow best practices in all the functional areas and in discharging the Company's responsibilities towards all stakeholders and the community at large.

2. BOARD OF DIRECTORS ('BOARD')

2.1 Composition and category

The Company has a judicious mix of Executive, Non-Executive and Independent Non-Executive Directors on its Board. At present, there are 8 Directors on the Board, with 2 Executive Directors, 2 Non-Executive Directors including a Woman Director and 4 Independent Non-Executive Directors. The Chairman is a Non-Executive Director and one-half of the Board consists of Independent Directors. The composition of the Board is in conformity with Section 149 of the Companies Act, 2013 (hereinafter referred to as 'the Act') and Regulation 17 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'Listing Regulations').

None of the Directors are director in more than 20 Companies or member of more than 10 Committees or act as Chairman of more than 5 Committees across all Companies in which they are Directors. The Non-Executive Directors are appointed or re-appointed with the approval of shareholders. All the Non-Executive Directors are eminent professionals and bring the wealth of their professional expertise and experience to the management of the Company. The composition of the Board and category of Directors are as follows:

Category	Name of Directors
Promoter and Executive Directors	Mr. Mayank Poddar Mr. Sanjay Chamria
Non-Executive Directors	Mr. Sanjay Omprakash Nayar Ms. Ritva Kaarina Laukkanen
Independent Directors	Mr. Narayan K Seshadri Mr. Nabankur Gupta Mr. Satya Brata Ganguly Mr. V K Viswanathan

2.2 Pecuniary relationship or transactions

There were no pecuniary relationship or transactions of the Non-Executive Directors vis-a-vis the Company during the year. None of the Directors are related to any other Directors on the Board.

2.3 Board Meetings

Being the apex body constituted by shareholders for overseeing the functioning of the Company, the Board evaluates all the strategic decisions on a collective consensus basis amongst the Directors. The Board generally meets 4-5 times during the year. Additional Board meetings are convened to address the Company's specific needs. During the year Magma's Board met 4 times on 12 May 2016, 13 August 2016, 3 November 2016 and 9 February 2017. The maximum interval between any two consecutive meetings were not more than 120 days. Agenda and Notes on the agenda are circulated among the Directors, well in advance, in a structured format. All the Agenda items are supported by relevant information, documents and presentation to enable the Board to take informed decisions. Video/tele-conferencing facilities are used to facilitate Directors present at other locations, to participate in the meetings.

The status of attendance of each Director[1] at Board Meetings and the last Annual General Meeting (AGM) held on 19 September 2016 and the number of Companies and Committees where each of them is a Director / Member / Chairman as on 31 March 2017 is given below:

[1] Mr. Neil Graeme Brown, Non Executive Independent Director resigned w.e.f 6 May 2016. Mr. Srenik Singhvi, who was appointed as an Additional Non Executive Independent Director w.e.f 12 May 2016 resigned w.e.f 11 August 2016

Name of Director	Category	Materially significant, pecuniary or business relationship with the Company	Number of shares and convertible instruments held in the Company	F.Y 2016-17 Attendance at		No. of Directorships in other Companies incorporated in India(*)	Outside Committee Positions Held (**)	
				Board Meeting	Last AGM held on 19.09.2016		Chairman	Member
Mr. Mayank Poddar	Promoter, Executive	Whole time Director	Nil	4/4	Yes	8	1	-
Mr. Sanjay Chamria	Promoter, Executive	Vice Chairman and Managing Director	Nil	4/4	Yes	8	2	1
Mr. Narayan K Seshadri	Independent, Non-executive	Chairman	Nil	4/4	Yes	18	3	3
Mr. Nabankur Gupta	Independent, Non-executive	-	5,000	4/4	Yes	10	2	4
Mr. Satya Brata Ganguly	Independent, Non-executive	-	Nil	3/4	Yes	7	2	6
Mr. Sanjay Omprakash Nayar	Non-executive	Nominee - Zend Mauritius VC Investments, Ltd	Nil	3/4	No	17	-	-
Ms. Ritva Kaarina Laukkanen	Non-executive	Nominee -International Finance Corporation	Nil	2/4	No	-	-	-
Mr. V K Viswanathan[2]	Independent, Non-executive	-	1,432	2/2	No	8	5	2

*Excludes Directorships held in Foreign Companies and Section 8 Companies of the Act.

** Includes only Audit Committee and Stakeholders' Relationship Committee in all Indian public limited companies as per Regulation 26 of Listing Regulations.

[2] Appointed as an Independent, Non-executive Director of the Company w.e.f. 13 August 2016

2.4 Remuneration of Directors

The Non-executive Directors are paid sitting fees of ₹ 20,000/- per meeting of the Board, Audit Committee and Nomination and Remuneration Committee and ₹ 10,000/- per meeting of Stakeholders' Relationship Committee, Management Committee, Fair Practices Code Committee, Risk Management Committee, Asset Liability and Management Committee and Review Committee for the financial year 2016-17. The Independent Non- executive Directors are also paid remuneration in the form of commission. The details of the remuneration paid to the Directors during the Financial Year ended 31 March 2017 is as follows:

(₹ In lacs)

Srl No	Directors	Salary and allowances	Perquisites	Sitting fees	Commission	Total
1.	Mr. Mayank Poddar	70.08	79.92	-	-	150.00
2.	Mr. Sanjay Chamria	70.08	79.92	-	-	150.00
3.	Mr. Narayan K Seshadri	-	-	2.90	-	2.90
4.	Mr. Nabankur Gupta	-	-	2.60	-	2.60
5.	Mr. Satya Brata Ganguly	-	-	5.30	-	5.30
6.	Mr. Sanjay Nayar	-	-	0.80	-	0.80
7.	Ms. Ritva Kaarina Laukkanen	-	-	0.80	-	0.80
8.	Mr. V K Viswanatahn	-	-	1.40	-	1.40
	Total	**140.16**	**159.84**	**13.80**	**-**	**313.80**

1. Notice period, service contract and severance fees for Executive Directors is as per the Company's rules.
2. None of the Directors hold stock options as on 31 March 2017.

2.5 Code of Conduct

The Board of Directors has laid down a Code of Conduct for all the Board Members and Senior Executives of the Company. All the Board Members and Senior Executives have confirmed compliance with the Code. A declaration by Vice Chairman & Managing Director affirming the compliance with the Code is annexed at the end of this Report. The said Code may be referred to, at the website of the Company i.e. www.magma.co.in.

2.6 Information supplied to the Board, inter alia, include:

The following information is regularly placed before the Board:

1. Annual operating plans of business and budgets and any updates thereof;
2. Capital budgets and any updates;
3. Quarterly results for the Company and its operating divisions or business segments;
4. Minutes of meetings of the Audit Committee and other Committees of the Board;
5. The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary;
6. Show cause, demand, prosecution notices and penalty notices, which are materially important;
7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems;
8. Any material default in financial obligations to and by the listed entity;
9. Details of any joint venture or collaboration agreement;
10. Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business;
11. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer (if any), among others;
12. Minutes and Financial Results of the Subsidiary Companies: M/s. Magma ITL Finance Limited, M/s. Magma Advisory Services Limited and [3]M/s. Magma Housing Finance (A Public Company with Unlimited Liability) and Financial Results of Joint Venture Companies: M/s. Magma HDI General Insurance Company Limited and M/s. Jaguar Advisory Services Private Limited.

3. COMMITTEES

Magma at present has nine Committees of the Board: -

1. Audit Committee;
2. Stakeholders Relationship Committee;
3. Nomination and Remuneration Committee;
4. Management Committee;
5. Fair Practices Code Committee;
6. Corporate Social Responsibility Committee;
7. Risk Management Committee;
8. Asset Liability Management Committee; and
9. Review Committee

The terms of reference of these Committees is decided by the Board. Signed minutes of the Committee meetings are placed before the Board for noting. The role and composition including the number of meetings and related attendance are given below.

3.1 Audit Committee

3.1.1. Terms of reference

The terms of reference of the Audit Committee prepared pursuant to the provisions of Section 177(4) of the Act, RBI Guidelines and in furtherance to the terms of reference as provided in Listing Regulations was approved by the Board of Directors.

[3]M/s. Magma Housing Finance (A Public Company with Unlimited Liability) was converted into Limited Liability Company and renamed as Magma Housing Finance Limited w.e.f. 7/4/2017.

Some of the important terms of reference of the Committee are as follows:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommend the appointment, replacement or removal, remuneration and terms of appointment of auditors of the company;
- Approve rendering of services by the statutory auditors other than those expressly barred under Section 144 of Act and remuneration for the same;
- Reviewing, with the management, the annual financial statements and auditor's report thereon and the CEO & CFO Certificate as per Regulation 17(8) of Listing Regulations before submission to the Board for approval, with particular reference to:
    - Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of Section 134 (3)(c) of the Act;
    - Changes, if any, in accounting policies and practices and reasons for the same;
    - Major accounting entries involving estimates based on the exercise of judgment by management;
    - Significant adjustments made in the financial statements arising out of audit findings;
    - Compliance with listing and other legal requirements relating to financial statements;
    - Disclosure of any related party transactions (AS 18 of ICAI and RBI guidelines); and
    - Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial results before submission to the Board for approval and secure the Certificate from CFO in terms of Regulation 33 (2) (a) of Listing Regulations;
- Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems;
- Approve the appointment, removal and terms of remuneration of Chief Internal Auditor and reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing, and seniority of the official heading the department, reporting structure coverage and frequency, scope, functioning and methodology of internal audit;
- Discussion with Internal Auditors and the Management of any significant findings, status of previous audit recommendations and follow up there on;
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non- payment of declared dividends) and creditors;
- Review management letters/letters of internal control weakness issued by the statutory auditors;
- Review the Internal Audit Report relating to internal control weakness;

- Review the functioning of the Whistle Blower/Vigil Mechanism;
- Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background etc. of the candidate;
- Review management discussion and analysis of financial condition and results of operations;
- Review statement of significant related party transactions submitted by management;
- Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- Scrutinise inter-corporate loans and investments;
- Valuation of undertakings or assets of the company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Approve and recommend to the Board the transactions of the Company with related parties or any subsequent modification thereof;
- Appoint registered valuers;
- Review the Company's compliance with employee benefit plans;
- Oversee and review the Company's policies regarding Information Technology and Management Information Systems;
- Review, approve and monitor the Code of Ethics that the Company plans for its senior financial officers/ Directors;
- Any other matter as delegated by the Board of Directors of the Company from time to time.

3.1.2 Composition and Attendance

The Audit Committee met 4 times during the year under review i.e. on 11 May 2016, 13 August 2016, 3 November 2016 and 8 February 2017. The composition and attendance details of the members of the Audit Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings attended
1.	Mr. Narayan K Seshadri	Independent, Non-executive	4
2.	Mr. Satya Brata Ganguly	Independent, Non-executive	3
3.	Mr. Sanjay Nayar	Non-Independent, Non-executive	1
4.	Mr. Nabankur Gupta[4]	Independent, Non-executive	4
5.	Mr. V K Viswanathan[5]	Independent, Non-executive	2

[4] Inducted as a member w.e.f. 6 May 2016

[5] Inducted as a member w.e.f. 13 August 2016

The Audit Committee was re-constituted by a resolution passed by circulation by the Board of Directors on 6 May 2016 wherein Mr. Neil Graeme Brown ceased to be a member of the Committee pursuant to his resignation from the Company and Mr. Nabankur Gupta was inducted as the member of the Committee w.e.f. 6 May 2016. The Audit Committee was again re-constituted by the Board of Directors at their meeting held on 13 August 2016 wherein Mr. V K Viswanathan was inducted as the member of the Committee. At present, there are five members, of which majority comprises of Independent Directors. Members of the Committee possess financial/ accounting expertise/exposure.

Mr. Narayan K Seshadri is the Chairman of the Committee and was present at the last Annual General Meeting held on 19 September 2016.

Ms. Shabnum Zaman, Company Secretary, acts as the Secretary to this Committee.

3.2 Stakeholders Relationship Committee

3.2.1 Terms of reference

Some of the important terms of reference of the Committee are as follows:

- Deal with and decide all matters relating to the registration of transfer and transmission of shares and debentures; issue of duplicate share certificates or allotment letters and certificates for debentures in lieu of those lost/ misplaced;

- Redress shareholders and investors complaints relating to transfer of shares, non-receipt of Annual Report and non-receipt of declared dividends, among others;
- Monitor the compliance of Code of prevention of insider trading framed by the Company;
- Effect dematerialisation and re-materialisation of shares of the Company;
- Redress and resolve the grievances of all security holders of the Company; and
- Such other matters as per the directions of the Board of Directors of the Company which may be considered necessary in relation to shareholders and investors of the Company.

3.2.2 Composition and Attendance

The Stakeholders Relationship Committee met 3 times during the year on 28 July 2016, 13 January 2017 and 29 March 2017 to discharge its functions. The composition and attendance details of the members of the Stakeholders Relationship Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings attended
1.	Mr. Satya Brata Ganguly	Independent, Non-executive	3
2.	Mr. Mayank Poddar	Promoter, Executive	3
3.	Mr. Sanjay Chamria	Promoter, Executive	2

Mr. Satya Brata Ganguly, acts as the Chairman of the Committee.

M/s. Niche Technologies Private Limited, D-511, Bagree Market, 5th Floor, 71, B. R. B. Basu Road, Kolkata - 700 001, are the Registrar and Share Transfer Agent both for physical as well as electronic mode. Ms. Shabnum Zaman, Company Secretary, acts as the Compliance Officer. The table below gives the number of complaints received and resolved during the financial year and pending as on 31 March 2017.

Number of Complaints		
Received	Resolved	Pending
2	2	Nil

3.3 Nomination and Remuneration Committee

3.3.1 Terms of reference

The Board of Directors at their meeting held on 9 February 2017 has adopted a Charter of Nomination and Remuneration Committee which has superseded all the existing terms of reference of the Committee. Some of the important clauses of the Charter of the Committee are as follows:-

Review of matters by the Committee

1. Carry out evaluation of performance of all the directors of the Company;
2. Review overall compensation philosophy and framework of the Company;
3. Review outcome of the annual performance appraisal of the employees of the Company;
4. Conduct annual review of the Committee's performance and effectiveness at the Board level;
5. Examine and ensure 'fit and proper' status of the directors of the Company.

Approval of matters by the Committee

1. Formulate criteria for:
   a. determining qualifications, positive attributes and independence of a director;
   b. evaluation of independent directors and the Board;
2. Based on the Remuneration Policy of the Company, determine remuneration packages for the following:
   a. Approve remuneration packages and service contract terms of Senior Management (all the Direct Reportees to the Managing Director i.e. Excom Members of the Company) including the structure, design and target setting for short and long term incentives / bonus;
   b. Approve framework and broad policy in respect of all employees for increments;
3. ESOPs and RSO: approve grant and allotment of shares to the eligible employees of the Company and its subsidiaries under the shareholders approved ESOP

and RSO Schemes and authorize any official of the Company to offer ESOPs and RSO to the new joinees in the Company in accordance with the authority matrix approved by the Committee from time to time;

4. Review and approve succession plans for Senior Management (all the Direct Reportees to the Managing Director i.e. Excom members of the Company);

5. Approval of the annual compensation revision cycle of the employees of the Company.

Review of items by the Committee for recommendation to the Board for approval

1. Devising a policy on Board diversity and recommending the size and an optimum mix of promoter directors, executive, independent and non-independent directors keeping in mind the needs of the Company.

2. Identifying, evaluating and recommending to the Board:

   a. Persons who are qualified for appointment as Independent and Non-Executive Directors/ Executive Directors/ Whole time Directors/ Managing Directors in accordance with the criteria laid down;

   b. Appointment of Senior Management Personnel (all the Direct Reportees to the Managing Director i.e. Excom members of the Company) in accordance with the criteria laid down;

   c. Removal of Directors and Senior Management Personnel.

3. Determining processes for evaluating the skill, knowledge, experience, effectiveness and performance of individual directors as well as the Board as a whole;

4. Recommending Budget for Board related expenses;

5. To devise a Policy on remuneration including any compensation related payments of the directors, key managerial personnel and other employees and recommend the same to the Board of Directors of the Company;

6. Based on the Policy as aforesaid, determine remuneration packages for the following:

   a. Recommend remuneration package of the Directors of the Company, including Commission, Sitting Fees and other expenses payable to Non-Executive Directors of the Company.

   b. Recommend changes in compensation levels and one time compensation related payments in respect of Managing Director/Whole-time Director/Executive Director.

7. Recommend & review succession plans for Managing Directors;

8. Evolve a policy for authorizing expenses of the Chairman and Managing Director of the Company.

3.3.2 Composition and Attendance

The Nomination and Remuneration Committee met 4 times during the year on 11 May 2016, 13 August 2016, 3 November 2016 and 8 February 2017 to discharge its functions. The composition and attendance details of the members of the Nomination and Remuneration Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings attended
1.	Mr. Nabankur Gupta	Independent, Non-executive	4
2.	Mr. Narayan K. Seshadri	Independent, Non-executive	4
3.	Mr. Satya Brata Ganguly[6]	Independent, Non-executive	3
4.	Ms. Ritva Kaarina Laukkanen[7]	Non Independent, Non-executive	1
5.	Mr. Mayank Poddar[8]	Promoter, Executive	2
6.	Mr. V K Viswanathan[9]	Independent, Non-executive	2

[6] Inducted as a member w.e.f. 6 May 2016
[7] Inducted as a member w.e.f. 12 May 2016
[8] Ceased to be a member w.e.f. 26 September 2016
[9] Inducted as a member w.e.f. 13 August 2016

The Nomination and Remuneration Committee was re-constituted by a resolution passed by the Board of Directors on 6 May 2016 wherein Mr. Neil Graeme Brown ceased to be a member of the Committee pursuant to his resignation from the Company and Mr. Satya Brata Ganguly was inducted as the member of the Committee and Mr. Nabankur Gupta was designated as the Chairman of the Committee w.e.f. 6 May 2016. Thereafter the Committee was reconstituted by the Board of Directors at their meeting held on 12 May 2016 by inducting Ms. Ritva Kaarina Laukkanen as the member of the Committee

w.e.f. 12 May 2016. The Committee was again reconstituted on 13 August 2016 wherein Mr. V K Viswanathan was inducted as the member of the Committee. Thereafter Mr. Mayank Poddar stepped down as the member of the Committee on 26 September 2016 and will act as the Permanent Invitee of the Committee. At present, there are five members, of which majority comprises of Independent Directors.

Mr. Nabankur Gupta, acts as the Chairman of the Committee and Ms. Shabnum Zaman, Company Secretary, acts as the Secretary to this Committee.

3.4 Management Committee

3.4.1 Terms of reference

The Management Committee is authorized by the Board to do all such acts, deeds and things and decide on all such matters as may be delegated to the Committee from time to time. Such authorizations inter-alia includes to decide on matters w.r.t direct assignment deal with various banks from time to time, acceptance of term loans, credit facilities of any type, inter corporate deposits, other borrowings etc., opening and closing of current/cash credit account and inclusion and deletion of the authorized signatories to the said current/ cash credit account opened in the name of the company.

3.4.2 Composition and Attendance

The Management Committee met 30 times during the year under review on 15.04.2016, 14.05.2016, 13.06.2016, 14.06.2016, 29.06.2016, 01.07.2016, 05.07.2016, 30.07.2016, 01.08.2016, 08.08.2016, 31.08.2016, 09.09.2016, 22.10.2016, 11.11.2016, 28.11.2016, 07.12.2016, 14.12.2016, 28.12.2016, 09.01.2017, 10.01.2017, 30.01.2017, 03.02.2017, 13.02.2017, 15.02.2017, 27.02.2017, 02.03.2017, 03.03.2017, 07.03.2017, 22.03.2017 and 27.03.2017. The composition and attendance details of the members of the Management Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings attended
1.	Mr. Mayank Poddar	Promoter, Executive	27
2.	Mr. Sanjay Chamria	Promoter, Executive	17
3.	Mr. Satya Brata Ganguly	Independent, Non-executive	29

Mr. Mayank Poddar, acts as the Chairman of the Committee.

3.5 Fair Practices Code Committee

3.5.1 Terms of reference

The Fair Practices Code Committee reviews the adoption of the Code of Fair Practice so as to comply with the guidelines and circular issued by the Reserve Bank of India for Non Banking Financial Companies in this regard.

3.5.2 Composition and Attendance

The Fair Practices Code Committee met 2 times during the year on 26 September 2016 and 10 March 2017 to discharge its functions. The composition and attendance details of the members of the Fair Practices Code Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings attended
1.	Mr. Satya Brata Ganguly	Independent, Non-executive	1
2.	Mr. Mayank Poddar	Promoter, Executive	2
3.	Mr. Sanjay Chamria	Promoter, Executive	2

Mr. Satya Brata Ganguly, acts as the Chairman of the Committee.

3.6 Corporate Social Responsibility (CSR) Committee

3.6.1 Terms of reference

Some of the important terms of reference of the Committee are as follows:

- Formulation and ensuring compliance of CSR Policy;
- Identifying the CSR activities and the geographic distribution of CSR;
- Identifying structure for CSR implementation;
- Execution, implementation, monitoring and reporting of CSR activities;
- Formulate and recommend to the Board for its approval and implementation, the Business Responsibility (BR) Policy of the Company;
- Oversee and review the Company's BR performance;
- Review the draft BR Report and recommend the same to the Board for its approval and inclusion in the Annual Report of the Company;

- Such other acts as may be delegated by the Board from time to time.

3.6.2 Composition and Attendance

The CSR Committee met once during the year on 26 September 2016 to discharge its functions. The composition and attendance details of the members of the CSR Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings attended
1.	Mr. Mayank Poddar	Promoter, Executive	1
2.	Mr. Sanjay Chamria	Promoter, Executive	1
3.	Mr. Satya Brata Ganguly	Independent, Non-executive	1

Mr. Mayank Poddar, acts as the Chairman of the Committee.

3.7 Risk Management Committee

3.7.1 Terms of reference

Some of the important terms of reference of the Committee are as follows:

- Reviewing the results of and progress in implementation of the decisions made in the previous meetings;
- Review the economic situation & its impact on industry;
- Review of the early warning report and necessary action thereof;
- Commission the risk assessment process to identify significant business, operational, financial, compliance, reporting and other risks;
- Review of risk assessment results and ensure that these are appropriately and adequately mitigated and monitored;
- Monitor the progress in implementation of risk mitigation strategies including the status of risk assessment program; and
- Approve exceptions/deviations from Risk Management Policy.

3.7.2 Composition and Attendance

The Risk Management Committee met 4 times during the year on 27 June 2016, 26 September 2016, 22 October 2016 and 12 January 2017 to discharge its functions. The composition and attendance details of the members of the Risk Management Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings attended
1.	Mr. Sanjay Chamria	Promoter, Executive	4
2.	Mr. Mayank Poddar	Promoter, Executive	3
3.	Mr. Sanjay Nayar	Non-Independent, Non-executive	Nil
4.	Mr. Narayan K Seshadri[10]	Independent, Non-executive	3

[10] Inducted as a member w.e.f. 13 August 2016

The Risk Management Committee was reconstituted by the Board of Directors at their meeting held on 13 August 2016 by inducting Mr. Narayan K Seshadri as the member of the Committee w.e.f. 13 August 2016.

Mr. Sanjay Chamria, acts as the Chairman of the Committee.

3.8 Asset Liability Management Committee

3.8.1 Terms of reference

Some of the important terms of reference of the Committee are as follows:

- Liquidity risk management;
- Management of market risks;
- Funding and capital planning;
- Forecasting and analysing 'What if scenario' and preparation of contingency plans; and
- Regulatory updates.

3.8.2 Composition and Attendance

The Asset Liability Management Committee met 4 times during the year on 27 June 2016, 26 September 2016, 19 December 2016 and 24 February 2017 to discharge its

functions. The composition and attendance details of the members of the Asset Liability Management Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings attended
1.	Mr. Sanjay Chamria	Promoter, Executive	4
2.	Mr. Mayank Poddar	Promoter, Executive	4
3.	Mr. Satya Brata Ganguly	Independent, Non-executive	2

Mr. Sanjay Chamria, acts as the Chairman of the Committee.

3.9 Review Committee

3.9.1 Terms of reference

Some of the important terms of reference of the Committee are as follows:

- Review the order passed by the Credit Committee of the Company w.r.t. classification of non co-operative borrowers;
- Seek necessary information from the Credit Committee;
- Give the non co-operative borrower, opportunity of being heard, where it deems fit;
- Pass the final order, as to whether to classify a borrower as non co-operative or not, after due consideration of all the facts of the case. The order so passed shall be treated binding on the borrower and the Chairman of the Committee will report to the Board after each Committee meeting and circulate the minutes of the Committee.

3.9.2 Composition

Sl No.	Name of the Members	Category
1.	Mr. Sanjay Chamria	Promoter, Executive
2.	Mr. Mayank Poddar	Promoter, Executive
3.	Mr. Narayan K Seshadri	Independent, Non-executive
4.	Mr. Satya Brata Ganguly	Independent, Non-executive
5.	Mr. Sanjay Nayar	Non-Independent, Non-executive

The Review Committee was reconstituted by a resolution passed by the Board of Directors on 6 May 2016 wherein Mr. Neil Graeme Brown ceased to be a member of the Committee pursuant to his resignation from the Company.

Mr. Sanjay Chamria, acts as the Chairman of the Committee.

The Committee meets as and when required. During the year no meeting was held.

4. SEPARATE MEETING OF INDEPENDENT DIRECTORS

During the year as per the requirement of Schedule IV of the Act and Listing Regulations all the Independent Directors (IDs) met on 8 February 2017 without the presence of other Non-Independent Directors and members of the management. At this meeting, the IDs inter alia evaluated the performance of Non-Independent Directors & the Board as a whole, performance of the Chairperson of the Company after taking into account the views of executive directors and non-executive directors and discussed aspects relating to the quality, quantity and timeliness of flow of information between the Company management & the Board.

5. REMUNERATION POLICY

Based on the recommendation of the Nomination and Remuneration Committee (NRC), the Board of Directors has adopted a Remuneration Policy which, inter alia, deals with the manner of selection of Board of Directors and Vice Chairman & Managing Director and their remuneration. The remuneration policy is in consonance with the existing industry practice. This Policy inter alia includes the following:

1. Selection criteria for Directors, senior management personnel and key managerial personnel:

1.1. Apart from promoter Directors, Magma currently has no Executive Director/s. Selection of Executive Director/s shall be in line with the selection criteria laid down for independent Directors, in so far as those criteria are not inconsistent with the nature of appointment; NRC is responsible for identification, shortlisting and recommendation candidature of person for the position of Managing Director to the Board of Directors of the Company;

1.2. Nominee Directors shall be taken on Board, as and when nominated by the investor/s to protect such investor/s interests and such appointments shall usually be governed by the investment/ subscription agreement/s the Company has/will have with such investor/s;

1.3. Independent Directors will be selected on the basis of identification of industry/ subject leaders with strong experience. The advisory area and therefore the role, may be defined for each independent director;

1.4. In Magma, Senior Management Personnel shall consist of Excom group. It usually comprises of the function and business heads who directly reports to Vice-Chairman & Managing Director (VC & MD);

1.5. For any Senior Management Personnel recruitment, it is critical to identify the necessity for that role in the context of the Company. In order to validate the requirement –

a. Job Description (JD) along with profile fitment characteristics from a personality, experience and qualification point of view shall be created;

b. The recruitment process shall generally involve meetings with Chief People Officer (CPO), VC&MD and/or identified members of the NRC and Board, on the basis of which the candidature will be finalised;

c. The total remuneration to be offered to the new candidate as above, shall be shared with the NRC for their concurrence by the CPO. Thereafter, the offer shall be rolled out.

2. Determination of qualification, positive attributes and independence test for the Independent Directors to be appointed:

2.1 For each Independent Director, the appointment shall be based on the need identified by the Board;

2.2 The role and duties of the Independent Director shall be clearly specified by highlighting the committees they are expected to serve on, as well as the expectations of the Board from them;

2.3 At the time of selection, Board shall review the candidature on skill, experience and knowledge to ensure an overall balance in the Board so as to enable the Board to discharge its functions and duties effectively;

2.4 Any appointment of the Independent Director shall be approved at the meeting of the shareholders, in accordance with extant laws;

2.5 Director's Independence test shall be conducted as per the conditions specified in the Companies' Act and the rules thereunder;

2.6 Board's expectation from each Independent Director shall be clearly mentioned in the appointment letter;

2.7 The Independent Director shall confirm having read and complied with the Magma's Code of Conduct. They shall also need to confirm and sign the Independence Test;

2.8 The remuneration of the Directors shall be established on the reasonability and sufficiency of level in order to attract, retain and motivate the Directors; and

2.9 VC & MD along with Company Secretary shall be involved in the familiarisation/ induction process for the independent director/s.

3. Remuneration policy for the Directors (including Independent Directors), key managerial personnel and senior management personnel:

3.1 The Independent Directors would be paid sitting fees subject to the limits prescribed under the Companies Act, or any amendments thereto, as may be determined by NRC from time to time, for attending each meeting(s) of the Board and Committees thereof;

3.2 Directors shall be reimbursed any travel or other expenses, incurred by them, for attending the Board and Committee meetings;

3.3 Additionally, the Independent Directors shall be paid remuneration by way of commission for each financial year:

a. Total commission pay out to all Independent Directors in aggregate shall be restricted to a limit of 1% of net profits of the Company, further subject to recommendation by the NRC and determination by the Board, as further subject to approval by the shareholders of the Company at the Annual General Meeting; and

b. NRC shall recommend quantum of commission which, in its best judgement and opinion is commensurate to the level of engagement each Independent Director would have with the members of Senior Management Personnel

and/or other Board members, towards providing inputs, insights and guidance on various matters of importance from time to time.

3.4 The remuneration paid to VC & MD shall be considered by the NRC taking into account various parameters included in this policy document and recommended to the Board for approval. This shall be further subject to the approval of the members at the next General Meeting of the Company in consonance with the provisions of the Act and the rules made thereunder;

3.5 For KMP and Senior Management Personnel, remuneration shall be based on the KRAs identified and the achievement thereof. The increments shall usually be linked to their performance as well as performance of the Company.

6. FAMILIARIZATION PROGRAMME

The Company has put in place a mechanism to familiarize its Independent Directors about the Company, its products, the industry and business structure of the Company and its subsidiaries, associates and JVs. The Company also undertakes various initiatives to update the Independent Directors about the ongoing events and developments relating to the Company, significant changes in regulatory environment. To familiarize the new Directors with the business and operations of the Company an Induction kit is shared with them which, inter-alia, includes Mission, Vision and Values, Group Business Structure, Brief profile of the Board of Directors, Composition of Committees of the Board, Brief profile of Senior Managerial Personnel, Press Releases, Investor Presentation, Latest Annual Report and Policies and Remuneration payable to Directors. Furthermore the role, rights, responsibilities, duties and liabilities of the Independent Directors are embodied in detail in their Appointment Letter.

The Vice Chairman & Managing Director also has a one-to-one discussion with the newly appointed Director. The above initiatives helps the Director to understand the Company, its business and the regulatory framework in which the Company operates and equips him to effectively fulfill his/her role as a Director of the Company.

During the financial year 2016-17, the Independent Directors were updated from time to time on continuous basis on the significant changes in the regulations applicable to the Non-Banking Finance Companies. The details of such Familiarization Programmes for Directors may be referred to, at the website of the Company at its weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

7. PERFORMANCE EVALUATION

Pursuant to the provisions of the Act and Regulation 17(10) of Listing Regulations, the Company has adopted the Remuneration Policy with the comprehensive procedure on performance evaluation. The Board has carried out the annual performance evaluation of its own performance, of individual Directors and that of its Committee. Also, the Nomination and Remuneration Committee has carried out evaluation of every director's performance and reviewed the self evaluation submitted by the respective directors. The performance evaluation of the Independent Directors was carried out by the entire Board, excluding the director being evaluated.

The detailed process of Performance Evaluation is given in the Board's Report.

8. SUBSIDIARY COMPANIES

All subsidiary companies are Board managed with their Board's having the rights and obligations to manage such companies in the best interest of the stakeholders. The Company does not have any material subsidiary whose net worth exceeds 20% of the consolidated net worth of the holding company in the immediately preceding accounting year or has generated 20% of the consolidated income of the Company during the previous financial year. As a good corporate governance, the Company has formulated and adopted a policy for determining material subsidiaries.

The Policy for determining Material Subsidiaries as approved by the Board may be referred to, at the website of the Company at its weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

9. VIGIL MECHANISM / WHISTLE BLOWER

The Company has in place Board approved Policy on Breach of Integrity and Whistle Blower (Vigil mechanism). The Policy was framed with an objective to deal with issues pertaining to integrity, encouraging the employees and Directors of the Company to raise any concern about Company's operations and working environment, including possible breaches of Company's policies and standards, without fear of adverse managerial action being taken against such employees.

It provides a channel to the employees and Directors to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of any code of conduct or policy in force. Instances of such suspected or confirmed incident of fraud/misconduct may be reported on the designated email id i.e. fraudcontrol@magma.co.in which is managed by the fraud control team.

A Disciplinary Committee as constituted under the vigil mechanism looks into the complaints raised and their redressal. The Committee reports to the Audit Committee.

The mechanism also provides for adequate safeguards against victimization of employees to avail of the mechanism and in exceptional cases direct access to the Chairman of the Audit Committee to report instances of fraud/misconduct. During the year under review, no employee was denied access to the Audit Committee.

The said Policy may be referred to, at the website of the Company at its weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/

10. CODE FOR PREVENTION OF INSIDER-TRADING PRACTICES

As per the SEBI (Prohibition of Insider Trading) Regulations 2015, the Company Secretary is the Compliance Officer and is responsible for setting forth policies, procedures, monitoring adherence to the rules for the preservation of price-sensitive information, pre-clearance of trade, monitoring of trades and implementation of the Code of Conduct for trading in Company's securities under the overall supervision of the Board.

The Company has in place Board approved Code of Conduct for Prevention of Insider Trading as well as a Code of Corporate Disclosure Practices in accordance with Regulation 4(2)(c) of Listing Regulations. All the Directors on the Board, Senior Management at all locations and other employees who could be privy to unpublished price-sensitive information of the Company are governed by this Code.

11. OTHER DISCLOSURES

- All related party transactions that were entered into during the financial year were on an arm's length basis and were usually in the ordinary course of business. There has been no materially significant related party transactions between the Company and its directors, their relatives, subsidiaries or associates. All Related Party Transactions are placed before the Audit Committee. Disclosure of transactions with related parties is provided in notes to the financial statements, forming part of this Report.

  The Policy on Related Party Transactions as approved by the Board has been uploaded on the Company's website. The said Policy may be referred to, at the website of the Company at its weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

- The Company received sufficient disclosures from Promoters, Directors or the Senior Management wherever applicable.

- The Company complied with the statutory rules and regulations including those of the SEBI and the Stock Exchanges. There was no default on any related issue during last three years.

12. MEANS OF COMMUNICATION WITH SHAREHOLDERS

Quarterly results

The quarterly/half yearly/un-audited/audited financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board of Directors. These results are simultaneously posted on the web address of the Company at www.magma.co.in pursuant to Regulation 47 of Listing Regulations.

The results of the Company were published in the following local and national dailies:

1. Aajkaal (Vernacular language)
2. The Financial Express (English language)
3. Business Standard(English language)
4. The Economic Times(English language)

Website

The Company's web address is www.magma.co.in. The website contains a complete overview of the Company. The Company's Annual Report, financial results, details of its business, shareholding pattern, compliance with Corporate

Governance, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievances, the distribution schedule, credit ratings and Code of Conduct are uploaded on the website.

Presentations to institutional investors / analysts:
During the financial year 2016-17, Analyst Conference Calls were conducted on 13 May 2016, 16 August 2016, 4 November 2016 and 10 February 2017. Presentations to Institutional Investor/ Analysts are uploaded on the Company's website www.magma.co.in.

Press releases
Press reports are given on important occasions. They are sent to Stock Exchanges and also placed on the Company's website www.magma.co.in.

NSE Electronic Application Processing System (NEAPS)
NEAPS is a web-based application designed by NSE for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, media releases, among others are filed electronically on NEAPS.

BSE Corporate Compliance & Listing Centre (the Listing Centre)
BSE's Listing Centre is a web-based application designed by BSE for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, media releases, among others are also filed electronically on the Listing Centre.

SEBI Complaints Redress System (SCORES)
The investor complaints are processed in a centralised web-based complaints redress system. The salient features of this system are: Centralised database of all complaints, online upload of Action Taken Reports (ATRs) by concerned companies and online viewing by investors of actions taken on the complaint and its current status.

13. MANAGEMENT DISCUSSION AND ANALYSIS (MDA)

The MDA section is carried in detail and forms part of the Board's Report.

14. GENERAL BODY MEETINGS

a) Location and time of the last three Annual General Meetings:

Year	Venue	Day and date	Time	Number of Special Resolutions passed
2013-14	Kala Kunj Auditorium, 48, Shakespeare Sarani, Kolkata – 700 017	Thursday, 31 July 2014	3:00 P.M.	Nil
2014-15	Kala Kunj Auditorium, 48, Shakespeare Sarani, Kolkata – 700 017	Saturday, 1 August 2015	3:00 P.M.	Nil
2015-16	Kala Kunj Auditorium, 48, Shakespeare Sarani, Kolkata – 700 017	Monday, 19 September 2016	2:30 P.M.	1

None of the businesses proposed to be transacted at the ensuing AGM require passing a special resolution through Postal Ballot.

b) Postal Ballot

During the year the Company had conducted Postal Ballot on 25 March 2017 pursuant to Section 110 of the Act read with Companies (Management and Administration) Rules, 2014 including any amendments thereto, Mr. Mohan Ram Goenka, Company Secretaries in Practice (CP No. 2551), Partner, MR & Associates, Kolkata was appointed as the Scrutinizer for conducting the postal ballot voting process in a fair and transparent manner.

In compliance with provisions of Section 108 of the Act and Rule 20 of the Companies (Management and Administration)

Rules, 2014 including any amendments thereto and Regulation 44 of Listing Regulations, the Company had provided to the members the facility to exercise their right to vote by electronic means.

The following resolution was passed with requisite majority:

Date of declaration of the result of Postal Ballot	Type of Resolution passed	Particulars of Resolution	% of votes cast in favour of resolution
25 March 2017	Special Resolution	Issuance of debt securities pursuant to Sections 42, 71 and 180(1)(c) of the Companies Act, 2013, upto an overall ceiling of ₹ 2000 crores on Private Placement basis for FY 2017-18.	99.99

The results of Postal Ballot were uploaded on the Company's website www.magma.co.in and communicated to BSE Limited and National Stock Exchange of India Limited and also to National Securities Depository Limited.

15. GENERAL SHAREHOLDERS' INFORMATION

The Shareholders are kept informed by way of mailing of Annual Reports, notices of Annual General Meetings, Extra Ordinary General Meetings, Postal Ballots and other compliances under the Act. The Company also issues press releases and publishes quarterly results.

a) Listing of shares

The Equity Shares of the Company are listed on

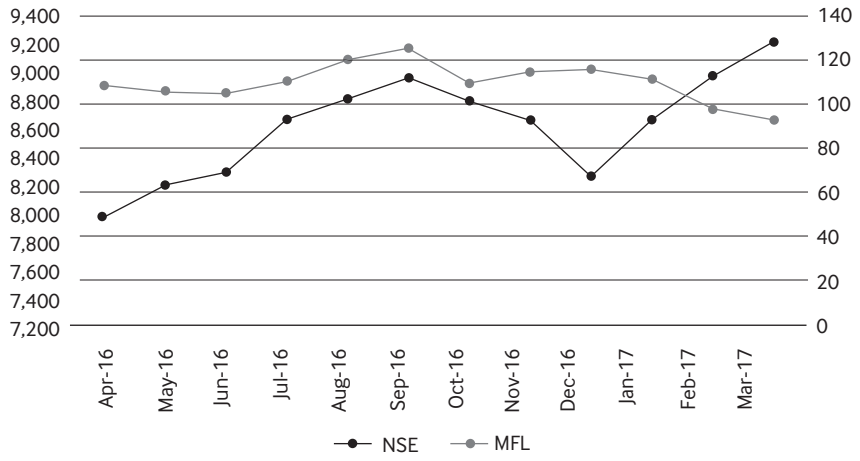
Name of Stock Exchanges	Stock code
National Stock Exchange of India Limited (NSE) 5, Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400 051.	MAGMA
BSE Limited (BSE) Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001.	524000

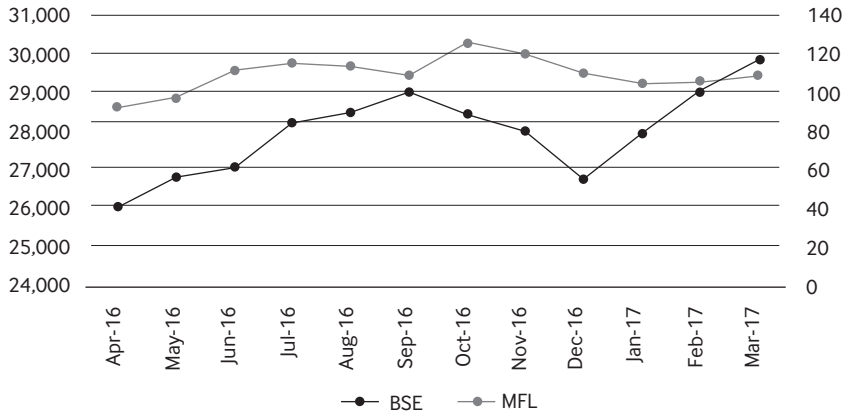
b) Market price data

Monthly high and low quotation during 1 April 2016 to 31 March 2017 is given in the table below:

Month	BSE Limited			National Stock Exchange of India Limited		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
April, 2016	92.95	74.50	414116	93.45	73.95	1666349
May, 2016	98.25	85.90	517190	98.50	85.65	4213557
June, 2016	111.80	90.05	2535547	111.90	90.50	13913209
July, 2016	116.10	99.70	1871047	116.10	100.00	9123952
August, 2016	114.85	95.60	1668312	115.20	95.45	8255981
September, 2016	110.00	95.00	1466436	110.00	95.10	12422636
October, 2016	125.80	103.00	3262430	125.65	102.55	15570440
November, 2016	120.95	86.50	1657984	120.80	85.50	11046500
December, 2016	111.00	95.70	472206	111.00	95.25	2807016
January, 2017	105.25	92.10	427114	105.85	91.90	3658823
February, 2017	106.35	94.50	442864	106.50	94.25	3226800
March, 2017	109.45	95.40	29245450	108.90	95.50	4729112

c) Magma Share Performance





d)	**Company's registered office**	:	"Magma House", 24, Park Street, Kolkata – 700 016
e)	**Address for correspondence for Shares/ Debentures and related matters**	:	Ms. Shabnum Zaman Secretarial Department "Magma House", 7th Floor, 24, Park Street, Kolkata – 700 016 Tel No. +91 33 4402 7736 Fax No. +91 33 4402 7731 Email Id: shabnum.zaman@magma.co.in
f)	**Registrar and Share Transfer Agent (Physical and Demat Mode)**	:	Niche Technologies Private Limited D-511, Bagree Market, 5th Floor 71, B.R.B.Basu Road, Kolkata - 700 001 Tel No.+91 33- 2235 7270 / 7271, +91 33- 2234 3576 Fax No.+91 33 - 2215 6823 Email Id : nichetechpl@nichetechpl.com
g)	**AGM details**		
	Date	:	As per the Notice calling the Annual General Meeting
	Venue	:	
	Time	:	

h)	Financial Year		1 April 2016 to 31 March 2017
i)	Book Closure date	:	27 July 2017 to 2 August 2017 (both days inclusive)
j)	Financial calendar (tentative)		
	Financial reporting for the quarter ending		
	1st quarter ending 30 June 2017	:	First week of August 2017
	2nd quarter ending 30 September 2017	:	First week of November 2017
	3rd quarter ending 31 December 2017	:	First week of February 2018
	4th quarter ending 31 March 2018	:	First week of May 2018
	Annual General Meeting for the year ending 31 March 2018	:	First Week of August 2018
k)	Dividend payment date and rate	:	1. On Equity Shares @ 40% i.e ₹ 0.80 per Equity Share of the face value of ₹ 2/- each. 2. On Preference Shares: 4.57% i.e. ₹ 4.57 pro-rata per share dividend on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 20/- each for a day/3 days i.e. 1 April 2016. The shares were then redeemed on 4 April 2016. The dividend will be paid on or after the AGM date.
l)	Contact person for clarification on Financial Statements	:	For clarification on Financial Statements, kindly contact: Mr. Rajesh Singhania, 24, Park Street, Kolkata - 700 016. Ph:+91 33 4401 7200/+91 33 4402 7750 Email: rsinghania@magma.co.in

m) Distribution of shareholding as on 31 March 2017

Particulars	Number of shareholders	Number of shares held	Percentage of shareholding
Up to 500	16173	18,52,949	0.78
501 – 1,000	1131	9,55,992	0.40
1,001 – 5,000	2523	49,65,610	2.10
5,001 – 10,000	269	19,45,699	0.82
10,001 – 50,000	243	52,85,083	2.23
50,001 – 1,00,000	40	28,41,837	1.20
1,00,001 – and above	44	21,91,12,502	92.47
Total	**20423**	**23,69,59,672**	**100.00**

Pattern of shareholding as on 31 March 2017

Category	Number of shares	Percentage (%)
Promoter and Promoter Group	6,57,52,083	27.75
Resident individuals	1,72,02,376	7.26
Foreign holdings	11,72,19,703	49.47
Public financial institutions and banks	2,02,121	0.08
Other Companies / Mutual Funds	362,55,889	15.30
Trusts	3,27,500	0.14
Total	**23,69,59,672**	**100.00**

n)	Demat facility	:	The Company's shares enjoy demat facility with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) having the following ISIN Nos. for Equity Shares:- INE511C01022 for 23,69,59,672 Equity Shares of ₹ 2/- each available since 16 January 2001; As on 31 March 2017, 23,57,11,527 Equity Shares constituting 99.47% of the total holding were held in demat mode.
o)	Transfer of shares	:	During the period, transfer of 14,865 Equity Shares was recorded by the Company. All transfers were affected within 15 days of receipt. Other than routine queries / requests, the Company did not receive any complaint during the period from the investors.
p)	Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity		As on 31 March 2017, there are no Outstanding GDRs/ADRs/Warrants or any Convertible instruments
q)	E-mail ID of the Grievance Redressal Division/Compliance Officer exclusively for the purpose of registering complaints by investors		secretary@magma.co.in /shabnum.zaman@magma.co.in
r)	Debt Securities Listing		The Wholesale Debt Market (WDM) Segment of BSE
s)	Debenture Trustees		(i) IDBI Trusteeship Services Limited Ground Floor, 17, R. Karmani Marg, Ballard Estate, Mumbai – 400 001, Maharashtra, Tel: +91 22 4080 7000 ; Fax: +91 22 6631 1776 E-mail: itsl@idbitrustee.co.in (ii) Catalyst Trusteeship Limited (Formerly GDA Trusteeship Limited) (Corporate Office) :- Office No. 83 – 87, 8th floor , 'Mittal Tower', 'B' Wing, Nariman Point , Mumbai - 400 021 Tel: +91 22 4922 0555; Fax: +91 22 4922 0505 E-mail: dt@ctltrustee.com (Registered Office) :- GDA House, Plot No.85 Bhusari Colony (Right), Puad Road, Pune 411038 Tel: +91 20 2528 0081 Fax: +91 20 2528 0275 E-mail: dt@ctltrustee.com
t)	Payment of listing fees		Annual listing fee has been paid by the Company to BSE and NSE.

Adoption of mandatory and non- mandatory requirements of Regulation 27(1) of Listing Regulations

The Company has complied with all mandatory requirements of Regulation 27 of Listing Regulations. The Company has adopted four out of five non-mandatory requirements of Regulation 27(1) of Listing Regulations. The details of non-mandatory requirements are as follows:

A. The Board

Mr. Narayan K Seshadri is the Non Executive Chairman of the Company and all the expenses incurred in performance of his duties is reimbursed by the Company.

B. Shareholder rights

Since the quarterly, half yearly and annual financial results of the Company are published in newspapers on an all India basis and are also posted on the Company's website, these are not sent individually to the shareholders of the Company. Further, significant events are informed to the Stock Exchanges from time to time and then the same is also posted on the website of the Company under the 'Investors' section. The complete Annual Report is sent to every Shareholder of the Company.

C. Modified opinion(s) in audit report

It is always the Company's endeavour to present unmodified Financial Statements. There is no audit qualification in the Company's Financial Statements for the financial year ended 31 March 2017.

D. Separate posts of Chairman and CEO

Mr. Narayan K Seshadri is the Chairman and Mr. Sanjay Chamria is the Vice-Chairman and Managing Director of the Company.

E. Reporting of Internal Auditor

The Internal Auditor reports directly to the Audit Committee.

16. DISCLOSURE OF COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS SPECIFIED IN CHAPTER IV OF LISTING REGULATIONS

The Company has complied with the applicable requirements specified in Chapter IV of Listing Regulations.

For and on behalf of the Board

Narayan K Seshadri
(Chairman)
DIN: 00053563

Place: Mumbai
Date: 11 May 2017

Certification in terms of Regulation 17(8) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

09 May 2017

The Board of Directors
Magma Fincorp Limited
Magma House,
24, Park Street,
Kolkata – 700 016

We, the undersigned in our respective capacities as Vice Chairman and Managing Director and Chief Financial Officer of Magma Fincorp Limited, certify to the Board in terms of regulation 17(8) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 that we have reviewed the Financial Statements and the Cash Flow Statement of the Company for the Financial Year ended 31 March 2017.

1. To the best of our knowledge and belief, we certify that:

   (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that are misleading.

   (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

   (iii) There are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.

2. For the purpose of Financial Reporting, we accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

3. We have indicated to the Auditors and the Audit Committee:

   (a) significant changes, if any, in the internal controls over financial reporting during the year.

   (b) significant changes, if any, in the accounting policies made during the year and the same have been disclosed in the notes to the financial statements; and

   (c) instances of significant fraud, if any, of which we have become aware and the involvement therein, of the management or an employee having a significant role in the company's internal control system over financial reporting.

For **Magma Fincorp Limited**

Sanjay Chamria
Vice Chairman & Managing Director

Kailash Baheti
Chief Financial Officer

Code of Conduct

25 April 2017

The Board of Directors
Magma Fincorp Limited
Magma House,
24, Park Street,
Kolkata – 700 016

Dear Sirs,

I, Sanjay Chamria, Vice Chairman and Managing Director of Magma Fincorp Limited hereby confirm that all Board Members and Senior Management Team have affirmed compliance with the "Code of Conduct for Directors and Senior Executives of the Company" for the year ended 31 March2017.

Thanking You,
Yours sincerely,

For **Magma Fincorp Limited**

Sanjay Chamria
Vice Chairman & Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Directors of the Magma Fincorp Limited
11 May 2017

We have examined the compliance of conditions of Corporate Governance by Magma Fincorp Limited ('the Company'), for the year ended 31 March 2017, as per regulations 17 to 27, clauses (b) to (i) of regulation 46(2) and paragraphs C, D and E of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["Listing Regulations"].

Management responsibility
The Company's Management is responsible for compliance of conditions of Corporate Governance requirements as stipulated under the Listing Regulations. This responsibility includes the design, implementation and maintenance of corporate governance process relevant to the compliance of the conditions. Responsibility also includes collecting, collating and validating data and designing, implementing and monitoring of Corporate Governance process suitable for ensuring compliance with the above mentioned Listing Regulations.

Auditors' responsibility
Pursuant to the requirements of the above mentioned Listing Regulations, our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We conducted our examination of the corporate governance compliance by the Company as per the 'Guidance Note on Audit Reports and Certificates for Special Purposes (Revised 2016)' issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

We have complied with the relevant applicable requirements of the Standard on Quality Control ('SQC') 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion
In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as per regulations 17 to 27, clauses (b) to (i) of regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations, as applicable.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Restrictions on use
This Certificate has been issued solely for the purpose of complying with the aforesaid Listing Regulations and may not be suitable for any other purpose. Accordingly, we do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/ W – 100022

Jayanta Mukhopadhyay
Partner
Membership No: 055757

Place: Kolkata
Date: 11 May 2017

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Independent Auditors' Report

To the Members of
Magma Fincorp Limited

REPORT ON THE STANDALONE FINANCIAL STATEMENTS

We have audited the accompanying standalone financial statements of Magma Fincorp Limited ("the Company"), which comprise the balance sheet as at 31 March 2017, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2017 and its profit and its cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143 (3) of the Act, we report that:

   (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) the balance sheet, the statement of profit and loss, and the cash flow statement dealt with by this Report are in agreement with the books of account;

Independent Auditors' Report (continued)

(d) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

(e) on the basis of the written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer our separate Report in "Annexure B"; and

(g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. the Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 30(a) to the standalone financial statements;

ii. the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contract – Refer Note 30(c) to the standalone financial statements;

iii. there has been no delay in transferring amounts, which were required to be transferred to the Investor Education and Protection Fund by the Company; and

iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016 and these are in accordance with books of account maintained by the Company – Refer Note 41 to the financial statements.

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration No: 101248W/ W-100022

Jayanta Mukhopadhyay
Partner
Membership Number: 055757

Place: Kolkata
Date: 11 May 2017

Annexure A to the Independent Auditors' Report

The Annexure referred to in the Independent Auditor's Report to the members of Magma Fincorp Limited ("the Company") on the standalone financial statements for the year ended 31 March 2017, we report that:

(i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets during the year.

b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, the periodicity of the physical verification is reasonable having regards to the size of the Company and the nature of its assets.

c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company, except for three cases. The gross block and the net block as at 31 March 2017 of those immovable properties whose title deeds are not in the name of the Company are ₹ 1,818.00 lacs and ₹ 1,258.96 lacs respectively.

(ii) The Company is a Non-Banking Finance Company ("NBFC"), primarily engaged in the business of asset financing. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable.

(iii) The Company has granted loans to one company covered in the register maintained under Section 189 of the Companies Act, 2013 ("the Act").

a) In our opinion, the rate of interest and other terms and conditions on which the loans had been granted to the company listed in the register maintained under Section 189 of the Act, was not, prima facie, prejudicial to the interest of the Company.

b) In the case of the loans granted to the company listed in the register maintained under Section 189 of the Act, the borrower has been regular in the payment of the principal and interest as stipulated.

c) There is no overdue amount of the loan granted to the company listed in the register maintained under section 189 of the Act.

(iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not undertaken any transaction in respect of loans, guarantees and securities covered under Section 185 of the Act. The Company has complied with Section 186(1) of the Act in relation to investments made by the Company. The remaining provisions related to Section 186 of the Act do not apply to the Company as it is an NBFC.

(v) The Company has not accepted any deposits from the public, except for deposits taken over by way of merger in the year ended 31 March 2007. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 73 to Section 76 or other relevant provisions of the Companies Act 2013, the rules framed there under and the directives issued by the Reserve Bank of India with regard to deposits accepted from the public. Accordingly, there has been no proceedings before the Company Law Board or National Company Law Tribunal (as applicable) or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 148(1) of the Companies Act, 2013, in respect of sale of power generated from windmills and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records. The Central Government has not prescribed the maintenance of cost records under Section 148 (1) of the Companies Act, 2013, for any of the other services rendered by the Company.

(vii) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, income tax, service tax, value added tax, employees' state insurance, cess and any other material statutory dues have generally been regularly deposited during the year by the Company

Annexure A to the Independent Auditors' Report (continued)

with the appropriate authorities except for delays ranging from 3 days to 32 days with respect to deposit of professional tax with appropriate authorities. Further, in two branches, deposit was not made due to pending registrations. As explained to us, the Company did not have any dues on account sales tax, customs duty, excise duty.

According to the information and explanations given to us, there are no undisputed amounts payable in respect of provident fund, income tax, service tax, value added tax, employees' state insurance, cess and other material statutory dues were in arrears, as at 31 March 2017, for a period of more than six months from the date they became payable, except for delay in deposit of professional tax incase of two branches from the date they became payable due to pending registration. As explained to us, the Company did not have any dues on account of sales tax, customs duty, excise duty.

b) According to the information and explanations given to us there are no material dues of cess and other material statutory dues which have not been deposited by the Company with the appropriate authorities on account of any disputes. However, according to the information and explanations given to us, the following dues of income tax, service tax and value added tax, have not been deposited by the Company on account of disputes:

(₹ in Lacs)

Name of the Statute	Nature of Dues	Amount	Paid under Protest Amount	Period to which amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	3,176.25	500.00	2012-13	ITAT, Kolkata
Income Tax Act, 1961	Income Tax	723.56	108.54	2013-14	CIT(A), Kolkata
Finance Act , 1994	Service Tax	208.00	93.00	2002-2003 to 2006-2007	CESTAT, EZB, Kolkata
West Bengal Value Added Tax Act, 2003	VAT	13.72	6.86	2008-2009	West Bengal Commercial Taxes Appellate and Revisional Board
West Bengal Value Added Tax Act, 2003	VAT	14.53	7.21	2009-2010	West Bengal Commercial Taxes Appellate and Revisional Board
Rajasthan Value Added Tax Act, 2003	VAT	2.10	1.10	2012-13 to 2013-14	Appellate Authority, Rajasthan
Jharkhand Value Added Tax Act, 2005	VAT	21.57	2.15	2006-2007 to 2009-2010	Sales Tax Tribunal, Jharkhand, Ranchi
Madhya Pradesh Value Added Tax Act, 2002	VAT	133.75	-	2008-2009 to 2009-2010	Madhya Pradesh High Court, Jabalpur
Orissa Value Added Tax, 2004	VAT	68.89	11.48	2006- 2007 to 30 September 2012	Sales Tax Tribunal, Orissa
Delhi Value Added Tax	VAT	16.26	-	2012-13	Delhi Commissioner of Tax
Delhi Value Added Tax	VAT	33.11	2.59	2013-14	Sales Tax Tribunal, Delhi
West Bengal Value Added Tax	VAT	29.29	12.93	2013-14	Joint Commissioner, Kolkata

(viii) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions, banks or to debenture holders during the year. The Company did not have any borrowings from the government during the year.

(ix) In our opinion and according to the information and explanations given to us, the term loans and debentures were applied for the purpose for which the same were obtained. The Company has not raised any money by way of initial public offer during the year.

(x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.

(xi) According to the information and explanations given to

Annexure A to the Independent Auditors' Report (continued)

us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Companies (Auditor's Report) Order, 2016 is not applicable.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosure specified under Section 133 of the Act, read with Rule 7 of the Company (Accounts) Rules, 2014.

(xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment of shares or private placement of shares or fully or partly convertible debentures during the year.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with the director or persons connected with him. Accordingly, paragraph 3(xv) of the Companies (Auditor's Report) Order, 2016 is not applicable.

(xvi) The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and such registration has been obtained by the Company on 23 September 2008.

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration No: 101248W/ W-100022

Jayanta Mukhopadhyay
Partner
Membership Number: 055757

Place: Kolkata
Date: 11 May 2017

Annexure B to the Independent Auditors' Report

The Annexure referred to in the Independent Auditor's Report to the members of Magma Fincorp Limited ("the Company") on the standalone financial statements for the year ended 31 March 2017:

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

We have audited the internal financial controls over financial reporting of Magma Fincorp Limited ("the Company") as of 31 March 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ("the Act").

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance

Annexure B to the Independent Auditors' Report (continued)

Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

OPINION

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration No: 101248W/ W-100022

Jayanta Mukhopadhyay
Partner
Membership Number: 055757

Place: Kolkata
Date: 11 May 2017

Balance Sheet

(₹ in Lacs)

	Note No.	As at 31 March 2017	As at 31 March 2016
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	4,739.19	6,036.77
Reserves and surplus	4	1,99,050.19	1,98,404.64
		2,03,789.38	**2,04,441.41**
Non-current liabilities			
Long-term borrowings	5	2,38,677.37	2,60,363.35
Long-term provisions	6	18,534.81	29,144.31
		2,57,212.18	**2,89,507.66**
Current liabilities			
Short-term borrowings	7	4,87,335.75	5,95,411.83
Trade payables	8		
- Due to micro and small enterprises		-	-
- Due to others		18,307.40	16,083.37
Other current liabilities	9	1,71,123.45	1,79,857.39
Short-term provisions	10	1,426.58	5,580.29
		6,78,193.18	**7,96,932.88**
Total		**11,39,194.74**	**12,90,881.95**
ASSETS			
Non-current assets			
Fixed assets			
- Tangible assets	11	18,315.31	17,365.65
- Intangible assets	11	2,779.78	2,786.92
- Capital work-in-progress		548.90	1,186.45
		21,643.99	**21,339.02**
Non-current investments	12	53,284.47	43,217.58
Deferred tax assets (net)	13	1,971.67	2,762.87
Long-term loans and advances	14		
- Assets on finance		6,05,715.07	7,39,607.90
- Others		18,768.54	2,636.02
Other non-current assets	15	16,913.69	8,232.57
		7,18,297.43	**8,17,795.96**
Current assets			
Current investments	16	4,737.23	2,597.22
Trade receivables	17	643.21	706.97
Cash and bank balances	18	27,249.11	36,045.96
Short-term loans and advances	19		
- Assets on finance		3,76,890.14	4,20,893.76
- Others		3,412.68	4,729.75
Other current assets	20	7,964.94	8,112.33
		4,20,897.31	**4,73,085.99**
Total		**11,39,194.74**	**12,90,881.95**
Significant accounting policies	2		
Notes to the financial statements	3 - 45		

The Notes referred to above form an integral part of these financial statements.

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Regn. No. 101248W/W-100022

Jayanta Mukhopadhyay
Partner
Membership No. 055757
Kolkata, 11 May 2017

For and on behalf of the Board of Directors

Narayan K Seshadri
Chairman
[DIN: 00053563]

Sanjay Chamria
Vice Chairman & Managing Director
[DIN: 00009894]

Kailash Baheti
Chief Financial Officer

Shabnum Zaman
Company Secretary

Mumbai, 11 May 2017

Statement of Profit and Loss

(₹ in Lacs)

	Note No.	Year ended 31 March 2017	Year ended 31 March 2016
REVENUE			
Revenue from operations	21	1,97,297.85	2,10,964.03
Other income	22	4,906.65	2,951.52
Total revenue		**2,02,204.50**	**2,13,915.55**
EXPENSE			
Employee benefits expense	23	23,020.76	24,658.18
Finance costs	24	93,788.05	99,808.90
Depreciation and amortisation expense	11	4,828.66	3,934.44
Provisions and bad debts written-off	25	54,232.49	33,736.41
Other expenses	26	25,263.73	25,180.53
Total expense		**2,01,133.69**	**1,87,318.46**
Profit before tax		**1,070.81**	**26,597.09**
Tax expense:			
Current tax - current year		-	12,140.00
- earlier year		(330.07)	(29.60)
Deferred tax		791.20	(4,228.28)
Profit after tax		**609.68**	**18,714.97**
Earnings per equity share (Nominal value of ₹ 2/- each fully paid up):	29		
Basic (in ₹)		0.26	7.84
Diluted (in ₹)		0.26	7.82
Significant accounting policies	2		
Notes to the financial statements	3 - 45		

The Notes referred to above form an integral part of these financial statements.

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Regn. No. 101248W/W-100022

Jayanta Mukhopadhyay
Partner
Membership No. 055757
Kolkata, 11 May 2017

For and on behalf of the Board of Directors

Narayan K Seshadri
Chairman
[DIN: 00053563]

Sanjay Chamria
Vice Chairman & Managing Director
[DIN: 00009894]

Kailash Baheti
Chief Financial Officer

Shabnum Zaman
Company Secretary

Mumbai, 11 May 2017

Cash Flow Statement

(₹ in Lacs)

		Year ended 31 March 2017		Year ended 31 March 2016	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Profit before tax		1,070.81		26,597.09
	Adjustments for :				
	Depreciation and amortisation expense	4,828.66		3,934.44	
	Interest expense	79,087.52		81,789.31	
	Provision for non-performing assets	16,514.04		9,444.93	
	Utilisation of provision on sale of non-performing assets	(27,240.62)		-	
	Contingent provision against standard assets	70.00		50.00	
	Income on non convertible debenture	-		(2,199.99)	
	Gain on sale of investments (net)	-		(5.08)	
	Excess provision on investment written back	-		(34.53)	
	(Profit) / Loss on sale of fixed assets (net)	(16.00)		2.30	
	Capital work in progress written-off	690.13		-	
	Employee share based compensation expense	(37.60)		230.82	
	Discount on commercial papers	11,098.65		14,007.05	
	Dividend income	(0.36)		(0.05)	
	Mark-to-market (profit)/loss on derivative contracts	(23.10)	84,971.32	23.10	107,242.30
	Operating cash flow before working capital changes		**86,042.13**		**133,839.39**
	Adjustments for :				
	Trade and other receivables	(7,882.93)		3,520.86	
	Assets on finance	1,76,364.77		(65,603.56)	
	Other bank balances	(6,651.83)		17,380.53	
	Trade payables and other liabilities	1,345.47	1,63,175.48	(7,887.90)	(52,590.07)
	Cash from operations		**2,49,217.61**		**81,249.32**
	Taxes paid (net)		(8,584.48)		(9,855.90)
	Net cash from operating activities (A)		**2,40,633.13**		**71,393.42**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Purchase of fixed assets (including capital work-in-progress)	(6,271.41)		(6,068.05)	
	Proceeds from sale of fixed assets	463.64		1,133.22	
	Investment in subsidiaries	-		(24,888.89)	
	Investment in joint ventures	-		(3,700.00)	
	Investment in non-convertible debenture	-		(20,700.00)	
	Proceeds from maturity of non-convertible debenture	-		22,899.99	
	Dividend income	0.36		0.05	
	Subscription to investments	(17,396.00)		(2,098.92)	
	Proceeds from maturity of investments	5,189.10		9,055.35	
	Net cash used in investing activities (B)		**(18,014.31)**		**(24,367.25)**

Cash Flow Statement (continued)

(₹ in Lacs)

		Year ended 31 March 2017		Year ended 31 March 2016	
C.	**CASH FLOW FROM FINANCING ACTIVITIES**				
	Payments for redemption of non-convertible preference shares	(1,300.20)		(8,650.20)	
	Decrease in borrowings (net)*	(1,44,506.98)		(3,907.16)	
	Proceeds from issue of equity shares including securities premium (net)	78.59		49,331.79	
	Interest paid	(81,628.49)		(83,139.28)	
	Dividend paid (including tax thereon)	(2,786.91)		(3,450.53)	
	Net cash used in financing activities (C)		**(2,30,143.99)**		**(49,815.38)**
	Net decrease in cash and cash equivalents (A+B+C)		(7,525.17)		(2,789.21)
	Cash and cash equivalents as at the beginning of the year		20,209.46		22,998.67
	Cash and cash equivalents as at the end of the year		**12,684.29**		**20,209.46**
	CASH AND CASH EQUIVALENTS [NOTE 18]				
	Cash in hand		5,433.09		6,420.70
	Balances with banks				
	In current and cash credit accounts		5,626.93		12,258.40
	In deposit accounts with maturity of less than three months		1,624.27		1,530.36
			12,684.29		**20,209.46**

* Borrowings have been presented on a net basis as the transactions during the year are voluminous.

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Regn. No. 101248W/W-100022

Jayanta Mukhopadhyay
Partner
Membership No. 055757
Kolkata, 11 May 2017

For and on behalf of the Board of Directors

Narayan K Seshadri
Chairman
[DIN: 00053563]

Sanjay Chamria
Vice Chairman & Managing Director
[DIN: 00009894]

Kailash Baheti
Chief Financial Officer

Shabnum Zaman
Company Secretary

Mumbai, 11 May 2017

Notes

to the Financial Statements

NOTE 1: COMPANY OVERVIEW:

Magma Fincorp Limited ('the Company'), incorporated and headquartered in Kolkata, India is a publicly held non-banking finance company engaged in providing asset finance through its pan India branch network. The Company is registered as a systemically important non-deposit taking Non-Banking Financial Company ('NBFC') as defined under Section 45-IA of the Reserve Bank of India (RBI) Act, 1934. The Company is also registered as a corporate agent under Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015. Its equity shares are listed on National Stock Exchange and Bombay Stock Exchange.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES:

(i) Basis of preparation

(a) These financial statements have been prepared in compliance with Generally Accepted Accounting Principles in India ('Indian GAAP') to comply with the mandatory Accounting Standards prescribed under Section 133 of the Companies Act, 2013 ('the 2013 Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the 2013 Act (to the extent notified and applicable), the directions prescribed by the Reserve Bank of India ('RBI') for Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies, the regulations prescribed under Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015 and the guidelines issued by the Securities and Exchange Board of India (SEBI) to the extent applicable. The financial statements have been prepared under the historical cost convention and on accrual basis, unless otherwise stated. The financial statements are presented in Indian rupees rounded off to the nearest lac upto two decimal places.

(b) An operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. In case of non-banking financial companies normal operating cycle is not determinable, and therefore operating cycle is considered as 12 months for classification of current and non-current assets and liabilities as required by Schedule III of the Companies Act, 2013.

(c) The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

(ii) Use of estimates and judgements

The preparation of financial statements in conformity with Generally Accepted Accounting Principles ('Indian GAAP') requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

(iii) Assets on finance

(a) Assets on finance include assets given on finance / loan and amounts paid for acquiring financial assets including non-performing assets (NPAs) from other Banks / Non Banking Financial Companies ('NBFCs').

(b) Assets on finance represents amounts receivable under finance / loan agreements and are valued at net investment amount including installments due. The balance is net of amounts securitised / assigned.

(iv) Revenue recognition

(a) Interest / finance income from assets on finance / loan included in revenue from operations represents interest income arrived at based on Internal Rate of Return ('IRR') method. Interest income is recognised as it accrues on a time proportion basis taking into account the amount of principal outstanding and the interest rate applicable, except in the case of non-performing assets ('NPA') where it is recognised upon realisation as per RBI Guidelines.

(b) Income on direct assignment / securitisation:

The Company enters into arrangements for sale of loan receivables through direct assignment / securitisation. The said assets are de-recognised upon transfer of significant risks and rewards to the purchaser and on meeting the true sale criteria.

The Company retains the contractual right to receive share of future monthly interest i.e. excess interest spread ('EIS') on the transferred assets which is the difference between the pool IRR and the yield agreed with the portfolio buyer.

The Company recognises gain / excess interest spread on direct assignment / securitisation transactions in line with RBI Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated 01 September 2016. Accordingly, direct assignment / securitisation

Notes

to the Financial Statements (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Contd.)

transactions effected post issuance of the said guidelines are accounted as under:

(i) Gain / income realised on direct assignment / securitisation of loan receivables arising under premium structure is recognised over the tenure of securities issued by Special Purpose Vehicle ('SPV') / agreements. Loss, if any, is recognised upfront.

(ii) EIS under par structure of securitisation / direct assignment of loan receivables is recognised only when redeemed in cash, over the tenure of the securities issued by SPV / agreements. Loss, if any, is recognised upfront.

(c) Interest on fixed deposits is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(d) Upfront income / expense pertaining to loan origination is amortised over the tenure of the underlying loan contracts.

(e) Assets given by the Company under operating lease are included in fixed assets. Lease income from operating leases is recognised in the statement of profit and loss as per contractual rentals unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease income are recognised as expenses. Initial direct costs incurred specifically for an operating lease are deferred and recognised in the statement of profit and loss over the lease term in proportion to the recognition of lease income.

(f) Overdue interest is treated to accrue on realisation, due to uncertainty of realisation and is accounted for accordingly.

(g) In respect of NPAs acquired, recoveries in excess of consideration paid is recognised as income in accordance with RBI guidelines.

(h) The sale of non-performing assets is accounted for as per the guidelines prescribed by RBI. On sale, the assets are derecognised from the books. If the sale proceeds are lower than the net book value ('NBV') (i.e., book value less provisions held), the shortfall is charged to the statement of profit and loss in the year of sale. In case of sale other than in cash, if the sale proceeds are higher than the NBV, the excess provision is written back in the year the amounts are received, as required by the RBI.

(i) Income on security receipts ('SRs') are recognised only after the full redemption of the entire principal amount of SRs.

(j) Income from collection and support services is recognised as per the terms of the respective contract on accrual basis.

(k) Income from power generation is recognised based on the units generated as per the terms of the respective power purchase agreements with the respective State Electricity Boards.

(l) Income from dividend is accounted for on receipt basis.

(m) All other items of income are accounted for on accrual basis.

(v) Provision for non-performing assets ('NPA') and doubtful debts

Non-performing assets ('NPA') including loans and advances, receivables are identified as sub-standard / doubtful based on the tenor of default. The tenor is set at appropriate levels for each product. NPA provisions are made based on the management's assessment of the degree of impairment and the level of provisioning and meets the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated 01 September 2016

These provisioning norms are considered the minimum and additional provision is made based on perceived credit risk where necessary.

All contracts which as per the management are not likely to be recovered are considered as loss assets and written-off as bad debts. Recoveries made from previously written off contracts are included in "Other Income".

(vi) Fixed assets, intangible assets and capital work-in-progress

Fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes non-refundable taxes, duties,freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date are disclosed as long-term loans and advances. The cost of fixed assets not ready for their intended use at each balance sheet date is disclosed as capital work-in-progress.

All assets given on operating lease are shown at the cost of acquisition less accumulated depreciation.

Notes

to the Financial Statements (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Intangible assets are recorded at the consideration paid for acquisition / development and licensing less accumulated amortisation.

(vii) Depreciation and amortisation

Depreciation on fixed assets is provided using the straight line method at the rates specified in Schedule II to the Companies Act, 2013. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed.

Leasehold improvements are amortised over the underlying lease term on a straight line basis.

Depreciation on vehicles given on operating lease is provided on straight line method at rates based on tenure of the underlying lease contracts not exceeding 8 years.

Individual assets costing less than ₹ 5,000/- are depreciated in full in the year of acquisition.

For the following class of assets, based on internal assessment, the management believes that the useful lives as given below best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

Desktops	6 years
Laptops / Hand Held Device	4 years

Intangible assets are amortised over their estimated useful lives, not exceeding six years, on a straight line basis, commencing from the date the asset is available to the Company for its use.

(viii) Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

(ix) Investments

(a) Investments are classified as non-current or current based on intention of management at the time of purchase.

(b) Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment.

(c) Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each investments.

(d) Any reduction in the carrying amount and any reversals of such reduction are charged or credited to the statement of profit and loss.

(e) Profit or loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.

(f) Investment in security receipts (SRs) is recognised at lower of: (i) net book value (NBV) (i.e., book value less provisions held) of the financial asset; and (ii) estimated redemption value of SRs at the end of each reporting period, as prescribed by RBI. Accordingly, in cases where the SRs issued by the Securitisation Company / Asset Reconstruction Company (SC/ARC) are limited to the actual realisation of the underlying financial assets, the net asset value, obtained from the SC/ARC, is reckoned for valuation of such investments. The SRs outstanding and not redeemed as at the end of the resolution period are treated as loss assets and are fully provided for.

(x) Employee benefits

(a) Provident fund

Contributions paid / payable to the recognised provident fund, which is a defined contribution scheme, are charged to the statement of profit and loss.

(b) Gratuity

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Accrued Benefit Method (same as

Notes

to the Financial Statements (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Projected Unit Credit Method), which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the balance sheet date.

Actuarial gains and losses are recognised immediately in the statement of profit and loss.

(c) Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. Expense on non-accumulating compensated absences is recognised in the period in which the absences occur.

(xi) Employee Stock Compensation Cost

The Employees Stock Option Scheme (the Scheme) provides for grant of the equity shares of the Company to employees. The scheme provides that employees are granted an option to subscribe to the equity shares of the Company that vest in a graded manner. The options may be exercised with in the specified period. The Company follows the intrinsic value method to account for its stock based employee compensation plans. The expense or credit recognised in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

(xii) Taxes on income

Income-tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognised in the statement of profit and loss.

(a) Current tax

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws.

(b) Deferred tax

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

(c) Minimum alternative tax

Minimum alternative tax ('MAT') under the provisions of the Income Tax Act, 1961 is recognised as current tax in the statement of profit and loss. The credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

(xiii) Provision and contingencies

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis.

(a) Onerous contracts

A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the

Notes

to the Financial Statements (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Contd.)

contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(b) Contingencies

Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognised when it is probable that a liability has been incurred, and the amount can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

(xiv) Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

(xv) Derivative transactions

Fair value of derivative contracts is determined based on the appropriate valuation techniques considering the terms of the contract as at the balance sheet date. Mark to market losses in derivative contracts are recognised in the statement of profit and loss in the period in which they arise. Mark to market gains are not recognised keeping in view the principle of prudence as enunciated in "Accounting Standard (AS) 1 - Disclosure of Accounting Policies".

(xvi) Borrowing costs

Interest on borrowings is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable on the borrowings. Discount on commercial papers is amortised over the tenor of the commercial papers. Brokerage and other ancillary expenditure directly attributable to a borrowing is amortised over the tenure of the respective borrowing. Unamortised borrowing costs remaining, if any, is fully expensed off as and when the related borrowing is prepaid / cancelled.

(xvii) Operating leases

Lease payments for assets taken on an operating lease are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term.

(xviii) Earnings per share

The basic earnings per share ('EPS') is computed by dividing the net profit after tax attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax attributable to the equity shareholders for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). In computing dilutive earnings per share, only potential equity shares that are dilutive and that reduces profit / loss per share are included.

(xix) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash-in-transit and cash on deposit with banks and corporations. The Company considers all highly liquid investments with an original maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

(xx) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of non-cash nature, any deferrals, or accruals of past or future operating cash receipts or payments and item of expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

Notes

to the Financial Statements (Continued)

NOTE 3 : SHARE CAPITAL

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Authorised		
26,50,00,000 (2016: 26,50,00,000) Equity shares of ₹ 2/- each	5,300.00	5,300.00
5,43,00,000 (2016: 5,43,00,000) Preference shares of ₹ 100/- each	54,300.00	54,300.00
	59,600.00	**59,600.00**
Issued, subscribed and paid-up		
Equity share capital		
23,69,59,672 (2016: 23,68,28,672) Equity shares of ₹ 2/- each, fully paid up.	4,739.19	4,736.57
Preference share capital		
- (2016: 65,00,999) 6 months US Dollar Libor plus 3.25% Cumulative non-convertible redeemable preference shares of ₹100 each (paid-up value per share reduced to ₹ Nil on redemption of fifth and final annual installments of ₹ 20/- each per share). Allotted at par on 26 March 2007 and redeemable at par in US Dollar over five equal annual installments of US Dollar 3 million each, for the first time on 1 April 2012 until all preference shares are redeemed i.e. 1 April 2016.	-	1,300.20
	4,739.19	**6,036.77**

Reconciliation of the number of shares outstanding and the amount of share capital

(₹ in Lacs)

	As at 31 March 2017		As at 31 March 2016	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
Opening balance	23,68,28,672	4,736.57	19,04,25,875	3,808.52
Equity shares issued during the year vide preferential issue	-	-	4,62,96,297	925.92
Equity shares issued on exercise of ESOPs during the year	1,31,000	2.62	1,06,500	2.13
Closing balance	**23,69,59,672**	**4,739.19**	**23,68,28,672**	**4,736.57**
Preference shares (Cumulative non-convertible redeemable)				
Opening balance	65,00,999	1,300.20	1,36,00,999	9,700.40
6 months US Dollar Libor plus 3.25% preference shares redeemed during the year (20% annually)	(65,00,999)	(1,300.20)	-	(1,300.20)
9.60 % Preference shares redeemed during the year	-	-	(10,00,000)	(1,000.00)
12.00% Preference shares redeemed during the year	-	-	(25,00,000)	(2,500.00)
11.00% Preference shares redeemed during the year	-	-	(36,00,000)	(3,600.00)
Closing balance	**-**	**-**	**65,00,999**	**1,300.20**

Equity shares

The Company has only one class of equity shares having a par value of ₹ 2/- each. Each holder of equity share is entitled to one vote per share.

The Company declares and pays dividend on equity shares in Indian rupees.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution to preference shareholders. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance Sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Company has not appropriated dividend on shares on recommendation of the Board and would record the same as a liability on the date of approval by the shareholders at the ensuing Annual General Meeting. However, the proposed dividend as at 31 March 2016 was accounted for as liability in accordance with the then existing Accounting Standard.

During the year, the Company has allotted on 13 August 2016 and 08 February 2017, 90,000 equity shares and 26,000 equity shares respectively of the face value of ₹ 2/- each to the eligible

Notes

to the Financial Statements (Continued)

NOTE 3 : SHARE CAPITAL (Contd.)

employees of the Company and on 26 April 2016, 15,000 equity shares of the face value of ₹ 2/- each to an eligible ex-employee of the Company, under Employee Stock Option Plan pursuant to SEBI (ESOS and ESPS) Guidelines, 1999, and with corresponding provision of SEBI (Share Based Employee Benefits) Regulations 2014, as amended from time to time. Consequent to the said allotment, the total paid-up equity share capital of the Company stands increased to 23,69,59,672 equity shares of ₹ 2/- each aggregating to ₹ 4,739.19 lacs.

During the year ended 31 March 2017, the amount of per share dividend recommended by the Board as distribution to equity shareholders is ₹ 0.80 (40%) per equity share of the face value of ₹2/- each. Total dividend on 23,69.59,672 equity shares for the year ended 31 March 2017 would amount to ₹ 2,281.59 lacs including corporate dividend tax of ₹ 385.92 lacs.

Preference shares

The Company declares and pays dividend on preference shares in both Indian rupees and foreign currencies.

65,00,999 cumulative non-convertible redeemable preference shares of ₹ 100/- each aggregating to ₹ 6,501.00 lacs (equivalent to USD 15 Million) allotted at par on 26 March 2007 are entitled to fixed dividend at the rate equivalent to 6 months US Dollar Libor applicable on the respective dates i.e. 30 December or 29 June depending upon the actual date of payment plus 3.25% on subscription amount of USD 15 Million.

In the event of liquidation of the Company, the holders of preference shares will have priority over equity shares in payment of dividend and repayment of capital.

In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance Sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Company has not appropriated dividend on shares on recommendation of the Board and would record the same as a liability on the date of approval by the shareholders at the ensuing Annual General Meeting. However, the proposed dividend as at 31 March 2016 was accounted for as liability in accordance with the then existing Accounting Standard.

For the financial year ended 31 March 2016, the Company has provided for dividend in financial statements based on the 6 months US Dollar Libor applicable as on 30 December 2015 and closing exchange rate applicable as on 31 March 2016 and which was liable to vary depending on the actual date of payment of the dividend. Accordingly, the excess dividend and tax thereon of ₹ 2.50 lacs (2016: ₹ 7.30 lacs) provided with respect to above preference shares for the previous financial year ended 31 March 2016 has been adjusted in the current year with consequent impact on earnings per share for the year.

The Company has redeemed ₹ 1,300.20 lacs being fifth and final annual installment of ₹ 20/- per share in respect of 65,00,999 cumulative non-convertible redeemable preference shares of ₹ 100/- per share on 04 April 2016. The above preference shares were redeemed out of the proceeds of the issue of equity shares made for the purposes in the earlier years which inter-alia include redemption of preference shares and accordingly, no transfer has been made to capital redemption reserve.

Shares allotted as fully paid-up without payment being received in cash / by way of bonus shares:

The Company has not issued bonus shares or shares for consideration other than cash during the five year period immediately preceding the reporting date.

Shareholders holding more than 5% shares

Name of the shareholder	As at 31 March 2017		As at 31 March 2016	
	%	No. of shares	%	No. of shares
Equity shares				
Zend Mauritius VC Investments Limited	14.47	3,42,76,629	14.47	3,42,76,629
Microfirm Capital Private Limited	14.36	3,40,15,928	14.36	3,40,15,928
Celica Developers Private Limited	12.42	2,94,34,455	12.43	2,94,34,455
India Value Fund V LLP	11.92	2,82,55,524	-	-
International Finance Corporation	9.71	2,30,00,000	9.71	2,30,00,000
Lavender Investments Limited	7.96	1,88,51,431	7.96	1,88,51,431
LeapFrog Financial Inclusion India Holdings Limited	7.82	1,85,18,519	7.82	1,85,18,519
Indium V (Mauritius) Holdings Limited	-	-	8.60	2,03,55,524
Preference shares (Cumulative non-convertible redeemable)				
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	-	-	100.00	65,00,999

Notes

to the Financial Statements (Continued)

NOTE 3 : SHARE CAPITAL (Contd.)

Employee stock options

The Company instituted the Magma Employee Stock Option Plan (MESOP) in 2007 and Magma Restricted Stock Option Plan 2014 (MRSOP) in 2014, which were approved by the Board of Directors.

MESOP, 2007

Under MESOP, the Company provided for the creation and issue of 10,00,000 options, that would eventually convert into equity shares of ₹ 10/- each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of and at the exercise price determined by the Nomination and Remuneration Committee of the Board of Directors. The options generally vest in a graded manner over a five year period and are exercisable within 3 years from the date of vesting. Following the sub-division of one equity share of the face value of ₹10/- each into five equity shares of the face value of ₹2/- each during the financial year ended 31 March 2011, the number of options increased from 10,00,000 to 50,00,000.

During the year, the Nomination and Remuneration Committee of the Board of Directors has granted 1,25,000 options (2016: Nil) under MESOP 2007 at an exercise price of ₹ 60/- per share to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹ 2/- each).

(in nos.)

	Year ended 31 March 2017	Year ended 31 March 2016
Outstanding options at the beginning of the year	2,87,500	6,36,500
Granted during the year	1,25,000	-
Exercised during the year	1,31,000	1,06,500
Lapsed during the year	67,500	2,42,500
Forfeited during the year	-	-
Outstanding options at the end of the year	**2,14,000**	**2,87,500**
Options vested and exercisable at the end of the year	59,000	1,30,000

MRSOP, 2014

Under MRSOP, the Company provided for the creation and issue of 50,00,000 options, that would eventually convert into equity shares of ₹ 2/- each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of the Nomination and Remuneration Committee of the Board of Directors and at the exercise price of the face value of ₹ 2/- each. The options will vest in a graded manner and are exercisable within 3 years from the date of vesting.

During the year, the Nomination and Remuneration Committee of the Board of Directors has granted Nil options (2016: 250,000) under MRSOP 2014 at an exercise price of ₹ 2/- per share to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹ 2/- each).

(in nos.)

	Year ended 31 March 2017	Year ended 31 March 2016
Outstanding options at the beginning of the year	6,70,000	6,00,000
Granted during the year	-	2,50,000
Exercised during the year	-	-
Lapsed during the year	3,50,000	1,80,000
Forfeited during the year	-	-
Outstanding options at the end of the year	**3,20,000**	**6,70,000**
Options vested and exercisable at the end of the year	-	-

Notes

to the Financial Statements (Continued)

NOTE 3 : SHARE CAPITAL (Contd.)

The weighted average fair value of each option of Magma Fincorp Limited was ₹ 71.93 (2016: ₹ 69.20) using the Black-Scholes model with the following assumptions:

	Units	As at 31 March 2017	As at 31 March 2016
Grant date share price	₹	56.85 - 108.00	56.85 - 100.00
Exercise price	₹	2.00 - 60.00	2.00 - 60.00
Dividend yield	%	0.61 - 1.06	0.61 - 1.20
Expected life	years	4.42 - 4.80	4.16 - 4.80
Risk free interest rate	%	6.92 - 8.35	7.78 - 8.57
Volatility	%	42.00 - 58.13	41.83 - 58.13

Equity shares reserved for issue under options

(₹ in Lacs)

	No. of options granted	Exercise price (₹)	As at 31 March 2017		As at 31 March 2016	
			No. of options	Amount	No. of options	Amount
Under MESOP 2007:						
Tranche II	2,50,000	60.00	40,000	0.80	1,27,500	2.55
Tranche III	50,000	60.00	-	-	15,000	0.30
Tranche V	1,50,000	60.00	14,000	0.28	20,000	0.40
Tranche VI	50,000	60.00	35,000	0.70	50,000	1.00
Tranche VIII	1,75,000	60.00	-	-	75,000	1.50
Tranche XI	1,25,000	60.00	1,25,000	2.50	-	-
Under MRSOP 2014:						
Tranche I (A)	6,50,000	2.00	3,20,000	6.40	4,20,000	8.40
Tranche I (B)	2,50,000	2.00	-	-	2,50,000	5.00

The Company has recorded compensation cost for all grants using the intrinsic value based method of accounting, in line with the prescribed SEBI guidelines.

Had compensation cost been determined under the fair value approach described in the Guidance Note on, "Accounting for employee share based payments" issued by the Institute of Chartered Accountant of India ('ICAI'), the Company's net profit and basic and diluted earnings per share would have reduced to the proforma amounts as indicated.

	Units	Year ended 31 March 2017	Year ended 31 March 2016
Net profit for equity shareholders	₹ in Lacs	606.29	18,200.00
Stock-based employee compensation expense (intrinsic value method)	₹ in Lacs	(37.60)	230.82
Stock-based employee compensation expense (fair value method)	₹ in Lacs	16.75	(238.50)
Proforma net profit	₹ in Lacs	585.44	18,192.32
Basic earnings per share (Face value: ₹ 2/-) as reported	₹	0.26	7.84
Proforma basic earnings per share (Face value: ₹ 2/-)	₹	0.25	7.84
Diluted earnings per share (Face value: ₹ 2/-) as reported	₹	0.26	7.82
Proforma diluted earnings per share (Face value: ₹ 2/-)	₹	0.25	7.81

Notes

to the Financial Statements (Continued)

NOTE 4 : RESERVES AND SURPLUS

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Capital reserve	**457.98**	**457.98**
Capital redemption reserve	**1,421.84**	**1,421.84**
Securities premium reserve		
Opening balance	1,15,755.70	67,580.67
Add: On equity shares issued during the year vide preferential issue	-	49,074.07
Add: On equity shares issued on exercise of ESOPs during the year	84.28	79.70
Less: On preference share redeemed during the year	-	250.00
Less: Share issue expenses	-	728.74
	1,15,839.98	**1,15,755.70**
Employee share option outstanding		
Gross employee share compensation cost for options granted in earlier years	283.40	73.87
Less: Transferred to securities premium reserve on allotment of shares	8.31	21.29
Add: Deferred employee compensation cost	(37.60)	230.82
	237.49	**283.40**
Amalgamation reserve account	**106.48**	**106.48**
Statutory reserve (created pursuant to Section 45-IC of the Reserve Bank of India Act, 1934)		
Opening balance	21,860.00	18,110.00
Add: Transfer from surplus in the statement of profit and loss	130.00	3,750.00
	21,990.00	**21,860.00**
General reserve		
Opening balance	11,390.00	9,510.00
Add: Transfer from surplus in the statement of profit and loss	-	1,880.00
	11,390.00	**11,390.00**
Surplus (balance in the statement of profit and loss)		
Opening balance	47,129.24	37,285.78
Profit for the year	609.68	18,714.97
Amount available for appropriations	**47,738.92**	**56,000.75**
Appropriations		
Proposed dividend on preference shares*	2.08	427.87
Tax on proposed preference dividend as above*	0.42	87.10
Proposed dividend on equity shares* #	-	2,265.36
Tax on proposed equity dividend as above* #	-	461.18
Transfer to statutory reserve	130.00	3,750.00
Transfer to general reserve	-	1,880.00
	47,606.42	**47,129.24**
	1,99,050.19	**1,98,404.64**

* In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance Sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Company has not appropriated proposed dividend (including tax) on equity and preference shares in the financial year ended 31 March 2017.

Dividend for year ended 31 March 2016 includes dividend on equity shares allotted post 31 March 2016 and tax thereon.

Notes

to the Financial Statements (Continued)

NOTE 5 : LONG-TERM BORROWINGS

(₹ in Lacs)

	Security as per	As at 31 March 2017	As at 31 March 2016
Debentures			
Secured	(a)		
Redeemable non-convertible debentures		5,500.00	48,500.00
		5,500.00	**48,500.00**
Unsecured			
Subordinated non-convertible perpetual debentures (Tier I capital)		13,310.00	11,250.00
Subordinated redeemable non-convertible debentures (Tier II capital)		78,030.00	77,430.00
		91,340.00	**88,680.00**
Term loan			
Secured *			
from banks	(b) and (c)	1,31,000.48	1,09,457.04
from others (financial institutions)	(b) and (c)	836.89	13,726.31
		1,31,837.37	**1,23,183.35**
Unsecured			
from banks (subordinated) (Tier II capital)		10,000.00	-
		10,000.00	**-**
		2,38,677.37	**2,60,363.35**
* Aggregate of loans guaranteed by Director (including current maturities)		**796.50**	**1329.40**

Nature of security

(a) Debentures are secured by mortgage of Company's immovable property situated at (i) Village - Mehrun, Taluk and District - Jalgaon in the state of Maharastra, and (ii) Rajarhat, Kolkata in the state of West Bengal and are also secured against designated Assets on finance.

(b) Term loans from Banks / Financial Institutions are secured by way of hypothecation of designated Assets on finance and future rentals receivable therefrom.

(c) Term loans related to wind mills owned by the Company are secured by means of mortgage of the wind mills, assignment of the related receivables, and a bank guarantee in favour of the lending institution alongwith personal guarantee of a Director.

Details of debentures

Terms of maturity of secured redeemable non-convertible debentures

(₹ in Lacs)

Maturity schedule	Interest rate range (p.a.)		As at 31 March 2017		As at 31 March 2016	
	31 March 2017	31 March 2016	Long-term	Current maturities	Long-term	Current maturities
>5 Years	9.00%	-	5,000.00	-	-	-
3 - 5 Years	9.55%	-	500.00	-	-	-
1 - 3 Years	-	9.63 % - 10.80%	-	-	48,500.00	-
0 - 1 Years	9.63% - 10.80%	9.50 % - 11.50%	-	48,500.00	-	55,730.00
			5,500.00	**48,500.00**	**48,500.00**	**55,730.00**

Above current maturities has been disclosed under "Other current liabilities" [Note 9].

Notes

to the Financial Statements (Continued)

NOTE 5 : LONG-TERM BORROWINGS (Contd.)

Terms of maturity of unsecured subordinated non-convertible perpetual debentures (Tier I capital)

(₹ in Lacs)

Maturity schedule	Interest rate range (p.a.)		As at 31 March 2017		As at 31 March 2016	
	31 March 2017	31 March 2016	Long-term	Current maturities	Long-term	Current maturities
> 5 Years	11.50% - 12.10%	12.00 % - 12.10%	7,810.00	-	5,750.00	-
3 - 5 Years	12.50%	12.50 % - 13.75%	2,500.00	-	5,500.00	-
1 - 3 Years	13.50% - 13.75%		3,000.00	-	-	-
			13,310.00	**-**	**11,250.00**	**-**
Percentage of Tier I Capital			**8.15%**	**-**	**6.35%**	**-**

These debentures are perpetual in nature and the Company has a 'Call Option' only after a minimum period of 10 years from the date of issue subject to RBI regulations.

Above current maturities has been disclosed under "Other current liabilities" [Note 9].

Terms of maturity of unsecured subordinated redeemable non-convertible debentures (Tier II capital)

(₹ in Lacs)

Maturity schedule	Interest rate range (p.a.)		As at 31 March 2017		As at 31 March 2016	
	31 March 2017	31 March 2016	Long-term	Current maturities	Long-term	Current maturities
> 5 Years	10.25% - 11.50%	10.70 % - 11.50%	21,000.00	-	32,700.00	-
3 - 5 Years	11.00% - 11.45%	11.00%	23,000.00	-	13,000.00	-
1 - 3 Years	11.00% - 11.75%	11.20% - 12.00%	34,030.00	-	31,730.00	-
0 - 1 Years	11.75% - 12.00%	11.50%	-	10,700.00	-	500.00
			78,030.00	**10,700.00**	**77,430.00**	**500.00**

Above current maturities has been disclosed under "Other current liabilities" [Note 9].

Terms of repayment of unsecured term loans (Tier II capital)

(₹ in Lacs)

Repayment schedule	Interest rate range (p.a.)		As at 31 March 2017		As at 31 March 2016	
	31 March 2017	31March 2016	Long-term	Current maturities	Long-term	Current maturities
3 - 5 Years	9.50% - 12.00%	9.85% - 12.25%	35,281.94	-	36,093.05	-
1 - 3 Years	9.50% - 12.25%	9.85% - 12.25%	96,555.43	-	87,090.30	-
0 - 1 Years	9.85% - 12.25%	9.85% - 12.25%	-	63,870.54	-	70,486.81
			1,31,837.37	**63,870.54**	**1,23,183.35**	**70,486.81**

Above current maturities has been disclosed under "Other current liabilities" [Note 9].

Terms of repayment of unsecured term loans (Tier II capital)

(₹ in Lacs)

Repayment schedule	Interest rate range (p.a.)		As at 31 March 2017		As at 31 March 2016	
	31 March 2017	31March 2016	Long-term	Current maturities	Long-term	Current maturities
> 5 Years	11.00%	-	10,000.00	-	-	-
			10,000.00	-	-	-

Above current maturities has been disclosed under "Other current liabilities" [Note 9].

Notes

to the Financial Statements (Continued)

NOTE 6 : LONG-TERM PROVISIONS

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Provision for employee benefits		
Provision for compensated absences	775.61	668.52
Other provisions		
Provision for non-performing assets [Note 35(m)]	15,859.20	26,585.79
Contingent provision against standard assets (Tier II capital)	1,900.00	1,890.00
	18,534.81	**29,144.31**

NOTE 7: SHORT-TERM BORROWINGS

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Commercial papers		
Unsecured		
Face value	51,000.00	59,000.00
Less: Unmatured discounting charges	815.37	1,466.41
	50,184.63	**57,533.59**
Loans from banks		
Secured*		
Cash credit facilities	1,07,151.13	2,05,378.24
Working capital demand loans	3,29,999.99	3,32,500.00
	4,37,151.12	**5,37,878.24**
	4,87,335.75	**5,95,411.83**

Details of unsecured commercial papers

(₹ in Lacs)

Number of units	Face value (₹ in lacs)	Interest terms	As at 31 March 2017	As at 31 March 2016
10,200	5	Fixed	50,184.63	-
11,800	5	Fixed	-	57,533.59
			50,184.63	**57,533.59**

The above commercial papers carry interest rates ranging from 7.61 % p.a. to 8.95 % p.a. with maturity ranging from 1 month to 3 months (2016: from 8.95 % p.a. to 10.00 % p.a. with maturity ranging from 3 months to 8 months).

Details of cash credit facilities and working capital demand loans

The cash credit facilities are repayable on demand and carry interest rates ranging from 9.00% p.a. to 11.20% p.a. (2016: from 9.25 % p.a. to 11.80% p.a.). Working capital demand loans are repayable on demand and carry interest rates ranging from 8.20% p.a. to 9.60% p.a. (2016: from 9.55% p.a. to 10.00% p.a.). As per the prevalent practice, cash credit facilities and working capital demand loans are renewed on a year to year basis and therefore, are revolving in nature.

*** Nature of security**

Cash credit facilities and working capital demand loans from Banks are secured by way of hypothecation of the Company's finance/loan assets, plant and machinery and future rental income therefrom and other current assets excluding those from real estate (expressly excluding those equipments, plant, machinery, spare parts etc. and future rental income therefrom which have been or will be purchased out of the term loans and / or refinance facility from Financial Institutions, Banks or any other finance organisation). These are collaterally secured by way of equitable mortgage over immovable property.

Notes

to the Financial Statements (Continued)

NOTE 8 : TRADE PAYABLES

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Due to micro and small enterprises *	-	-
Due to others	18,307.40	16,083.37
	18,307.40	**16,083.37**

* The Company has no dues to micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006, as at 31 March 2017 and 31 March 2016. This information is required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006, and has been determined to the extent such parties have been identified on the basis of information available with the Company.

NOTE 9 : OTHER CURRENT LIABILITIES

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Current maturities of long-term borrowings [Note 5]	1,23,070.54	1,26,716.81
Interest accrued but not due on borrowings	8,706.11	11,247.08
Unpaid dividend #	32.28	28.54
Unclaimed matured deposits and interest accrued thereon *	-	0.13
Other liabilities		
Temporary book overdraft	2,090.45	4,362.75
Advances and deposits from customers	6,476.09	6,868.59
Statutory liabilities	601.56	692.45
Director's commission payable	-	160.00
Pending remittance on assignment	22,695.91	23,835.09
Other payables	7,450.51	5,945.95
	1,71,123.45	**1,79,857.39**

Balance would be credited to Investor Education and Protection Fund as and when due.

* Represents liability transferred to and vested in the Company pursuant to the amalgamation of erstwhile Shrachi Infrastructure Finance Limited with the Company in the financial year 2006-07. The Company, in accordance with Reserve Bank of India directives, had transferred the entire outstanding amount together with interest to an escrow account. Unclaimed balance has been credited to Investor Education and Protection Fund.

NOTE 10 : SHORT-TERM PROVISIONS

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Provision for employee benefits		
Provision for compensated absences	86.58	76.57
Other provisions		
Contingent provision against standard assets (Tier II capital)	1,340.00	1,280.00
Proposed dividend (including tax thereon) [Note 4]	-	2,788.15
Provision for taxation (net)	-	1,435.57
	1,426.58	**5,580.29**

Notes

to the Financial Statements (Continued)

NOTE 11 : FIXED ASSETS

Following are the changes in the carrying value of the fixed assets for the year ended 31 March 2017

(₹ in Lacs)

Description of assets	Gross block				Depreciation and amortisation				Net block
	As at 1 April 2016	Additions	Deletions	As at 31 March 2017	As at 1 April 2016	For the year	Deletions	As at 31 March 2017	As at 31 March 2017
Tangible Assets									
Fixed assets for own use									
Land	30.26	-	-	30.26	-	-	-	-	30.26
Buildings *	2,165.37	-	-	2,165.37	617.82	38.01	-	655.83	1,509.54
Wind mills	9,701.29	-	-	9,701.29	4,178.56	410.39	-	4,588.95	5,112.34
Furniture and fixtures	2,630.81	186.12	70.50	2,746.43	1,573.92	283.78	55.45	1,802.25	944.18
Vehicles	272.14	37.00	34.98	274.16	106.17	28.98	20.34	114.81	159.35
Office equipments	8,544.88	532.53	272.58	8,804.83	5,251.73	1,237.41	240.99	6,248.15	2,556.68
Leasehold improvements	3,265.10	295.80	63.58	3,497.32	2,002.29	302.65	58.91	2,246.03	1,251.29
Sub-total	**26,609.85**	**1,051.45**	**441.64**	**27,219.66**	**13,730.49**	**2,301.22**	**375.69**	**15,656.02**	**11,563.64**
Fixed assets on operating lease									
Buildings	11.00	-	-	11.00	2.22	0.18	-	2.40	8.60
Vehicles	5,823.04	4,389.18	702.18	9,510.04	1,345.53	1,741.93	320.49	2,766.97	6,743.07
Sub-total	**5,834.04**	**4,389.18**	**702.18**	**9,521.04**	**1,347.75**	**1,742.11**	**320.49**	**2,769.37**	**6,751.67**
Total	**32,443.89**	**5,440.63**	**1,143.82**	**36,740.70**	**15,078.24**	**4,043.33**	**696.18**	**18,425.39**	**18,315.31**
Intangible assets									
Fixed assets for own use									
Computer software	4,504.10	778.19	-	5,282.29	1,717.18	785.33	-	2,502.51	2,779.78
Business and commercial rights	800.00	-	-	800.00	800.00	-	-	800.00	-
Total	**5,304.10**	**778.19**	**-**	**6,082.29**	**2,517.18**	**785.33**	**-**	**3,302.51**	**2,779.78**
Grand total	**37,747.99**	**6,218.82**	**1,143.82**	**42,822.99**	**17,595.42**	**4,828.66**	**696.18**	**21,727.90**	**21,095.09**

* Registration of title for 3 buildings is pending.

Notes

to the Financial Statements (Continued)

NOTE 11 : FIXED ASSETS (Contd.)

Following are the changes in the carrying value of the fixed assets for the year ended 31 March 2016

(₹ in Lacs)

Description of assets	Gross block				Depreciation and amortisation				Net block
	As at 1 April 2015	Additions	Deletions	As at 31 March 2016	As at 1 April 2015	For the year	Deletions	As at 31 March 2016	As at 31 March 2016
Tangible Assets									
Fixed assets for own use									
Land	30.26	-	-	30.26	-	-	-	-	30.26
Buildings *	3,497.37	-	1,332.00	2,165.37	1,154.62	55.40	592.20	617.82	1,547.55
Wind mills	9,701.29	-	-	9,701.29	3,766.96	411.60	-	4,178.56	5,522.73
Furniture and fixtures	2,605.79	70.14	45.12	2,630.81	1,323.46	275.95	25.49	1,573.92	1,056.89
Vehicles	304.71	59.88	92.45	272.14	147.80	32.10	73.73	106.17	165.97
Office equipments	7,879.39	825.37	159.88	8,544.88	4,185.81	1,214.91	148.99	5,251.73	3,293.15
Leasehold improvements	3,184.57	153.94	73.41	3,265.10	1,695.07	345.14	37.92	2,002.29	1,262.81
Sub-total	**27,203.38**	**1,109.33**	**1,702.86**	**26,609.85**	**12,273.72**	**2,335.10**	**878.33**	**13,730.49**	**12,879.36**
Fixed assets on operating lease									
Buildings	11.00	-	-	11.00	2.05	0.17	-	2.22	8.78
Vehicles	2,779.30	3,506.06	462.32	5,823.04	524.00	972.86	151.33	1,345.53	4,477.51
Sub-total	**2,790.30**	**3,506.06**	**462.32**	**5,834.04**	**526.05**	**973.03**	**151.33**	**1,347.75**	**4,486.29**
Total	**29,993.68**	**4,615.39**	**2,165.18**	**32,443.89**	**12,799.77**	**3,308.13**	**1,029.66**	**15,078.24**	**17,365.65**
Intangible assets									
Fixed assets for own use									
Computer software	3,432.22	1,071.88	-	4,504.10	1,090.87	626.31	-	1,717.18	2,786.92
Business and commercial rights	800.00	-	-	800.00	800.00	-	-	800.00	-
Total	**4,232.22**	**1,071.88**	**-**	**5,304.10**	**1,890.87**	**626.31**	**-**	**2,517.18**	**2,786.92**
Grand total	**34,225.90**	**5,687.27**	**2,165.18**	**37,747.99**	**14,690.64**	**3,934.44**	**1,029.66**	**17,595.42**	**20,152.57**

* Registration of title for 3 buildings is pending.

NOTE 12 : NON-CURRENT INVESTMENTS

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Other investment (at cost) [Note 43]		
Investment in equity shares		
Quoted (fully paid-up of ₹ 10/- each)	1.12	1.12
Unquoted (fully paid-up of ₹ 10/- each)		
In subsidiaries	9,329.94	9,329.94
In joint ventures	6,302.20	6,302.20
In others	422.04	422.04
Investment in preference shares		
Unquoted (fully paid-up of ₹ 10/- each)		
In subsidiary	24,888.89	24,888.89
Investment in government securities		
Unquoted (pledged with sales tax authorities)	0.16	0.16

Notes

to the Financial Statements (Continued)

NOTE 12 : NON-CURRENT INVESTMENTS (Contd.)

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Others		
In pass through certificates *	4,924.70	2,274.28
In security receipts (of ₹ 1,000/- each)	7,416.47	-
	53,285.52	**43,218.63**
Aggregate provision for diminution in value of investments	(1.05)	(1.05)
	53,284.47	**43,217.58**
Aggregate book value of quoted investments	1.12	1.12
Aggregate market value of quoted investments	0.28	0.33
Aggregate book value of unquoted investments	53,284.40	43,217.51

* The Company has invested in the pass through certificates (PTCs) on the assets securitised by it, as Minimum Retention Ratio, as prescribed in the guidelines issued by Reserve Bank of India from time to time. Current portion of PTCs amounting to ₹ 4,737.23 lacs (2016: ₹ 2,597.22 lacs) has been included under 'Current Investments' [Note 16].

NOTE 13 : DEFERRED TAX ASSETS (NET)

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Deferred tax assets		
Contingent provision against standard assets	1,121.30	1,097.07
Provision for non-performing assets	5,661.59	9,315.71
Unabsorbed depreciation and amortisation	3,585.25	-
Others	303.94	299.26
	10,672.08	**10,712.04**
Deferred tax liabilities		
Fixed assets	3,172.35	2,675.90
Unamortised expenses (net)	5,469.70	5,168.39
Others	58.36	104.88
	8,700.41	**7,949.17**
Deferred tax assets (net)	**1,971.67**	**2,762.87**

NOTE 14 : LONG-TERM LOANS AND ADVANCES

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Assets on finance*		
Secured, considered good*	5,04,951.84	6,08,962.07
Secured, considered doubtful*	19,930.03	48,768.95
Unsecured, considered good	80,833.20	81,876.88
	6,05,715.07	**7,39,607.90**
Others		
Unsecured, considered good		
Capital advances	118.61	12.36
Loans to staff	96.86	108.87
Loans and advances to related parties [Note 36]	10,063.05	1,669.34
Tax advances and deduction at source (net)	7,478.98	-
Security deposits	1,011.04	845.45
	18,768.54	**2,636.02**

Notes

to the Financial Statements (Continued)

NOTE 14 : LONG-TERM LOANS AND ADVANCES (Contd.)

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Unsecured, considered doubtful		
Other loans and advances		
Advances recoverable in cash or kind or for value to be received	500.00	332.00
Less: Provision against loans and advances	500.00	332.00
	-	-
	6,24,483.61	**7,42,243.92**

Assets on finance includes sub-standard assets of ₹ 69,754.07 lacs (2016: ₹ 76,304.58 lacs) and is net of amounts securitised / assigned aggregating to ₹ 3,62,064.98 lacs (2016: ₹ 3,65,056.97 lacs).

*Secured by underlying assets financed.

NOTE 15 : OTHER NON-CURRENT ASSETS

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Others		
Non-current bank balances*	8,629.25	705.74
Unamortised borrowings costs	1,567.64	1,134.06
Unamortised loan origination costs (net)	6,548.17	6,089.72
Gratuity (excess of plan assets over obligation) [Note 27]	168.63	303.05
	16,913.69	**8,232.57**

* Balances with banks held as security against borrowings, guarantees amounts to ₹ 475.17 lacs (2016: ₹ 312.28 lacs) and as cash collateral for securitisation / direct assignment of receivables amounts to ₹ 8,154.08 lacs (2016: ₹ 378.00 lacs).

NOTE 16 : CURRENT INVESTMENTS

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Other investment [Note 43]		
Others (at cost)		
In pass through certificates [Note 12]	4,737.23	2,597.22
	4,737.23	**2,597.22**
Aggregate book value of unquoted investments	4737.23	2,597.22

NOTE 17 : TRADE RECEIVABLES

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Unsecured, considered good		
Debts outstanding for a period exceeding six months from the date they became due for payment	-	221.67
Other debts	643.21	485.30
	643.21	**706.97**

Notes

to the Financial Statements (Continued)

NOTE 18 : CASH AND BANK BALANCES

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Cash and cash equivalents		
Cash in hand	5,433.09	6,420.70
Balances with banks		
In current and cash credit accounts	5,626.93	12,258.40
In deposits with original maturity of three months or less	1,624.27	1,530.36
	12,684.29	**20,209.46**
Other bank balances *		
In unpaid dividend account	32.28	28.54
In deposits with original maturity of three months or less	522.00	-
In deposits with original maturity of more than three months to twelve months	9,373.04	12,737.98
Current maturities of deposits with original maturity of more than twelve months	4,637.50	3,069.98
	14,564.82	**15,836.50**
	27,249.11	**36,045.96**

* Balances with banks held as security against borrowings, guarantees amounts to ₹ 2,058.83 lacs (2016: ₹ 1,800.43 lacs) and as cash collateral for securitisation / direct assignment of receivables amounts to ₹ 12,050.87 lacs (2016: ₹ 12,408.68 lacs). Fixed deposits accounts with more than twelve months maturity amounting to ₹ 8,629.25 lacs (2016: ₹ 705.74 lacs) included under 'Other Non-Current Assets' [Note 15].

NOTE 19 : SHORT-TERM LOANS AND ADVANCES

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Asset on finance		
Secured, considered good*	2,66,964.02	3,28,812.52
Unsecured, considered good	1,09,926.12	92,081.24
	3,76,890.14	**4,20,893.76**
Others		
Unsecured, considered good		
Loan and advances to related parties	665.13	580.12
Other loans and advances		
Loans to staff	191.40	205.44
Advances recoverable in cash or kind or for value to be received	875.31	2,054.67
Prepaid expenses	640.72	731.16
Balances with statutory / government authorities	1,040.12	1,158.36
	3,412.68	**4,729.75**
	3,80,302.82	**4,25,623.51**

* Secured by underlying assets financed

NOTE 20 : OTHER CURRENT ASSETS

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Others		
Accrued interest / financial charges	221.29	176.48
Unamortised borrowings costs	1,050.07	989.57
Unamortised loan origination costs (net)	6,638.85	6,760.01
Others	54.73	186.27
	7,964.94	**8,112.33**

Notes

to the Financial Statements (Continued)

NOTE 21 : REVENUE FROM OPERATIONS

(₹ in Lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Interest / finance income		
On assets on finance	1,76,802.86	1,94,601.37
On securitisation and assignment of loans	7,137.36	1,193.74
On pass through certificates	599.83	334.67
On fixed deposits	1,527.65	2,150.73
On loans and margins	1,966.65	924.20
	1,88,034.35	**1,99,204.71**
Other financial income		
Lease rentals	2,438.63	1,325.84
Collection and support services	1,879.72	3,406.74
Foreclosure charges	3,378.74	3,559.48
Income on non-convertible debenture	-	2,199.99
Others	1,566.41	1,267.27
	9,263.50	**11,759.32**
	1,97,297.85	**2,10,964.03**

NOTE 22 : OTHER INCOME

(₹ in Lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Sale of power	1,108.90	1,034.07
Insurance commission	816.57	1,037.40
Commission income	673.49	-
Gain on sale of fixed assets (net)	16.00	-
Gain on sale of investments (non-current, other than trade) (net)	-	5.08
Rental income	2.61	2.63
Excess provision on investment written back	-	34.53
Bad debt recovered	1,910.21	834.18
Miscellaneous income	378.87	3.63
	4,906.65	**2,951.52**

NOTE 23 : EMPLOYEE BENEFITS EXPENSE

(₹ in Lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Salaries and wages	20,841.95	22,425.46
Contribution to provident and other funds	1,387.52	1,027.08
Employee share based compensation expense	(37.91)	230.82
Staff welfare expenses	829.20	974.82
	23,020.76	**24,658.18**

Notes

to the Financial Statements (Continued)

NOTE 24 : FINANCE COSTS

(₹ in Lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Interest expense		
On debentures	18,735.10	24,362.16
On term loans	21,412.79	17,651.39
On cash credit and working capital facilities	38,838.99	39,764.33
On others	100.64	11.43
Discount on commercial papers	11,098.65	14,007.05
Other borrowing costs	3,624.98	3,989.44
Mark-to-market (profit) / losses on derivative contracts [Note 35(c)]	(23.10)	23.10
	93,788.05	**99,808.90**

NOTE 25 : PROVISIONS AND BAD DEBTS WRITTEN-OFF

(₹ in Lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Bad debts written-off	18,340.33	24,241.48
Net loss / (gain) on sale of non-performing assets *	19,308.12	-
Provision for non-performing assets	16,514.04	9,444.93
Contingent provision against standard assets	70.00	50.00
	54,232.49	**33,736.41**

* Net of reversals of provision on sale of non-performing assets ₹ 27,240.62 lacs.

NOTE 26 : OTHER EXPENSES

(₹ in Lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Rent	1,530.02	1,644.00
Brokerage and commission	10,606.68	11,658.20
Rates and taxes	68.94	72.87
Insurance	117.55	107.48
Advertisement and publicity	269.47	351.25
Travelling and conveyance	1,864.50	2,236.32
Repairs and maintenance		
- machinery	254.79	227.10
- others	1,259.26	1,187.11
Payment to directors		
- fees	14.95	11.50
- commission	12.40	170.50
Professional fees	1,742.06	1,695.87
Legal charges	1,776.75	1,586.55
Printing and stationery	482.30	544.52
Communication	1,357.85	1,326.97
Electricity charges	649.18	608.28
Corporate social responsibility expenditure [Note 37]	374.07	283.99
Loss on sale of fixed assets (net)	-	2.30
Capital work in progress written-off	690.13	-
Miscellaneous expenses	2,192.83	1,465.72
	25,263.73	**25,180.53**

Notes

to the Financial Statements (Continued)

NOTE 27 : EMPLOYEE BENEFITS

Gratuity benefit plan

The scheme is funded with Life Insurance Corporation of India (LIC). The following tables set out the status of the gratuity plan as required under Accounting Standard (AS) 15 (revised) on Employee Benefits.

(a) Reconciliation of opening and closing balances of the present value of defined benefit obligation

(₹ in Lacs)

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
Opening defined benefit obligation	1,324.19	1,277.33
Current service cost	239.74	187.46
Interest cost	95.80	91.54
Actuarial losses /(gains)	261.41	2.06
Benefits paid	(213.81)	(234.20)
Closing defined benefit obligation	**1,707.33**	**1,324.19**

(b) Changes in the fair value of the plan assets are as follows

(₹ in Lacs)

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
Opening fair value of the plan assets	1,627.24	1,551.10
Expected return on plan assets	132.63	120.63
Contributions by employer	329.90	189.71
Actuarial (losses) / gains	-	-
Benefits paid	(213.81)	(234.20)
Closing fair value of the plan assets	**1,875.96**	**1,627.24**

(c) Net asset / (liability) recognised in the balance sheet

(₹ in Lacs)

Particulars	As at 31 March 2017	As at 31 March 2016
Defined benefit obligation	(1,707.33)	(1,324.19)
Fair value of plan assets	1,875.96	1,627.24
Net asset	**168.63**	**303.05**

(d) Expenses recognised in the statement of profit and loss account

(₹ in Lacs)

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
Current service cost	239.74	187.46
Interest on defined benefit obligation	95.80	91.54
Net actuarial losses / (gains) recognised	261.41	2.06
Expected return on plan assets	(132.63)	(120.63)
Net expense included in "Employee benefits expenses	**464.32**	**160.43**

Notes

to the Financial Statements (Continued)

NOTE 27 : EMPLOYEE BENEFITS (Contd.)

(e) Summary of actuarial assumptions

(₹ in Lacs)

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
Discount rate	7.28%	7.87%
Salary increase	5.00%	5.00%
Withdrawal rate	4.20%	4.20%

(f) Expected rate of return on plan assets: This is based on the expectation of the average long-term rate of return expected on investments of the fund during the estimated term of the obligations.

(g) Discount rate: The discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of the obligations.

(h) Salary escalation rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

(i) Experience adjustments

(₹ in Lacs)

Particulars	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
Present value of defined benefit obligation	(1,707.33)	(1,324.19)	(1,277.33)	(952.71)	(862.62)
Fair value of plan assets	1,875.96	1,627.24	1,551.10	1,309.86	1,090.09
Funded status [surplus/(deficit)]	168.63	303.05	273.77	357.15	227.47
Experience (gain)/loss adjustment on plan liabilities	140.70	(1.17)	60.94	67.87	56.36
Experience gain/(loss) adjustment on plan assets	-	-	(5.26)	-	(6.57)
Experience (gain)/loss adjustment on plan liabilities due to change in assumption	120.71	3.23	177.74	(94.91)	43.40

NOTE 28 : LEASE TRANSACTIONS IN THE CAPACITY OF LESSEE

Lease rental expense under non-cancellable operating lease during the year amounted to ₹ 32.32 lacs (2016: ₹ 26.10 lacs). Future minimum lease payments under non-cancellable operating lease is as below:

(₹ in Lacs)

Particulars	As at 31 March 2017	As at 31 March 2016
Not later than one year	39.64	21.53
Later than one year but not later than five years	37.51	34.78
Later than five years	-	-

Additionally, the Company uses the office facilities under cancellable operating leases. The rental expense under cancellable operating lease during the year was ₹ 1,983.14 lacs (2016: ₹ 1,907.46 lacs). Above rental expense includes the cost allocated to the subsidiaries and joint ventures amounting to ₹ 485.44 lacs (2016: ₹ 289.56 lacs).

Notes

to the Financial Statements (Continued)

NOTE 29 : EARNINGS PER SHARE (EPS)

Particulars			Units	Year ended 31 March 2017	Year ended 31 March 2016
Basic and Diluted					
(a)	(i)	Weighted average number of equity shares (Face Value of ₹ 2/- per share) for Basic EPS	Nos.	23,69,03,308	23,20,96,351
	(ii)	Weighted average number of equity shares for diluted EPS [after considering 4.03 lacs shares (2016: 7.43 lacs) resulting from assumed exercise of employee stock options and equity warrants]	Nos.	23,73,06,305	23,28,39,048
(b)		Net profit after tax	₹ in Lacs	609.68	18,714.97
(c)		Less : Preference dividend including tax thereon	₹ in Lacs	3.39	514.97
(d)	(i)	Net profit for equity shareholders for basic EPS	₹ in Lacs	606.29	18,200.00
	(ii)	Net profit for equity shareholders for diluted EPS	₹ in Lacs	606.29	18,200.00
(e)	(i)	Earning per share (face value of ₹ 2/- per share) – Basic	₹	0.26	7.84
	(ii)	Earning per share (face value of ₹ 2/- per share) – Diluted	₹	0.26	7.82

NOTE 30 : CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

(a) Contingent liabilities

(₹ in Lacs)

Particulars			As at 31 March 2017	As at 31 March 2016
1	**Claims against the Company not acknowledged as debt**			
	(i)	Income tax matters under dispute	292.96	314.29
	(ii)	VAT matters under dispute	240.49	242.33
	(iii)	Service tax matters under dispute	292.37	115.00
	(iv)	Legal cases against the Company *	116.32	325.61
2	**Guarantees**			
	(i)	Unexpired bank guarantee	28,098.46	21,096.24

* The Company is also involved in other law suits, claims, investigations and proceedings, including collection and repossession related matters, which arise in the ordinary course of business. However, there are no significant claims on such cases.

(b) Commitments

(₹ in Lacs)

Particulars	As at 31 March 2017	As at 31 March 2016
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for	872.54	574.08
(ii) Redemption of preference shares (including premium)	-	1,300.20

(c) The Company has a process whereby periodically all long-term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision required under any law/accounting standard/RBI regulation for material foreseeable losses on such long term contracts has been made in the books of account.

Notes

to the Financial Statements (Continued)

NOTE 31 :

(a) Commissioner of service tax had issued a show cause notice in respect of the financial years 2002-03 to 2006-07 on 16 October 2007 and the matter was adjudicated vide Order dated 31 March 2009, confirming the service tax liability at ₹ 464 lacs plus interest and penalty against which ₹ 404 lacs was paid and charged to the statement of profit and loss in earlier years. Both the Company and the Department had gone into appeal in CESTAT against the order. There were multiple hearings for the case in the CESTAT and High Court of Calcutta on this matter. Finally, the Honorary Bench of CESTAT in its order dated 28 March 2016 have remanded the matter back to the Commissioner. There is no outstanding demand as of now. The Company has filed an appeal before the High Court of Calcutta and the matter is yet to be finally disposed off.

(b) Fringe benefit tax had been levied on fringe benefit provided to employees as per Section 115W of the Income Tax Act, 1961. The Company had filed a writ petition before the Hon'ble High Court of Calcutta and had been granted stay order on the same. The case was transferred to Hon'ble Supreme Court and has since been remanded to Hon'ble High Court of Calcutta and is yet to be finally disposed off. In view of this, the Company had not provided for any liability against fringe benefit tax in the earlier years. In terms of Finance Act, 2009, Fringe Benefit Tax has been withdrawn effective 01 April 2009.

NOTE 32 : PAYMENTS TO AUDITORS (INCLUDED IN PROFESSIONAL FEES)

(₹ in Lacs)

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
Audit fees	36.00	36.00
Limited review of quarterly results	30.00	24.00
Other services	2.45	-
Reimbursement of expenses	14.29	8.69
Total	**82.74**	**68.69**

NOTE 33 : LOANS AND ADVANCES TO SUBSIDIARY COMPANY

(₹ in Lacs)

Name of the Subsidiary	Maximum Outstanding	As At 31 March 2017
Magma ITL Finance Limited [a subsidiary]	**15,000.00**	**9,900.00**
	(11,500.00)	(1,500.00)

Previous year's figures are stated in brackets.

NOTE 34 : ADDITIONAL NOTES

(a) C.I.F. value of imports of goods acquired for asset financing arrangements ₹ Nil (2016: ₹ Nil).

(b) Earnings in foreign currency ₹ Nil (2016: ₹ Nil).

(c) Expenditure in foreign currency on account of professional fees, travelling and others ₹ 80.58 lacs (2016: ₹ 71.82 lacs).

(d) Dividend remitted in foreign currency

Particulars	Paid in 31 March 2017	Paid in 31 March 2016
Preference shares		
Financial year to which the dividend relates	2015-16	2014-15
Number of shareholder	1	1
Number of shares held	86,10,198	86,10,198
Amount remitted (₹ lacs)	87.02	184.24

Notes

to the Financial Statements (Continued)

NOTE 35 : DISCLOSURE REQUIRED IN TERMS OF THE REVISED REGULATORY FRAMEWORK FOR NBFC ISSUED BY RBI ON 10 NOVEMBER, 2014

(a) Capital

(₹ in Lacs)

		As at 31 March 2017	As at 31 March 2016
(i)	CRAR (%)	20.4	18.7
(ii)	CRAR -Tier I Capital (%)	15.4	14.6
(iii)	CRAR -Tier II Capital (%)	5.0	4.1
(iv)	Amount of subordinated debt raised as Tier-II capital	98,730.00	77,930.00
(v)	Amount raised by issue of Perpetual Debt Instruments	13,310.00	11,250.00

(b) Investments

(₹ in Lacs)

			As at 31 March 2017	As at 31 March 2016
1	Value of Investments			
	(i)	Gross Value of Investments	58,022.75	45,815.85
		(a) In India	-	-
		(b) Outside India		
	(ii)	Provisions for Depreciation	1.05	1.05
		(a) In India	-	-
		(b) Outside India		
	(iii)	Net Value of Investments	58,021.70	45,814.80
		(a) In India	-	-
		(b) Outside India		
2	Movement of provisions held towards depreciation on investments		1.05	35.58
	(i)	Opening balance	-	-
	(ii)	Add : Provisions made during the year	-	34.53
	(iii)	Less : Write-off / write-back of excess provisions during the year	1.05	1.05
	(iv)	Closing balance		

(c) Derivative

1 Forward Rate Agreement / Interest rate Swap

(₹ in Lacs)

		As at 31 March 2017	As at 31 March 2016
(i)	The notional principal of swap agreements	-	1,300.20
(ii)	Loss which would be incurred if counterparties failed to fulfil their obligations under the agreements	-	176.70
(iii)	Collateral required by the NBFC upon entering into swaps	-	-
(iv)	Concentration of credit risk arising from the swaps	-	-
(v)	The fair value of swap book loss	-	23.10

The Company has recognised gain of ₹ 23.10 lacs (2016: loss of ₹ 23.10 lacs) relating to derivative financial instrument.
The Company does not have any exposure to exchange traded interest rate (IR) derivatives as at 31 March 2017 and 31 March 2016.

Notes

to the Financial Statements (Continued)

NOTE 35 : DISCLOSURE REQUIRED IN TERMS OF THE REVISED REGULATORY FRAMEWORK FOR NBFC ISSUED BY RBI ON 10 NOVEMBER, 2014 (Contd.).

2 **Disclosures on risk exposure in derivatives**

Qualitative disclosure

Fair value of derivative contracts is determined based on the appropriate valuation techniques considering the terms of the contract as at the balance sheet date. Mark to market losses in derivative contracts are recognised in the statement of profit and loss in the period in which they arise. Mark to market gains are not recognised keeping in view the principle of prudence as enunciated in "Accounting Standard (AS) 1 - Disclosure of Accounting Policies".

Quantitative disclosures

		Currency Derivative	Interest Rate Derivative
(i)	Derivatives (Notional Principal Amount) : For Hedging	-	-
(ii)	Marked to Market Positions		
	(a) Asset (+)	-	-
	(b) Liability (-)	-	-
(iii)	Credit Exposure	-	-
(iv)	Unhedged Exposures	-	-

(d) Disclosures relating to Securitisation

1 (i) **Outstanding amount of Securitised assets as per books of the SPVs #**

(₹ in Lacs)

		As at 31 March 2017	As at 31 March 2016
1	No. of Special Purpose Vehicles (SPVs) sponsored by the NBFC for securitisation transactions *	23	20
2	Total amount of securitised assets as per books of the SPVs sponsored	2,26,105.01	1,06,426.01
3	Total amount of the exposures retained by the NBFC to comply with MRR as on the date of balance sheet		
	a) Off-balance sheet exposures		
	First loss	-	-
	Others	-	-
	b) On-balance sheet exposures		
	First loss	19,622.76	11,153.68
	Others	9,661.93	4,871.50
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	'(i) Exposure to own securitisation		
	First loss	-	-
	Others	27,359.26	17,273.86
	(ii) Exposure to third party securitisations		
	First loss	-	-
	Others	-	-
	b) On-balance sheet exposures		
	(i) Exposure to own securitisation		
	First loss	-	-
	Others	22,100.02	12,519.54
	(ii) Exposure to third party securitisations		
	First loss	-	-
	Others	-	-

* Only the SPVs relating to outstanding securitisation transactions are reported here.

The above figures are being reported based on certificate issued by the auditors of the SPV, as required by revised guidelines on transfer of assets through securitisation.

Notes

to the Financial Statements (Continued)

NOTE 35 : DISCLOSURE REQUIRED IN TERMS OF THE REVISED REGULATORY FRAMEWORK FOR NBFC ISSUED BY RBI ON 10 NOVEMBER, 2014 (Contd.)

(ii) Accounting for Excess Interest Spread (EIS)

The Company recognises EIS on securitisation transactions in line with RBI circular "Revisions to the Guidelines on Securitisation Transactions" issued on 21 August 2012 which requires recognition of EIS only when redeemed in cash. Accordingly, the gross income on securitisation and assignment of loans aggregating to ₹ 1,290.58 lacs for the year ended 31 March 2017 (2016: ₹ 3,287.54 lacs) has not been recognised.

(iii) The value of "excess interest spread receivable" and "unrealised gain" on securitisation transactions undertaken in terms of guidelines on securitisation transaction issued by Reserve Bank of India on 21 August 2012 is given below:

(₹ in Lacs)

		As at 31 March 2017		As at 31 March 2016	
		Non-current	Current	Non-current	Current
1	Excess interest spread receivable	5,527.21	10,480.73	3,324.11	5,866.35
2	Unrealised gain on securitisation transactions	5,527.21	10,480.73	3,324.11	5,866.35

(iv) Additional income tax on income distributed by Securitisation Trusts

In the Finance Act, 2013, a provision was introduced w.e.f. 01 June 2013 in respect of 'Tax on Distributed Income by Securitisation Trusts' ('SDT'). The income so received was exempt in the hands of the Company. However the said provision has been withdrawn in Finance Act, 2016 w.e.f 01 June 2016. During the year, the income amounting to ₹ 1,261.88 lacs (2016: ₹ 4,330.67 lacs) has been received by the Company as an investor after withholding SDT of ₹ 436.71 lacs (2016: ₹ 1,495.33 lacs).

2 Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

(₹ in Lacs)

		Year ended 31 March 2017	Year ended 31 March 2016
(i)	No. of accounts	4,672	-
(ii)	Aggregate value (net of provisions) of accounts sold to SC / RC	14,083.46	-
(iii)	Aggregate consideration	8,898.82	-
(iv)	Additional consideration realised in respect of accounts transferred in earlier years	-	-
(v)	Aggregate gain / (loss) over net book value (NBV) *	(5,533.52)	-

* Excess provision of ₹ 348.88 lacs has not been reversed for case where sale value is higher than the NBV.

3 Details of the net book value of investments in security receipts:

(₹ in Lacs)

		Year ended 31 March 2017	Year ended 31 March 2016
(i)	Backed by non-performing assets sold by the Company as underlying	7,416.47	-
(ii)	Backed by non-performing assets sold by other banks / financial institutions / non-banking financial companies as underlying	-	-
Total book value of investments in security receipts		**7,416.47**	**-**

Notes

to the Financial Statements (Continued)

NOTE 35 : DISCLOSURE REQUIRED IN TERMS OF THE REVISED REGULATORY FRAMEWORK FOR NBFC ISSUED BY RBI ON 10 NOVEMBER, 2014 (Contd.)

4 Details of Assignment transactions undertaken by NBFCs

(₹ in Lacs)

		Year ended 31 March 2017	Year ended 31 March 2016
(i)	No. of accounts	1,601	20,264
(ii)	Aggregate value (net of provisions) of accounts sold	35,253.75	93,852.10
(iii)	Aggregate consideration	35,253.75	93,852.10
(iv)	Additional consideration realised in respect of accounts transferred in earlier years	-	-
(v)	Aggregate gain / loss over net book value	-	-

5 Details of non-performing financial assets purchased / sold

a) Details of non-performing financial assets purchased:

The Company has not purchased any non-performing financial assets during the financial year ended 31 March 2017 and 31 March 2016.

b) Details of Non-performing Financial Assets sold:

(₹ in Lacs)

		As at 31 March 2017	As at 31 March 2016
(i)	No. of accounts sold	19,415	-
(ii)	Aggregate outstanding *	17,674.60	-
(iii)	Aggregate consideration received	3,900.00	-

* net of provisions

(e) Asset Liability Management - Maturity pattern of certain items of Assets and Liabilities

(₹ in Lacs)

	1day to 30/31days (1 month)	Over 1 Month upto 2 Months	Over 2 Months upto 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Years to 3 Years	Over 3 Years to 5 Years	Over 5 Years	Total
Deposits placed	2,472.08	0.50	1,403.24	1,750.02	10,530.97	8,317.61	311.64	-	24,786.06
Advances	69,599.02	29,009.20	33,386.68	87,501.05	1,60,166.15	4,01,833.36	1,44,648.97	78,642.00	10,04,786.43
Investments	370.81	378.80	419.45	1,339.71	2,228.46	4,622.95	301.75	48,359.77	58,021.70
Borrowings*	48,088.65	20,638.54	99,220.86	62,095.42	1,10,886.32	3,04,008.09	1,25,633.80	78,511.98	8,49,083.66
Foreign currency assets	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-

* Cash credit and working capital demand loan from banks are usually for a period of 1 year. As per the prevalent practice, these facilities are renewed on a year to year basis and therefore, are revolving in nature. Accordingly, repayments of cash credit borrowings and working capital demand loans from banks aggregating ₹ 4,37,151.12 lacs has been distributed over the same period as the maturity pattern of assets on finance. Borrowings includes ₹ 1,23,070.54 lacs, which has been disclosed as 'Current maturities of long term borrowings' [Note 9].

Notes

to the Financial Statements (Continued)

NOTE 35 : DISCLOSURE REQUIRED IN TERMS OF THE REVISED REGULATORY FRAMEWORK FOR NBFC ISSUED BY RBI ON 10 NOVEMBER, 2014 (Contd.)

(f) Exposures

1 Exposure to real estate sector

(₹ in Lacs)

Category			As at 31 March 2017	As at 31 March 2016
(i)	Direct exposure			
	A.	Residential mortgages	62,592.35	91,920.81
	B.	Commercial real estate	19,495.27	33,987.44
	C.	Investments in Mortgage Backed Securities (MBS) and other securitised exposures*		
		a. Residential	-	-
		b. Commercial Real Estate	4,325.77	-
(ii)	Indirect Exposure			
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		-	-

* Includes investments in Security Receipts. Breakup of residential and commercial real estate is not available and hence, entire amount shown in commercial real estate.

2 Exposure to Capital Market

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	1.12	1.12
Total Exposure to Capital Market`	**1.12**	**1.12**

3 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC

The Company has not exceeded the prudential exposure limits during the financial year ended 31 March 2017 and 31 March 2016.

4 Unsecured advances

(₹ in Lacs)

		As at 31 March 2017		As at 31 March 2016	
		Non-current	Current maturities	Non-current	Current maturities
1	Unsecured Advances	80,833.20	1,09,926.12	81,876.88	92,081.24

The Company has not given any unsecured advances against intangible securities such as charge over the rights, licenses, authority, etc. during the financial year ended 31 March 2017 and 31 March 2016.

(g) Registration obtained from other financial sector regulators.

	Regulator	Registration no.	Date of registration / renewal
1	Ministry of Corporate Affairs	L51504WB1978PLC031813	18 December 1978
2	Insurance Regulatory and Development Authority	CA0154 (Composite)	29 March 2016

Notes

to the Financial Statements (Continued)

NOTE 35 : DISCLOSURE REQUIRED IN TERMS OF THE REVISED REGULATORY FRAMEWORK FOR NBFC ISSUED BY RBI ON 10 NOVEMBER, 2014 (Contd.)

(h) Details of penalties imposed by RBI and other regulators

No penalties has been imposed by RBI and other regulators on the Company during the financial year ended 31 March 2017 and 31 March 2016.

(i) Details of Ratings assigned by credit rating agencies and migration of ratings during the year

Nature	Date of rating assigned *	Rating assigned	Previous rating assigned
1 Secured debentures	10-Feb-17	CARE AA-	CARE AA-
	14-Dec-16	IND AA-	IND AA-
	24-Jan-17	ICRA AA-	ICRA AA-
2 Subordinated debentures	10-Feb-17	CARE AA-	CARE AA-
	20-Mar-17	BWRAA	BWRAA
	22-Mar-17	SMERA AA	-
3 Perpetual debt instruments	10-Feb-17	CARE A+	CARE A+
	20-Mar-17	BWR AA-	BWR AA-
4 Commercial papers	10-Feb-17	CARE A1+	CARE A1+
	27-Feb-17	CRISIL A1+	CRISIL A1+
5 Bank facility	10-Feb-17	CARE AA-	CARE AA-
	24-Jan-17	ICRA AA-	ICRA AA-
	14-Dec-16	IND AA-	-

* Date of rating assigned relates to rating valid on 31 March 2017.

(j) Remuneration of non-executive Directors

(₹ in Lacs)

Name of directors	Nature of payment	Year Ended 31 March 2017	Year Ended 31 March 2016
1 Mr. Neil Graeme Brown	Sitting Fees	-	1.20
	Commission	-	35.00
2 Mr. Narayan K Seshadri	Sitting Fees	2.90	2.20
	Commission	-	75.00
3 Mr. Nabankur Gupta	Sitting Fees	2.60	1.60
	Commission	-	30.00
4 Mr. Satya Brata Ganguly	Sitting Fees	5.30	3.70
	Commission	-	20.00
5 Mr. Sanjay Nayar	Sitting Fees	0.80	1.40
6 Mrs. Ritva Kaarina Laukkanen	Sitting Fees	0.80	0.60
7 Mr. V K Viswanathan	Sitting Fees	1.40	-

Notes

to the Financial Statements (Continued)

NOTE 35 : DISCLOSURE REQUIRED IN TERMS OF THE REVISED REGULATORY FRAMEWORK FOR NBFC ISSUED BY RBI ON 10 NOVEMBER, 2014 (Contd.)

(k) Provisions and Contingencies

(₹ in Lacs)

Break up of 'Provisions and Contingencies' shown in the Statement of Profit and Loss	Year ended 31 March 2017	Year ended 31 March 2016
Under "Provisions and bad debts written-off"		
1 Provision for standard assets	70.00	50.00
2 Provision for non-performing assets	16,514.04	9,444.93
Under "Tax expenses"		
1 Provision made towards income tax (includes deferred tax)	461.13	7,882.12
Under "Employee Benefit Expenses"		
1 Provision for compensated absences	117.10	415.17

(l) Concentration of Deposits, Advances, Exposures and NPAs

1 Concentration of Advances

(₹ in Lacs)

	As at 31 March 2017
Total advances to twenty largest borrowers	35,258.47
Percentage of advances to twenty largest borrowers to total advances	3.6

2 Concentration of Exposures

(₹ in Lacs)

	As at 31 March 2017
Total exposure to twenty largest borrowers/ customers	35,258.47
Percentage of exposures to twenty largest borrowers/ customers to total exposure on borrowers/ customers	3.6

3 Concentration of NPAs

(₹ in Lacs)

	As at 31 March 2017
Total exposure to top four NPA accounts	766.43

4 Sector-wise NPAs

Sector	% of NPAs to Total Advances in the sector
(i) Agriculture & allied activities	17.7
(ii) MSME	3.0
(iii) Corporate borrowers*	-
(iv) Services	13.1
(v) Unsecured personal loans	-
(vi) Auto loans	7.5
(vii) Other personal loans	3.8

* Corporate borrowers is included in the respective sector

Notes

to the Financial Statements (Continued)

NOTE 35 : DISCLOSURE REQUIRED IN TERMS OF THE REVISED REGULATORY FRAMEWORK FOR NBFC ISSUED BY RBI ON 10 NOVEMBER, 2014 (Contd.)

(m) Movement of NPAs

(₹ in Lacs)

Particulars			Year ended 31 March 2017	Year ended 31 March 2016
i)	Net NPAs to Net Advances (%)		7.6%	8.7%
ii)	Movement of NPAs (Gross)			
	a)	Opening balance	1,25,073.53	83,005.06
	b)	Additions during the year	59,771.30	76,080.73
	c)	Reductions during the year	95,160.73	34,012.26
	d)	Closing balance	**89,684.10**	**1,25,073.53**
iii)	Movement of Net NPAs			
	a)	Opening balance	98,487.74	65,864.20
	b)	Additions during the year	53,624.01	65,912.06
	c)	Reductions during the year	78,286.85	33,288.52
	d)	Closing balance	**73,824.90**	**98,487.74**
iv)	Movement of provisions for NPAs (excluding provisions on standard assets)			
	a)	Opening balance	26,585.79	17,140.86
	b)	Provisions made during the year	6,147.29	10,168.67
	c)	Write-off / write-back of excess provisions	16,873.88	723.74
	d)	Closing balance	**15,859.20**	**26,585.79**

The Company classifies non-performing assets (NPAs) at 4 months overdue and is compliant with the requirement for the financial year ending 31 March 2017 as per the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated 01 September 2016. These provisioning norms are considered the minimum and additional provision is made based on perceived credit risk where necessary.

During the financial year ended 31 March 2017, the Company has recorded an additional provision of ₹ 2,082.00 lacs towards NPAs which are more than 15 months overdue. This additional provision is in line with the RBI guidelines on NPA provisioning norms applicable for the year ending 31 March 2018. Accordingly, the profit before tax for the financial year ended 31 March 2017, is lower to the extent of ₹ 2,082.00 lacs.

(n) Disclosure of complaints

Customer complaints

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
No. of complaints pending at the beginning of the year	25	61
No. of complaints received during the year	531	1,221
No. of complaints redressed during the year	552	1,257
No. of complaints pending at the end of the year	4	25

Notes

to the Financial Statements (Continued)

NOTE 36 : RELATED PARTY DISCLOSURES

Related party disclosures as at and for the year ended 31 March 2017.

(A)	Names of the Related parties where control exists	Nature of Relationship
i.	Magma ITL Finance Limited	Subsidiary Company
ii.	Magma Advisory Services Limited	Subsidiary Company
iii.	Magma Housing Finance Limited [Formerly Magma Housing Finance (A Public Company With Unlimited Liability)]	Step Down Subsidiary
iv.	Mr. Narayan K Seshadri	Chairman & Independent Director
v.	Mr. Sanjay Chamria	Vice Chairman & Managing Director
vi.	Mr. Mayank Poddar	Whole Time Director
vii.	Mr. Sanjay Nayar	Director
viii.	Mrs. Ritva Kaarina Laukkanen	Director

(B) Others - With whom transactions have taken place during the year

	Names of the other Related parties	Nature of Relationship
i.	Magma HDI General Insurance Company Limited	Joint Venture
ii.	Jaguar Advisory Services Private Limited	Joint Venture
iii.	Celica Developers Private Limited	Private Company in which Director or his relative is Member or Director
iv.	Tranzmute Capital & Management Private Limited	Private Company in which Director or his relative is Member or Director
v.	Finance Industry Development Council	Private Company in which Director or his relative is Member or Director
vi.	Microfirm Capital Private Limited	Private Company in which Director or his relative is Member or Director
vii.	Magma Consumer Finance Private Limited	Private Company in which Director or his relative is Member or Director
viii.	Mr. Neil Graeme Brown	Independent Director (upto 06 May 2016)
ix.	Mr. Nabankur Gupta	Independent Director
x.	Mr. Satya Brata Ganguly	Independent Director
xi.	Mr. V K Viswanathan	Independent Director (w.e.f. 13 August 2016)
xii.	Mrs. Shabnum Zaman	Company Secretary (w.e.f. 02 August 2015)
xiii.	Mr. Atul Bansal	Chief Financial Officer (upto 03 November 2016)
xiv.	Mr. Kailash Baheti	Company Secretary (upto 01 August 2015) & Chief Financial Officer (w.e.f. 04 November 2016)
xv.	Mr. Harshvardhan Chamria	Relative of Key Managerial Personnel

Notes

to the Financial Statements (Continued)

NOTE 36 : RELATED PARTY DISCLOSURES (Contd.)

(₹ in Lacs)

Name of related party	Nature of transaction	Transaction value for the year ended 31 March 2017	Outstanding amount as at 31 March 2017	Transaction value for the year ended 31 March 2016	Outstanding amount as at 31 March 2016
A) Subsidiary (including step down subsidiary)					
1. Magma ITL Finance Limited	Investment in equity shares	-	3,329.94	-	3,329.94
	Long-term loans and advances given	36,500.00	9,900.00	11,500.00	1,500.00
	Refund of long-term loans and advances given	28,100.00	-	10,000.00	-
	Cost allocation made*	709.88	-	338.97	-
	Interest income	1,259.29	-	140.10	-
2. Magma Advisory Services Limited	Investment in equity shares	-	6,000.00	-	6,000.00
	Investment in preference shares	-	24,888.89	24,888.89	24,888.89
	Preference dividend received	0.36	-	-	-
3. Magma Housing Finance Limited	Cost allocation made*	787.35	-	771.58	-
B) Joint venture					
1. Magma HDI General Insurance Company Limited	Investment in equity shares	-	6,300.00	3,700.00	6,300.00
	Short-term loans and advances given	14,348.80	665.13	16,090.36	580.12
	Refund of short-term loans and advances given	14,263.79	-	16,047.49	-
	Cost allocation made*	1,159.57	-	1,048.12	-
	Insurance commission income	816.57	28.13	1,037.40	38.75
	Insurance premium paid	10.93	-	12.08	-
2. Jaguar Advisory Services Private Limited	Investment in equity shares	-	2.20	-	2.20
C) Private Company in which director is member or director					
1. Celica Developers Private Limited	Long-term loans and advances given	24.19	163.05	30.24	169.34
	Refund of long-term loans and advances given	30.48	-	-	-
	Investment in non convertible debenture	-	-	20,700.00	-
	Redemption of non convertible debenture	-	-	20,700.00	-
	Purchase of preference shares of Magma Advisory Services Limited	-	-	24,888.89	-
	Income on non convertible debenture	-	-	2,199.99	-
	Rent expense	411.43	-	328.40	-
	Equity dividend paid	-	-	235.48	-
2. Tranzmute Capital & Management Private Limited	Refund of long-term loans and advances given	-	-	40.50	-
	Electricity charges paid	-	-	0.67	-
	Telephone charges paid	-	-	0.94	-
3. Finance Industry Development Council	Annual subscription	1.15	-	0.56	-
4. Microfirm Capital Private Limited	Equity dividend paid	-	-	272.13	-
5. Magma Consumer Finance Private Limited	Sale of assets	14.44	-	-	-

Notes

to the Financial Statements (Continued)

NOTE 36 : RELATED PARTY DISCLOSURES (Contd.)

(₹ in Lacs)

Name of related party	Nature of transaction	Transaction value for the year ended 31 March 2017	Outstanding amount as at 31 March 2017	Transaction value for the year ended 31 March 2016	Outstanding amount as at 31 March 2016
D) Key management personnel					
1. Mr. Mayank Poddar	Rent expense	2.03	-	1.88	-
	Director's remuneration	150.00	-	150.00	-
2. Mr. Sanjay Chamria	Director's remuneration	150.00	-	150.00	-
	Provision for commission	-	-	160.00	160.00
3. Mr. Kailash Baheti	Salary	97.48	-	37.48	-
4. Mrs. Shabnum Zaman	Salary	19.13	-	10.49	-
5. Mr. Atul Bansal	Salary	84.34	-	154.74	-
E) Directors					
1. Mr. Neil Graeme Brown	Sitting fees	-	-	1.20	-
	Commission #	-	-	35.00	35.00
2. Mr. Narayan K Seshadri	Sitting fees	2.90	-	2.20	-
	Commission #	-	-	75.00	75.00
3. Mr. Nabankur Gupta	Sitting fees	2.60	-	1.60	-
	Commission #	-	-	30.00	30.00
4. Mr. Satya Brata Ganguly	Sitting fees	5.30	-	3.70	-
	Commission #	-	-	20.00	20.00
5. Mr. V K Viswanathan	Sitting fees	1.40	-	-	-
6. Mr. Sanjay Nayar	Sitting fees	0.80	-	1.40	-
7. Mrs. Ritva Kaarina Laukkanen	Sitting fees	0.80	-	0.60	-
F) Relatives of Directors					
1. Mr. Harshvardhan Chamria	Salary	77.92	-	38.78	-

Related parties identified includes related parties as per section 2(76) of the Companies Act, 2013.

* Represents expenses recovered towards infrastructural support, operational assistance and other services.

Commission provided in financial year 2015-16 has been fully paid in financial year 2016-17.

NOTE 37 : CORPORATE SOCIAL RESPONSIBILITY (CSR)

A CSR committee has been formed by the Company as per the Companies Act, 2013. CSR expenses have been incurred through out the year on the activities as specified in Schedule VII of the said Act.

a) Gross amount required to be spent by the Company during the year is ₹ 413.47 lacs.

b) Amount spent during the year on CSR activities

(₹ in Lacs)

Particulars	In cash	Yet to be paid in cash	Total
(i) Construction/ acquisition of any asset	-	-	-
(ii) On purposes other than (i) above	343.07	31.00	374.07

During earlier year while calculating the eligibility amount in CSR, balance of provision for non-performing assets and provision for standard assets were added back to derive at the book profit. Going by the provisions of Section 198 of the Companies Act, 2013, the Company is not required to add back the balance of provision for non-performing assets and provision for standard assets, hence the same has not been considered while calculating the revised eligibility criteria for CSR.

Notes

to the Financial Statements (Continued)

NOTE 38 : DISCLOSURES RELATING TO FRAUD IN TERMS OF THE NOTIFICATION ISSUED BY RESERVE BANK OF INDIA

During the year ended 31 March 2017, 16 cases (2016: 25 cases) of frauds has been detected and reported. The un-recovered amounts aggregating to ₹ 162.74 lacs (2016: ₹ 380.91 lacs) have been fully provided for / written-off.

NOTE 39 : DISCLOSURES IN TERMS OF THE NOTIFICATION ISSUED BY THE RESERVE BANK OF INDIA ON 21 MARCH 2012

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Total gold loan portfolio*	-	28.58
Total assets	11,39,194.74	12,90,881.95
Gold loan portfolio as a % of total assets	0.00%	0.00%

*The Company has discontinued the Gold loan product as decided in the meeting of Board of Directors held on 06 November 2014.

NOTE 40 : DISCLOSURES RELATING TO GOLD LOAN AUCTION IN TERMS OF THE NOTIFICATION ISSUED BY RESERVE BANK OF INDIA ON 16 SEPTEMBER 2013

(₹ in Lacs)

	Particulars	As at 31 March 2017	As at 31 March 2016
1	Number of loan accounts	-	1,202
2	Outstanding amounts	-	444.25
3	Value fetched	-	466.33
4	Whether any of its sister concerns participated in the auction	NA	No

NOTE 41 : DISCLOSURES RELATING TO SPECIFIED BANK NOTES (SBN) IN TERMS OF THE NOTIFICATION ISSUED BY MCA

Details of Specified Bank Notes (SBN) held and transacted during the period 08 November 2016 to 30 December 2016

(₹ in Lacs)

Particulars	SBNs	Other denomination notes *	Total
Closing cash in hand as on 08 November 2016 #	856.62	57.45	914.07
Add: Permitted receipts **	-	29,215.32	29,215.32
Less: Permitted payments	-	35.47	35.47
Less: Amount deposited in Banks ***	856.62	28,332.59	29,189.21
Closing cash in hand as on 30 December 2016 #	-	904.71	904.71

Based on the daily cash register and petty cash summary statement maintained across the branches.

* Includes balance in State Bank of India eZ Card and replenishment in transit.

** Includes direct cash deposits made by the customers in Company's bank accounts vide RBI Circular No. DCM (Plg) No. 1226/10.27.00/2016-17 dated 08 November 2016 under Section 3(c)(v). Also includes withdrawal from bank.

*** Includes SBN of ₹ 5.29 lacs as part of petty cash at 127 branches which was exchanged across the counter at banks.

Notes

to the Financial Statements (Continued)

NOTE 42 : DISCLOSURES IN RESPECT OF COMPANY'S JOINT VENTURES PURSUANT TO ACCOUNTING STANDARD - 27

The Company's interests in its joint ventures is as follows:

(₹ in Lacs)

	Name of venture	Country of incorporation	Ownership interest (%)	Assets	Liabilities	Income	Expenses	Contingent liabilities and commitments
1	Jaguar Advisory Services Private Limited	India	48.89%	2,381.06	2,381.06	24.79	23.85	-
2	Magma HDI General Insurance Company Limited (including indirect holding)	India	41.11%	43,154.01	43,154.01	361.06	66.30	202.10

NOTE 43 : DETAILS OF INVESTMENTS

(₹ in Lacs)

	Name of the Company	As at 31 March 2017		As at 31 March 2016	
		Qty.	Book Value	Qty.	Book Value
A	**EQUITY SHARES (FULLY PAID UP)**				
	Quoted				
1	ITC Limited	100	1.12	100	1.12
	Total	**100**	**1.12**	**100**	**1.12**
	Unquoted (in subsidiary companies)				
1	Magma Advisory Services Limited	2,11,11,112	6,000.00	2,11,11,112	6,000.00
2	Magma ITL Finance Limited	3,32,99,400	3,329.94	3,32,99,400	3,329.94
	Total	**5,44,10,512**	**9,329.94**	**5,44,10,512**	**9,329.94**
	Unquoted (in joint venture companies)				
1	Magma HDI General Insurance Company Limited	3,52,50,000	6,300.00	3,52,50,000	6,300.00
2	Jaguar Advisory Services Private Limited	11,000	2.20	11,000	2.20
	Total	**3,52,61,000**	**6,302.20**	**3,52,61,000**	**6,302.20**
	Unquoted (in others)				
1	MF Process & Solution Private Limited	1,900	0.99	1,900	0.99
2	Experian Credit Information Company of India Private Limited	42,00,000	421.05	42,00,000	421.05
	Total	**42,01,900**	**422.04**	**42,01,900**	**422.04**
B	**PREFERENCE SHARES (FULLY PAID UP)**				
	Unquoted				
1	Magma Advisory Services Limited	3,55,55,556	24,888.89	3,55,55,556	24,888.89
	Total	**3,55,55,556**	**24,888.89**	**3,55,55,556**	**24,888.89**
C	**GOVERNMENT SECURITIES**				
	Unquoted				
1	7-Years National Savings Certificate	-	0.16	-	0.16
	Total	**-**	**0.16**	**-**	**0.16**

Notes

to the Financial Statements (Continued)

NOTE 43 : DETAILS OF INVESTMENTS (Contd.)

(₹ in Lacs)

Name of the Company		As at 31 March 2017		As at 31 March 2016	
		Qty.	Book Value	Qty.	Book Value
D	**OTHERS**				
	Unquoted				
1	In pass through certificate - MFL Securitisation Trust	23	9,661.93	20	4,871.50
2	In security receipts	7,41,647	7,416.47	-	-
	Total	**7,41,670**	**17,078.40**	**20**	**4,871.50**
	Grand Total	**13,01,70,738**	**58,022.75**	**12,94,29,088**	**45,815.85**
	Aggregate provision for diminution in value of investments		(1.05)	-	(1.05)
	Net Total	**13,01,70,738**	**58,021.70**	**12,94,29,088**	**45,814.80**

NOTE 44 : SEGMENT REPORTING

As per paragraph 4 of Accounting Standard (AS) 17, on "Segment Reporting" prescribed under section 133 of the Companies Act, 2013, where a single financial report contains both consolidated financial statements and the separate financial statements of the holding Company, segment reporting needs to be presented only on the basis of consolidated financial statements. In view of this, segment information has been presented in the consolidated financial statements.

NOTE 45 : PREVIOUS YEAR'S FIGURE

Previous year's figure including those in brackets have been regrouped and / or rearranged wherever necessary.

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Regn. No. 101248W/W-100022

Jayanta Mukhopadhyay
Partner
Membership No. 055757

Kolkata, 11 May 2017

For and on behalf of the Board of Directors

Narayan K Seshadri
Chairman
[DIN: 00053563]

Sanjay Chamria
Vice Chairman & Managing Director
[DIN: 00009894]

Kailash Baheti
Chief Financial Officer

Shabnum Zaman
Company Secretary

Mumbai, 11 May 2017

Schedule

annexed to the Balance Sheet

Disclosure of details as required in terms of Paragraph 18 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

(₹ in Lacs)

Sl. No.	Particulars	Amount outstanding as at 31 March 2017	Amount overdue as at 31 March 2017
	LIABILITIES		
1	**Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid**		
(a)	Debentures		
	- Secured	54,000.00	-
	- Unsecured	1,02,040.00	-
(b)	Deferred Credits	-	-
(c)	Term Loans	2,05,707.91	-
(d)	Inter-Corporate Loans and Borrowing	-	-
(e)	Commercial Paper	50,184.63	-
(f)	Public Deposits	-	-
(g)	Cash Credit / Working Capital Demand Loans from Banks	4,37,151.12	-

(₹ in Lacs)

Sl. No.	Particulars	Amount outstanding as at 31 March 2017
	ASSETS	
2	**Break-up of Loans and Advances, including Bills Receivables (other than those included in (4) below)**	
(a)	Secured	-
(b)	Unsecured	22,824.43
3	**Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards AFC activities**	
(i)	Lease Assets including Lease Rentals under Sundry Debtors	6751.67
(ii)	Stock on Hire including Hire Charges under Sundry Debtors	-
(iii)	Other loans counting towards AFC activities	
	(a) Loans where assets have been repossessed	3,783.92
	(b) Loans other than (a) above	9,78,821.29
4	**Break-up of Investments**	
	Current Investments	
	1 Quoted	
	(i) Shares (a) Equity	-
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of Mutual Funds	-
	(iv) Government Securities	-
	(v) Others (please specify)	-
	2 Unquoted	
	(i) Shares (a) Equity	-
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of Mutual Funds	-
	(iv) Government Securities	-
	(v) Others (please specify)	-

Schedule

annexed to the Balance Sheet (Continued)

(₹ in Lacs)

Sl. No.	Particulars	Amount outstanding as at 31 March 2017
	Long-term Investments	
	1 Quoted	
	(i) Shares (a) Equity	0.07
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of Mutual Funds	-
	(iv) Government Securities	-
	(v) Others (please specify)	-
	2 Unquoted	
	(i) Shares (a) Equity	16,054.18
	(b) Preference	24,888.89
	(ii) Debentures and Bonds	-
	(iii) Units of Mutual Funds	-
	(iv) Government Securities	-
	(v) Others (please specify)	
	- National Savings Certificate	0.16
	- Pass Through Certificate	9,661.93
	- Security Receipts	7,416.47

5 Borrower group-wise classification of assets financed as in (2) and (3) above

(₹ in Lacs)

Category	Secured	Unsecured	Total as at 31 March 2017
1 Related Parties			
(a) Subsidiaries	-	9,900.00	9,900.00
(b) Companies in the same group	-	693.26	693.26
(c) Other related parties	-	163.05	163.05
2 Other than Related Parties	7,98,597.56	2,02,827.44	10,01,425.00
Total	**7,98,597.56**	**2,13,583.75**	**10,12,181.31**

Schedule

annexed to the Balance Sheet (Continued)

6 Investor group-wise Classification of all investments (current and long-term) in shares and securities (both quoted and unquoted)

(₹ in Lacs)

Category	Market Value / Break up or Fair Value or NAV as at 31 March 2017	Book Value (Net of Provisions) as at 31 March 2017
1 Related Parties		
(a) Subsidiaries	35,160.36	34,218.83
(b) Companies in the same group	11,651.51	6,302.20
(c) Other related parties	-	-
2 Other than Related Parties	17,583.05	17,500.67
Total	**64,394.92**	**58,021.70**

7 Other information

(₹ in Lacs)

Particulars	Total as at 31 March 2017
(i) Gross Non-Performing Assets	
(a) Related parties	-
(b) Other than Related parties	89,684.10
(ii) Net Non-Performing Assets	
(a) Related parties	-
(b) Other than Related parties	73,824.90
(iii) Assets acquired in satisfaction of debt	-

Narayan K Seshadri
Chairman
[DIN: 00053563]

Sanjay Chamria
Vice Chairman & Managing Director
[DIN: 00009894]

Kailash Baheti
Chief Financial Officer

Shabnum Zaman
Company Secretary

Mumbai, 11 May 2017

Independent Auditors' Report

To the Members of
Magma Fincorp Limited

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Magma Fincorp Limited ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), and its jointly controlled entities, comprising the consolidated balance sheet as at 31March 2017, the consolidated statement of profit and loss and the consolidated cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (herein referred to as "the consolidated financial statements").

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 ("the Rules"). The respective Board of Directors of the companies included in the Group and its jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its jointly controlled entities as at 31March 2017 and their consolidated profit and their consolidated cash flows for the year ended on that date.

OTHER MATTERS

We did not audit the financial statements of both the jointly controlled entities, whose financial statements reflect Company's share in the total assets of ₹ 45,535.07 lakhs as at 31 March 2017, total revenues of ₹ 385.85 lakhs and net cash inflows amounting to ₹ 217.65 lakhs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these jointly controlled entities, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar

Independent Auditors' Report (continued)

as it relates to the aforesaid jointly controlled entities, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by Section 143 (3) of the Act, based on our audit and on consideration of the report of the other auditors on the separate financial statements of the jointly controlled entities, as noted in the Other Matters paragraph, we report, to the extent applicable, that:

   (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;

   (b) in our opinion, proper books of account as required by law relating to preparation of aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and reports of other auditors ;

   (c) the consolidated balance sheet, the consolidated statement of profit and loss, and the consolidated cash flow statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;

   (d) in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

   (e) on the basis of the written representations received from the directors of the Holding Company as on 31March 2017 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of the subsidiary companies and jointly controlled entities, none of the Directors of the Group companies and its jointly controlled entities are disqualified as on 31March 2017 from being appointed as a Director in terms of Section 164 (2) of the Act;

   (f) with respect to the adequacy of the internal financial controls over financial reporting of the Group and its jointly controlled entities and the operating effectiveness of such controls, refer our separate Report in the "Annexure A"; and

   (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on consideration of the report of the other auditors on the separate financial statements of the jointly controlled entities, as noted in the Other Matters paragraph:

      i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its jointly controlled entities – Refer note 34(a) to the consolidated financial statements;

      ii. The Group and its jointly controlled entities have made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts – Refer note 42 to the consolidated financial statements;

      iii. There has been no delay in transferring amounts,required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies, and its jointly controlled entities; and

      iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016 and these are in accordance with books of account maintained by the Holding Company and its subsidiary companies, and its jointly controlled entities – Refer Note 39 to the consolidated financial statements.

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration No: 101248W/ W-100022

Jayanta Mukhopadhyay
Partner
Membership Number: 055757

Place: Kolkata
Date: 11 May 2017

Annexure A to the Independent Auditors' Report

The Annexure referred to in the Independent Auditor's Report to the members of Magma Fincorp Limited("the Company") on the consolidated financial statements for the year ended 31 March 2017:

Report on the Internal Financial Controls under Clause(i) of Sub-section 3 of Section 143 of the Companies Act, 2013

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2017 we have audited the internal financial controls over financial reporting of Magma Fincorp Limited(herein referred to as "the Holding Company"),its subsidiaries and jointly controlled companies, as of date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The respective Board of Directors of the Holding Company, its subsidiaries and jointly controlled companies are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013("the Act").

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the Holding Company its subsidiaries and jointly controlled companies internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditor in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company its subsidiaries and jointly controlled companies' internal financial controls system over financial reporting.

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion

Annexure A to the Independent Auditors' Report (continued)

or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

OPINION

In our opinion, the Holding Company, its subsidiaries and jointly controlled companies,have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

OTHER MATTERS

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to two jointly controlled companies, is based on the corresponding reports of the auditors of such companies.

For **B S R & Co. LLP**
Chartered Accountants
Firm Registration No: 101248W/ W-100022

Jayanta Mukhopadhyay
Partner
Membership Number: 055757

Place: Kolkata
Date: 11 May 2017

Consolidated Balance Sheet

(₹ in Lacs)

	Note No.	As at 31 March 2017	As at 31 March 2016
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	4,739.19	6,036.77
Reserves and surplus	4	2,12,472.60	2,10,391.46
Fair value change account		1.58	1.78
		2,17,213.37	**2,16,430.01**
Minority Interest		**3,419.59**	**4,191.63**
Non-current liabilities			
Long-term borrowings	5	3,10,929.43	3,31,316.17
Long-term provisions	6	22,587.50	34,919.22
		3,33,516.93	**3,66,235.39**
Current liabilities			
Short-term borrowings	7	5,48,022.99	7,00,455.58
Trade payables	8		
- Due to micro and small enterprises		-	-
- Due to others		19,760.05	18,335.07
Other current liabilities	9	2,28,684.75	2,33,663.93
Short-term provisions	10	8,903.73	13,140.26
		8,05,371.52	**9,65,594.84**
Total		**13,59,521.41**	**15,52,451.87**
ASSETS			
Non-current assets			
Fixed assets			
- Tangible assets	11	18,472.88	17,483.51
- Intangible assets	11	3,179.55	2,938.08
- Goodwill on consolidation		6,120.02	6,120.02
- Capital work-in-progress		753.48	1,304.30
		28,525.93	**27,845.91**
Non-current investments	12	47,292.90	32,415.17
Deferred tax assets (net)	13	1,974.34	3,880.15
Long-term loans and advances	14		
- Assets on finance		7,82,436.94	9,49,543.26
- Others		9,830.93	1,673.01
Other non-current assets	15	19,761.60	13,491.84
		8,89,822.64	**10,28,849.34**
Current assets			
Current investments	16	7,356.05	7,552.62
Trade receivables	17	674.93	705.33
Cash and bank balances	18	35,330.96	40,838.46
Short-term loans and advances	19		
- Assets on finance		4,07,616.80	4,55,861.90
- Others		6,359.44	6,331.87
Other current assets	20	12,360.59	12,312.35
		4,69,698.77	**5,23,602.53**
Total		**13,59,521.41**	**15,52,451.87**
Significant accounting policies	2		
Notes to the financial statements	3 - 43		

The Notes referred to above form an integral part of these financial statements.

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Regn. No. 101248W/W-100022

Jayanta Mukhopadhyay
Partner
Membership No. 055757

Kolkata, 11 May 2017

For and on behalf of the Board of Directors

Narayan K Seshadri
Chairman
[DIN: 00053563]

Sanjay Chamria
Vice Chairman & Managing Director
[DIN: 00009894]

Kailash Baheti
Chief Financial Officer

Shabnum Zaman
Company Secretary

Mumbai, 11 May 2017

Consolidated Statement of Profit and Loss

(₹ in Lacs)

	Note No.	Year ended 31 March 2017	Year ended 31 March 2016
REVENUE			
Revenue from operations	21	2,34,561.95	2,47,777.34
Operating result from general insurance business	22	(114.48)	(557.80)
Other income	23	5,497.69	3,413.54
Total revenue		**2,39,945.16**	**2,50,633.08**
EXPENSE			
Employee benefits expense	24	29,332.04	31,721.70
Finance costs	25	1,12,544.47	1,19,159.57
Depreciation and amortisation expense	11	4,850.13	3,948.43
Provisions and bad debts written-off	26	60,685.95	37,497.60
Other expenses	27	27,853.45	27,723.56
Total expense		**2,35,266.04**	**2,20,050.86**
Profit before tax		**4,679.12**	**30,582.22**
Tax expense:			
Current tax - current year		1,638.25	13,780.74
- earlier year		(138.46)	(22.46)
Share of current tax of joint venture		0.29	0.66
Net current tax		1,500.08	13,758.94
Deferred tax		1,905.81	(4,746.28)
Share of deferred tax of joint venture		-	221.69
Profit after tax		**1,273.23**	**21,347.87**
Minority Interest		(772.04)	210.16
Profit after tax and minority interest		**2,045.27**	**21,137.71**
Earnings per equity share (Nominal value of ₹ 2 each fully paid up):	30		
Basic (in ₹)		0.86	8.89
Diluted (in ₹)		0.86	8.86
Significant accounting policies	2		
Notes to the financial statements	3 - 43		

The Notes referred to above form an integral part of these financial statements.

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Regn. No. 101248W/W-100022

Jayanta Mukhopadhyay
Partner
Membership No. 055757

Kolkata, 11 May 2017

For and on behalf of the Board of Directors

Narayan K Seshadri
Chairman
[DIN: 00053563]

Sanjay Chamria
Vice Chairman & Managing Director
[DIN: 00009894]

Kailash Baheti
Chief Financial Officer

Shabnum Zaman
Company Secretary

Mumbai, 11 May 2017

Notes

to the Consolidated Financial Statements

NOTE 1: COMPANY OVERVIEW:

Magma Fincorp Limited ('the Company'), incorporated and headquartered in Kolkata, India is a publicly held non-banking finance company and is registered as a Systemically Important Non Deposit taking Non-Banking Financial Company ('NBFC') as defined under section 45-IA of the Reserve Bank of India (RBI) Act, 1934. The Company is also registered as a corporate agent under Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015. Its equity shares are listed on National Stock Exchange and Bombay Stock Exchange. The Company along with its subsidiaries and joint ventures, is engaged in providing asset finance, housing finance and general insurance business through its pan India branch network.

NOTE 2 (A): SIGNIFICANT ACCOUNTING POLICIES:

(i) Principles of consolidation

(a) Consolidated financial statements include result of Magma Fincorp Limited, the parent company, its subsidiaries and joint ventures (collectively referred to as 'the Group'). Consolidated financial statements are prepared as set out below:

Name of the Company	Country of Incorporation	Consolidated as
Magma Advisory Services Limited (MASL)	India	Subsidiary
Magma Housing Finance Limited (MHFL) [previously Magma Housing Finance (A Company with unlimited liability)]	India	Step down subsidiary
Magma ITL Finance Limited (MITL)	India	Subsidiary
Jaguar Advisory Services Private Limited (JASPL)	India	Joint venture
Magma HDI General Insurance Company Limited (MHDI)	India	Joint venture

(b) The consolidated financial statements are in conformity with the Accounting Standard (AS) 21 "Consolidated Financial Statements" and Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India and prescribed under section 133 of the Companies Act, 2013.

(c) As required by Schedule III, the Company has classified assets and liabilities into current and non-current based on the operating cycle as per the criteria set out in Schedule III to the Companies Act, 2013.

(d) The financial statements of the Company have been combined with its subsidiaries on a line by line basis by adding together book values of like items of assets, liabilities, income and expenses and Joint ventures have been consolidated using proportionate consolidation method whereby the venturer's share of each of the assets, liabilities, income and expenses of the joint ventures is reported as separate line items in the financial statements. Adjustments / eliminations of inter-company balances, transactions including unrealised profits have been made.

(e) The consolidated financial statements have been prepared by using uniform accounting policies for like transactions and other events in similar circumstances in all material respect and are presented to the extent possible, in the same manner as the Company's standalone financial statements, unless otherwise stated.

(f) Considering that the accounts of the MHFL and MHDI have been prepared in accordance with and in the manner prescribed by the regulations of the National Housing Bank and the Insurance Regulatory and Development Authority respectively and the lack of homogeneity of the business, the financial statements of the housing finance company and the general insurance company have been consolidated, to the extent possible in the format as adopted by the parent, as required by Accounting Standard (AS) 21 "Consolidated Financial Statements" and Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India and prescribed under section 133 of Companies Act, 2013.

(g) The excess of cost to the parent company of its investment in the subsidiaries and joint ventures over the parent's portion of equity of the subsidiaries and joint ventures or vice versa is recognised in the consolidated financial statements as goodwill or capital reserve as the case may be. Goodwill arising on consolidation of a subsidiary or joint venture has been netted-off with the capital reserve of another subsidiary or joint venture and vice versa.

(h) Minority interest's share of net profit / loss of the consolidated subsidiaries for the year is identified and adjusted against the income of the Group in

Notes

to the Consolidated Financial Statements (Continued)

NOTE 2 (A): SIGNIFICANT ACCOUNTING POLICIES (Contd.)

order to arrive at the net income attributable to the shareholders of the Company.

Minority interest's share of net assets of the consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.

(i) The financial statements of the subsidiaries and joint ventures used in the consolidation are drawn up to the same reporting date as that of the Company i.e. 31 March 2017.

(ii) Basis of preparation of consolidated financial statements

(a) The consolidated financial statements have been prepared and presented under the historical cost convention and on the accrual basis of accounting and comply with the Accounting Standards prescribed under section 133 of the Companies Act 2013 read with Rule 7 of the Companies (Accounts) Rule, 2014 the relevant provisions of the Companies Act, 2013 (to the extent notified and applicable), the directions prescribed by the Reserve Bank of India for Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies, directions prescribed in the Housing Finance Companies (NHB) Directions, 2010 issued by the National Housing Bank, the regulations prescribed under Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015 and the guidelines issued by the Securities and Exchange Board of India (SEBI) to the extent applicable. In case of Magma HDI General Insurance Company Limited, the financial statement are drawn up in accordance with the Insurance Regulatory and Development Authority Act (IRDA), 1999, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 2002, and order and direction issued by IRDA in this behalf and the regulations framed there under read with relevant provisions of the Insurance Act, 1938 to the extent possible.

(b) No adjustments have been made to the financial statements of MHDI, the insurance joint venture on account of diverse accounting policies as the same, being insurance company, is prepared under a regulated environment in contrast to those of the Company and hence not practicable to do so. Also differences in accounting policies followed by the other entities consolidated have been reviewed and no adjustments have been made, since the impact of these differences is not significant.

(c) The accounting policies set out below have been applied consistently to the periods presented in these financial statements. The financial statements are presented in Indian rupees rounded off to the nearest lac upto two decimal places.

(d) An operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. The operating cycle is considered as 12 months for classification of current and non-current assets and liabilities as required by Schedule III of the Companies Act, 2013.

(iii) Use of estimates and judgements

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

(iv) Assets on finance

(a) Assets on finance includes assets given on finance / loan and amounts paid for acquiring financial assets including non-performing assets (NPAs) from other Banks / NBFCs.

(b) Assets on finance represents amounts receivable under finance / loan agreements and are valued at net investment amount including instalments due. The balance is also net of amounts securitised / assigned.

(v) Revenue recognition

(a) Interest / finance income from assets on finance / loan included in revenue from operations represents interest income arrived at based on Internal Rate of Return ('IRR') method. Interest income is recognised as it accrues on a time proportion basis taking into account the amount of principal outstanding and the interest rate applicable, except in the case of non-

Notes

to the Consolidated Financial Statements (Continued)

NOTE 2 (A): SIGNIFICANT ACCOUNTING POLICIES (Contd.)

performing assets (NPA) where it is recognised upon realisation as per RBI Guidelines.

(b) **Income on direct assignment / securitisation :** The Company enters into arrangements for sale of loan receivables through direct assignment / securitisation. The said assets are de-recognised upon transfer of significant risks and rewards to the purchaser and on meeting the true sale criteria.

The Company retains the contractual right to receive share of future monthly interest i.e. excess interest spread (EIS) on the transferred assets which is the difference between the pool IRR and the yield agreed with the portfolio buyer.

The Company recognises gain / excess interest spread on direct assignment / securitisation transactions in line with RBI Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated 01 September 2016. Accordingly, direct assignment / securitisation transactions effected post issuance of the said guidelines are accounted as under:

(i) Gain / income realised on direct assignment / securitisation of loan receivables arising under premium structure is recognised over the tenure of securities issued by Special Purpose Vehicle (SPV) / agreements. Loss, if any, is recognised upfront.

(ii) EIS under par structure of securitisation / direct assignment of loan receivables is recognised only when redeemed in cash, over the tenure of the securities issued by SPV / agreements. Loss, if any, is recognised upfront.

(c) Interest on fixed deposits is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(d) Upfront income / expense pertaining to loan origination is amortised over the tenure of the underlying loan contracts.

(e) Assets given by the Company under operating lease are included in fixed assets. Lease income from operating leases is recognised in the statement of profit and loss as per contractual rentals unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease income are recognised as expenses. Initial direct costs incurred specifically for an operating lease are deferred and recognised in the statement of profit and loss over the lease term in proportion to the recognition of lease income.

(f) Overdue interest is treated to accrue on realisation, due to uncertainty of realisation and is accounted for accordingly.

(g) In respect of NPAs acquired, recoveries in excess of consideration paid is recognised as income in accordance with RBI guidelines.

(h) The sale of non-performing assets is accounted for as per the guidelines prescribed by RBI. On sale, the assets are derecognised from the books. If the sale proceeds are lower than the net book value (NBV) (i.e., book value less provisions held), the shortfall is charged to the Statement of Profit and Loss in the year of sale. In case of sale other than in cash, if the sale proceeds are higher than the NBV, the excess provision is written back in the year the amounts are received, as required by the RBI.

(i) Income on Security Receipts (SRs) are recognised only after the full redemption of the entire principal amount of SRs.

(j) Income from collection and support services is recognised as per the terms of the respective contract on accrual basis.

(k) Income from power generation is recognised based on the units generated as per the terms of the respective power purchase agreements with the respective State Electricity Boards.

(l) Income from dividend is accounted for on receipt basis.

(m) All other items of income are accounted for on accrual basis.

Notes

to the Consolidated Financial Statements (Continued)

NOTE 2 (A): SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(vi) Provisions for non-performing assets (NPA) and doubtful debts

(a) Asset financing companies

Non-performing assets ('NPA') including loans and advances, receivables are identified as sub-standard / doubtful based on the tenor of default. The tenor is set at appropriate levels for each product. NPA provisions are made based on the management's assessment of the degree of impairment and the level of provisioning and meets the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated 01 September 2016. These provisioning norms are considered the minimum and additional provision is made based on perceived credit risk where necessary.

All contracts which as per the management are not likely to be recovered are considered as loss assets and written-off as bad debts. Recoveries made from previously written off contracts are included in "Other Income".

(b) Housing finance companies

Loans are classified as per the Housing Finance Companies (NHB) Directions, 2010 into standard and non-performing assets. Further, non-performing assets are classified into sub-standard, doubtful and loss assets based on criteria stipulated by NHB. Provisions and write-offs are carried out in accordance with the requirements of NHB guidelines. These provisioning norms are considered minimum and higher provision is made based on the perceived credit risk, wherever necessary. All loan contracts with overdues for more than 51 months as well as those which, as per the management are not likely to be recovered are considered as loss assets and written-off as bad debts. Recoveries made from previously written-off contracts are included in "Other income".

(vii) Fixed assets, intangible assets and capital work-in-progress

Fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date are disclosed as long-term loans and advances. The cost of fixed assets not ready for their intended use at each balance sheet date is disclosed as capital work-in-progress.

All assets given on operating lease are shown at the cost of acquisition less accumulated depreciation.

Intangible assets are recorded at the consideration paid for acquisition / development and licensing less accumulated amortisation.

(viii) Depreciation and amortisation

Depreciation on fixed assets is provided using the straight line method at the rates specified in Schedule II to the Companies Act, 2013. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed-off.

Leasehold improvements are amortised over the underlying lease term on a straight line basis.

Depreciation on vehicles given on operating lease is provided on straight line method at rates based on tenure of the underlying lease contracts not exceeding 8 years.

Individual assets costing less than ₹ 5,000/- are depreciated in full in the year of acquisition.

For the following class of assets, based on internal assessment, the management believes that the useful lives is as given below best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

Desktops	6 years
Laptops / Hand Held Device	4 years

Intangible assets are amortised over their estimated useful lives, not exceeding six years, on a straight line basis, commencing from the date the asset is available to the Company for its use.

(ix) Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable

Notes

to the Consolidated Financial Statements (Continued)

NOTE 2 (A): SIGNIFICANT ACCOUNTING POLICIES (Contd.)

amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

(x) Investments

(a) Investments are classified as non-current or current based on intention of management at the time of purchase.

(b) Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment.

(c) Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each investments.

(d) Any reduction in the carrying amount and any reversal of such reduction are charged or credited to the statement of profit and loss.

(e) Profit or loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.

(f) Investment in Security Receipts (SRs) is recognised at lower of: (i) Net Book Value (NBV) (i.e., book value less provisions held) of the financial asset; and (ii) estimated redemption value of SRs at the end of each reporting period, as prescribed by RBI. Accordingly, in cases where the SRs issued by the Securitisation Company / Asset Reconstruction Company (SC/ARC) are limited to the actual realisation of the underlying financial assets, the net asset value, obtained from the SC/ARC, is reckoned for valuation of such investments. The SRs outstanding and not redeemed as at the end of the resolution period are treated as loss assets and are fully provided for.

(xi) Employee benefits

(a) Provident fund

Contributions paid / payable to the recognised provident fund, which is a defined contribution scheme, are charged to the statement of profit and loss.

(b) Gratuity

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Accrued Benefit Method (same as Projected Unit Credit Method), which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on government securities as at the balance sheet date.

Actuarial gains and losses are recognised immediately in the statement of profit and loss.

(c) Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. Expense on non-accumulating compensated absences is recognised in the period in which the absences occur.

(xii) Employee stock option schemes

The Employees Stock Option Scheme (the Scheme) provides for grant of the equity shares of the Company to employees. The scheme provides that employees are granted an option to subscribe to the equity shares of the Company that vest in a graded manner. The options may be exercised within the specified period. The Company follows the intrinsic value method to account for its stock based employee compensation plans. The expense or credit recognised in the statement of profit and loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Notes

to the Consolidated Financial Statements (Continued)

NOTE 2 (A): SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(xiii) Taxes on income

Income-tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognised in the statement of profit and loss.

(a) Current tax

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws.

(b) Deferred tax

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

(c) Minimum alternative tax

Minimum alternative tax ('MAT') under the provisions of the Income Tax Act, 1961 is recognised as current tax in the statement of profit and loss. The credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

(xiv) Provision and contingencies

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis.

(a) Onerous Contracts

A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(b) Contingencies

Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognised when it is probable that a liability has been incurred, and the amount can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

(xv) Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

(xvi) Derivative transactions

Fair value of derivative contracts is determined based on the appropriate valuation techniques considering the terms of the contract as at the balance sheet date. Mark to

Notes

to the Consolidated Financial Statements (Continued)

NOTE 2 (A): SIGNIFICANT ACCOUNTING POLICIES (Contd.)

market losses in derivative contracts are recognised in the statement of profit and loss in the period in which they arise. Mark to market gains are not recognised keeping in view the principle of prudence as enunciated in "Accounting Standard (AS) 1 - Disclosure of Accounting Policies"

(xvii) Borrowing costs

Interest on borrowings is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable on the borrowings. Discount on commercial papers is amortised over the tenor of the commercial papers.

Brokerage and other ancillary expenditure directly attributable to a borrowing is amortised over the tenure of the respective borrowing. Unamortised borrowing costs remaining, if any, is fully expensed off as and when the related borrowing is prepaid / cancelled.

(xviii) Operating lease

Lease payments for assets taken on an operating lease are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term.

(xix) Earnings per share

The basic earnings per share ('EPS') is computed by dividing the net profit after tax attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax attributable to the equity shareholders for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). In computing dilutive earnings per share, only potential equity shares that are dilutive and that reduce profit / loss per share are included.

(xx) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash-in-transit and cash on deposit with banks and corporations. The Company considers all highly liquid investments with an original maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

NOTE 2 (B): SIGNIFICANT ACCOUNTING POLICIES - INSURANCE COMPANIES (TO THE EXTENT, DIFFERENT AND UNIQUE FROM THE PARENT)

(i) Basis of preparation

The financial statements have been prepared and presented under the historical cost convention, on an accrual basis and in accordance with the applicable provisions of the Insurance Act, 1938, as amended by Insurance Laws (Amendement) Act, 2015, the Insurance Regulatory and Development Authority Act, 1999, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 and circulars/notifications issued by IRDAI from time to time, the applicable accounting standards referred to in section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules 2014, to the extent applicable, the provisions of the Companies Act, 2013, in the manner so required and conform to the statutory provisions in regard to general insurance operations in India.

(ii) Revenue recognition

(a) Premium

Premium (net of service tax), on direct business and reinsurance accepted, is recognized as income over the contract period or the period of risk, whichever is appropriate. Any subsequent revisions to or cancellations of premiums are recognized in the year in which they occur.

(b) Premium / discount on purchase of investments

Accretion of discount and amortisation of premium relating to debt securities is recognised over the holding / maturity period on a straight-line basis.

(c) Profit / loss on sale of securities

Profit/loss on sale/redemption of securities is recognized on trade date basis. In determining the profit/loss on sale/redemption of securities, the cost of securities is arrived at on weighted average cost basis. Further, in case of mutual funds the profit and loss also includes accumulated changes in the fair value previously recognized in the fair value change account and includes effects on accumulated fair value changes, previously recognized, for specific investments sold/redeemed during the year. Sale consideration for the purpose of realised gain/loss is net of brokerage and taxes, if any, and excludes interest received on sales.

Notes

to the Consolidated Financial Statements (Continued)

NOTE 2 (B): SIGNIFICANT ACCOUNTING POLICIES - INSURANCE COMPANIES (TO THE EXTENT, DIFFERENT AND UNIQUE FROM THE PARENT) (Contd.)

(d) Commission on reinsurance ceded

Commission on reinsurance ceded is recognised as income in the year in which reinsurance premium is ceded.

Profit commission under reinsurance treaties wherever applicable, is recognised on accrual basis. Any subsequent revisions of profit commission are recognised for in the year in which final determination of the profits are intimated by the reinsurers.

(e) Dividend income

Dividend income is recognized when the right to receive the dividend is established.

(iii) Reinsurance ceded

Reinsurance premium ceded is accounted in the year in which the risk commences and over the period of risk in accordance with the treaty arrangements with the reinsurers. Any subsequent revision to or cancellations of premiums are accounted for in the year in which they occur.

Premium on excess of loss reinsurance cover is accounted as per the terms of reinsurance agreements.

(iv) Acquisition costs

Acquisition costs are costs that vary with and are primarily related to acquisition of insurance contracts including reinsurance accepted and are expensed in the year in which they are incurred.

(v) Premium received in advance

Premium received in advance represents premium received in respect of policies issued during the year, where the risk commences subsequent to the balance sheet date.

(vi) Reserve for unexpired risk

Reserve for unexpired risk is made on the amount representing that part of the net premium written which attributable to, and to be allocated to the succeeding accounting period using 1/365 method.

(vii) Reserve for premium deficiency

Premium deficiency reserve (PDR) is recognized if the cost of expected net claim cost, related expenses and maintenance cost exceeds the sum of related premium carried forward to subsequent accounting period as the reserve for unexpired risk. Premium deficiency reserve is recognised for the Company at reportable segmental revenue account level (i.e. Fire, Marine and Miscellaneous) excluding Motor Third Party portfolio including erstwhile Motor Pool, Declined Risks Pool. The expected claim cost is calculated and duly certified by the Appointed Actuary and Mentor to the Appointed Actuary of the Company.

(viii) Claims incurred

Claims incurred comprise claims paid (net of salvage and other recoveries), change in estimated liability for outstanding claims made following a loss occurrence reported and change in estimated liability for claims Incurred But Not Reported ('IBNR') and claims Incurred But Not Enough Reported ('IBNER') net of amounts receivable from reinsurers/coinsurers. Further, claims incurred also include specific claim settlement costs such as survey / legal fees and other directly attributable costs.

Claims (net of amounts receivable from reinsurers/ coinsurers) are recognised on the date of intimation on management estimates of ultimate amounts likely to be paid on each claim based on the past experience. These estimates are progressively revalidated on availability of further information.

IBNR represents that amount of claims that may have been incurred during the accounting period but have not been reported or claimed. The IBNR provision also includes provision, if any, required for claims IBNER. Estimated liability for claims Incurred But Not Reported ('IBNR') and claims Incurred But Not Enough Reported ('IBNER') is based on actuarial estimate duly certified by the appointed actuary and Mentor to the appointed actuary of the Company in accordance with guidelines issued by IRDAI and acturies practice standard issued by the Institute of Actuaries of India

(ix) Depreciation and amortisation

Intangible assets are amortised over their estimated useful lives, not exceeding ten years, on a straight-line basis, commencing from the date the asset is available to the Company for its use.

(x) Investments

Investments are carried at weighted average cost and includes brokerage, securities transactions tax, stamp duty and other charges incidental to transactions and excludes pre-acquisition interest, if any.

(a) Classification

Investments maturing within twelve months from balance sheet date or investments made with the

Notes

to the Consolidated Financial Statements (Continued)

NOTE 2 (B): SIGNIFICANT ACCOUNTING POLICIES - INSURANCE COMPANIES (TO THE EXTENT, DIFFERENT AND UNIQUE FROM THE PARENT) (Contd.)

specific intention to dispose off within twelve months from balance sheet date are classified as short-term investments. Investments other than short term investments are classified as long-term investments.

(b) **Valuation**

Debt securities

All debt securities are shown at weighted average cost subject to amortization of premium or accretion of discount on straight line basis in the revenue accounts and profit & loss account over the period of maturity/ holding.

Mutual fund

Investment in Mutual Funds units are stated at latest available Net Asset Value (NAV) at the Balance Sheet date. Unrealized gains/losses are credited / debited to fair value change account.

Fair value change account

In accordance with the Regulations, any unrealized gains/losses arising due to change in fair value of mutual fund investments are accounted in "Fair Value Change Account" and carried forward in the Balance Sheet and is not available for distribution.

Impairment of investment

The Company assesses at each Balance Sheet date whether there is any indication that any investment in units of mutual funds is impaired. If any such indication exists, the carrying value of such investment is reduced to its recoverable amount and the impairment loss is recognized in the revenue(s)/profit and loss account. If at the Balance Sheet date there is any indication that a previously assessed impairment loss no longer exists, then such loss is reversed and investment is restated to that extent.

(xi) Allocation of income and expenses

(a) Investment Income has been allocated between revenue accounts and profit and loss account on the basis of the ratio of average policyholders funds to average shareholders funds respectively; average being the balance at the beginning of the year and at the end of the year. Further, investment income between policyholders is allocated on the basis of the ratio of average policyholders' funds comprising reserves for unexpired risks, IBNR, IBNER, PDR, outstanding claims and other liabilities (net of other assets).

(b) Expenses, which are attributable and identifiable to the business segments, are directly charged to relevant business segment.

(c) Other expenses, that are not identifiable to a segment, are allocated on the basis of ratio of gross written premium in each business class.

(d) Expenses related to investment activities are charged to statement of profit and loss.

(xii) Foreign currency transactions

Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of transaction. Monetary items denominated in foreign currencies at the year end are reinstated at the year end rates. Non-monetary foreign currency items are carried at cost. Any gain or loss on account of exchange difference either on settlement or on translation is recognized in the statement of profit and loss and revenue accounts as applicable.

(xiii) Share Issue Expenses

Share issue expenses are charged to Profit and Loss account.

(xiv) Terrorism Pool

In accordance with the requirements of IRDAI, the Company, together with other Insurance Companies, participates in the Terrorism Pool. This Pool is managed by the General Insurance Corporation of India ("GIC"). Amount collected as Terrorism premium in accordance with the requirements of the Tariff Advisory Committee ("TAC") are ceded at 100% of the Terrorism Premium collected to the Terrorism Pool.

In accordance with the Terms of the Agreement, GIC, retrocedes, to the company, terrorism premium to the extent of the Company's share in the risk, which is recorded as reinsurance accepted. Such reinsurance accepted is recorded based on quarterly statements received from the GIC. The reinsurance accepted on account of terrorism pool has been recorded in accordance with the Last statement received from the GIC. The company has created liability, to the extent of 100% of premium (net of claims and expenses) retroceded to the company during the year, through reserve for unexpired risks.

Notes

to the Consolidated Financial Statements (Continued)

NOTE 3 : SHARE CAPITAL

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Authorised		
26,50,00,000 (2016: 26,50,00,000) Equity shares of ₹ 2/- each	5,300.00	5,300.00
5,43,00,000 (2016: 5,43,00,000) Preference shares of ₹ 100/- each	54,300.00	54,300.00
4,00,00,000 (2016: 4,00,00,000) Preference shares of ₹ 10/- each	4,000.00	4,000.00
	63,600.00	**63,600.00**
Issued, subscribed and paid-up		
Equity share capital		
23,69,59,672 (2016: 23,68,28,672) Equity shares of ₹ 2/- each, fully paid up.	4,739.19	4,736.57
Preference share capital		
- (2016: 6,500,999) 6 months US Dollar Libor plus 3.25% Cumulative non-convertible redeemable preference shares of ₹100 each (paid-up value per share reduced to ₹ Nil on redemption of fifth and final annual installments of ₹ 20/- each per share). Allotted at par on 26 March 2007 and redeemable at par in US Dollar over five equal annual installments of US Dollar 3 million each, for the first time on 1 April 2012 until all preference shares are redeemed i.e. 1 April 2016.	-	1,300.20
	4,739.19	**6,036.77**

Reconciliation of the number of shares outstanding and the amount of share capital

(₹ in Lacs)

	As at 31 March 2017		As at 31 March 2016	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
Opening balance	23,68,28,672	4,736.57	19,04,25,875	3,808.52
Equity shares issued during the year vide preferential issue	-	-	4,62,96,297	925.92
Equity shares issued on exercise of ESOPs during the year	1,31,000	2.62	1,06,500	2.13
Closing balance	**23,69,59,672**	**4,739.19**	**23,68,28,672**	**4,736.57**
Preference shares				
Opening balance	65,00,999	1,300.20	4,91,56,555	13,255.96
6 months US Dollar Libor plus 3.25% preference shares redeemed during the year (20% annually)	(65,00,999)	(1,300.20)	-	(1,300.20)
9.60 % Preference shares redeemed during the year	-	-	(10,00,000)	(1,000.00)
12.00% Preference shares redeemed during the year	-	-	(25,00,000)	(2,500.00)
11.00 % Preference shares redeemed during the year	-	-	(36,00,000)	(3,600.00)
0.01% Non-redeemable non-cumulative non-participating compulsorily convertible preference shares - purchased by holding company	-	-	(3,55,55,556)	(3,555.56)
Closing balance	**-**	**-**	**65,00,999**	**1,300.20**

Equity shares

The Company has only one class of equity shares having a par value of ₹ 2/- each. Each holder of equity share is entitled to one vote per share.

The Company declares and pays dividend on equity shares in Indian rupees.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution to preference shareholders. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance Sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Company has not appropriated dividend on shares on recommendation of the Board and would record the same as a liability on the date

Notes

to the Consolidated Financial Statements (Continued)

NOTE 3 : SHARE CAPITAL (Contd.)

of approval by the shareholders at the ensuing Annual General Meeting. However, the proposed dividend as at 31 March 2016 was accounted for as liability in accordance with the then existing Accounting Standard.

During the year, the Company has allotted on 13 August 2016 and 08 February 2017, 90,000 equity shares and 26,000 equity shares respectively of the face value of ₹ 2/- each to the eligible employees of the Company and on 26 April 2016, 15,000 equity shares of the face value of ₹ 2/- each to an eligible ex-employee of the Company, under Employee Stock Option Plan pursuant to SEBI (ESOS and ESPS) Guidelines, 1999, and with corresponding provision of SEBI (Share Based Employee Benefits) Regulations 2014, as amended from time to time. Consequent to the said allotment, the total paid-up equity share capital of the Company stands increased to 23,69,59,672 equity shares of ₹ 2/- each aggregating to ₹ 4,739.19 lacs.

During the year ended 31 March 2017, the amount of per share dividend recommended by the Board as distribution to equity shareholders is ₹ 0.80 (40%) per equity share of the face value of ₹ 2/- each. Total dividend on 23,69,59,672 equity shares for the year ended 31 March 2017 would amount to ₹ 2,281.59 lacs including corporate dividend tax of ₹ 385.92 lacs.

Preference shares

The Company declares and pays dividend on preference shares in both Indian rupees and foreign currencies.

65,00,999 cumulative non-convertible redeemable preference shares of ₹ 100/- each aggregating to ₹ 6,501.00 lacs (equivalent to USD 15 Million) allotted at par on 26 March 2007 are entitled to fixed dividend at the rate equivalent to 6 months US Dollar Libor applicable on the respective dates i.e. 30 December or 29 June depending upon the actual date of payment plus 3.25% on subscription amount of USD 15 Million.

In the event of liquidation of the Company, the holders of preference shares will have priority over equity shares in payment of dividend and repayment of capital.

In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance Sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Company has not appropriated dividend on shares on recommendation of the Board and would record the same as a liability on the date of approval by the shareholders at the ensuing Annual General Meeting. However, the proposed dividend as at 31 March 2016 was accounted for as liability in accordance with the then existing Accounting Standard.

For the financial year ended 31 March 2016, the Company has provided for dividend in financial statements based on the 6 months US Dollar Libor applicable as on 30 December 2015 and closing exchange rate applicable as on 31 March 2016 and which was liable to vary depending on the actual date of payment of the dividend. Accordingly, the excess dividend and tax thereon of ₹ 2.50 lacs (2016: ₹ 7.30 lacs) provided with respect to above preference shares for the previous financial year ended 31 March 2016 has been adjusted in the current year with consequent impact on earnings per share for the year.

The Company has redeemed ₹ 1,300.20 lacs being fifth and final annual installment of ₹ 20/- per share in respect of 65,00,999 cumulative non-convertible redeemable preference shares of ₹ 100/- per share on 04 April 2016. The above preference shares were redeemed out of the proceeds of the issue of equity shares made for the purposes in the earlier years which inter-alia include redemption of preference shares and accordingly, no transfer has been made to capital redemption reserve.

Shares allotted as fully paid-up without payment being received in cash / by way of bonus shares:

The Company has not issued bonus shares or shares for consideration other than cash during the five year period immediately preceding the reporting date.

Shareholders holding more than 5% shares

Name of the shareholder	As at 31 March 2017		As at 31 March 2016	
	%	No. of shares	%	No. of shares
Equity shares				
Zend Mauritius VC Investments Limited	14.47	3,42,76,629	14.47	3,42,76,629
Microfirm Capital Private Limited	14.36	3,40,15,928	14.36	3,40,15,928
Celica Developers Private Limited	12.42	2,94,34,455	12.43	2,94,34,455
India Value Fund V LLP	11.92	2,82,55,524	-	-
International Finance Corporation	9.71	2,30,00,000	9.71	2,30,00,000
Lavender Investments Limited	7.96	1,88,51,431	7.96	1,88,51,431
LeapFrog Financial Inclusion India Holdings Limited	7.82	1,85,18,519	7.82	1,85,18,519
Indium V (Mauritius) Holdings Limited	-	-	8.60	2,03,55,524
Preference shares (Cumulative non-convertible redeemable)				
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	-	-	100.00	65,00,999

Notes

to the Consolidated Financial Statements (Continued)

NOTE 3 : SHARE CAPITAL (Contd.)

Employee stock options

The Company instituted the Magma Employee Stock Option Plan (MESOP) in 2007 and Magma Restricted Stock Option Plan 2014 (MRSOP) in 2014, which were approved by the Board of Directors.

MESOP, 2007

Under MESOP, the Company provided for the creation and issue of 10,00,000 options, that would eventually convert into equity shares of ₹ 10/- each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of and at the exercise price determined by the Nomination and Remuneration Committee of the Board of Directors. The options generally vest in a graded manner over a five year period and are exercisable within 3 years from the date of vesting. Following the sub-division of one equity share of the face value of ₹ 10/- each into five equity shares of the face value of ₹ 2/- each during the financial year ended 31 March 2011, the number of options increased from 10,00,000 to 50,00,000.

During the year, the Nomination and Remuneration Committee of the Board of Directors has granted 1,25,000 options (2016: Nil) under MESOP 2007 at an exercise price of ₹ 60/- per share to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹ 2/- each).

(in nos.)

	Year ended 31 March 2017	Year ended 31 March 2016
Outstanding options at the beginning of the year	2,87,500	6,36,500
Granted during the year	1,25,000	-
Exercised during the year	1,31,000	1,06,500
Lapsed during the year	67,500	2,42,500
Forfeited during the year	-	-
Outstanding options at the end of the year	**2,14,000**	**2,87,500**
Options vested and exercisable at the end of the year	59,000	1,30,000

MRSOP 2014

Under MRSOP, the Company provided for the creation and issue of 50,00,000 options, that would eventually convert into equity shares of ₹ 2/- each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of the Nomination and Remuneration Committee of the Board of Directors and at the exercise price of the face value of ₹ 2/- each. The options will vest in a graded manner and are exercisable within 3 years from the date of vesting.

During the year, the Nomination and Remuneration Committee of the Board of Directors has granted Nil options (2016: 2,50,000) under MRSOP 2014 at an exercise price of ₹ 2/- per share to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹ 2/- each).

(in nos.)

	Year ended 31 March 2017	Year ended 31 March 2016
Outstanding options at the beginning of the year	6,70,000	6,00,000
Granted during the year	-	2,50,000
Exercised during the year	-	-
Lapsed during the year	3,50,000	1,80,000
Forfeited during the year	-	-
Outstanding options at the end of the year	**3,20,000**	**6,70,000**
Options vested and exercisable at the end of the year	-	-

Notes

to the Consolidated Financial Statements (Continued)

NOTE 3 : SHARE CAPITAL (Contd.)

The weighted average fair value of each option of Magma Fincorp Limited was ₹ 71.93 (2016: ₹ 69.20) using the Black-Scholes model with the following assumptions:

	Units	As at 31 March 2017	As at 31 March 2016
Grant date share price	₹	56.85 - 108.00	56.85 - 100.00
Exercise price	₹	2.00 - 60.00	2.00 - 60.00
Dividend yield	%	0.61 - 1.06	0.61 - 1.20
Expected life	years	4.42 - 4.80	4.16 - 4.80
Risk free interest rate	%	6.92 - 8.35	7.78 - 8.57
Volatility	%	42.00 - 58.13	41.83 - 58.13

Equity shares reserved for issue under options

(₹ in Lacs)

	No. of options granted	Exercise price (₹)	As at 31 March 2017		As at 31 March 2016	
			No. of options	Amount	No. of options	Amount
Under MESOP 2007:						
Tranche II	2,50,000	60.00	40,000	0.80	1,27,500	2.55
Tranche III	50,000	60.00	-	-	15,000	0.30
Tranche V	1,50,000	60.00	14,000	0.28	20,000	0.40
Tranche VI	50,000	60.00	35,000	0.70	50,000	1.00
Tranche VIII	1,75,000	60.00	-	-	75,000	1.50
Tranche XI	1,25,000	60.00	1,25,000	2.50	-	-
Under MRSOP 2014:						
Tranche I (A)	6,50,000	2.00	3,20,000	6.40	4,20,000	8.40
Tranche I (B)	2,50,000	2.00	-	-	2,50,000	5.00

The Company has recorded compensation cost for all grants using the intrinsic value based method of accounting, in line with prescribed SEBI guidelines.

Had compensation been determined under the fair value approach described in the Guidance Note on, "Accounting for employee share based payments" issued by the Institute of Chartered Accountant of India ('ICAI'), the Company's net profit and basic and diluted earnings per share would have reduced to the proforma amounts as indicated.

Particulars	Unit	Year ended 31 March 2017	Year ended 31 March 2016
Net profit for equity shareholders	₹ in Lacs	2,041.88	20,622.31
Stock-based employee compensation expense (intrinsic value method)	₹ in Lacs	(37.60)	230.82
Stock-based employee compensation expense (fair value method)	₹ in Lacs	16.75	(238.50)
Proforma net profit	₹ in Lacs	2,021.03	20,614.63
Basic earnings per share (Face value: ₹ 2/-) as reported	₹	0.86	8.89
Proforma basic earnings per share (Face value: ₹ 2/-)	₹	0.85	8.88
Diluted earnings per share (Face value: ₹ 2/-) as reported	₹	0.86	8.86
Proforma diluted earnings per share (Face value: ₹ 2/-)	₹	0.85	8.85

Notes

to the Consolidated Financial Statements (Continued)

NOTE 4 : RESERVES AND SURPLUS

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Capital reserve	**480.22**	**480.22**
Capital redemption reserve	**1,421.84**	**1,421.84**
Securities premium reserve		
Opening balance	1,15,755.70	80,025.11
Add: On equity shares issued during the year vide preferential issue	-	49,074.07
Add: On equity shares issued on exercise of ESOPs during the year	84.28	79.70
Less: Adjustment for purchase of preference shares of Magma Advisory Services Limited	-	12,444.44
Less: On preference share redeemed during the year	-	250.00
Less: Share issue expenses	-	728.74
	1,15,839.98	**1,15,755.70**
Employee share option outstanding		
Gross employee share compensation cost for options granted in earlier years	283.40	73.87
Less: Transferred to securities premium reserve on allotment of shares	8.31	21.29
Add: Deferred employee compensation cost	(37.60)	230.82
	237.49	**283.40**
Amalgamation reserve account	**106.48**	**106.48**
Statutory reserve (created pursuant to Section 45-IC of the Reserve Bank of India Act, 1934)		
Opening balance	24,210.00	20,290.00
Add: Transfer from surplus in the statement of profit and loss	130.00	3,920.00
	24,340.00	**24,210.00**
Statutory reserve (created pursuant to Section 29C of the National Housing Bank Act, 1987)		
Opening balance	1,583.07	683.07
Add: Transfer from surplus in the statement of profit and loss	670.05	900.00
	2,253.12	**1,583.07**
General reserve		
Opening balance	11,390.00	9,510.00
Add: Transfer from surplus in the statement of profit and loss	-	1,880.00
	11,390.00	**11,390.00**
Surplus (balance in the statement of profit and loss)		
Opening balance	55,160.75	42,725.31
Impact of pre-acquisition surplus on change of share holding in Magma HDI General Insurance Company Limited	-	1,239.67
Profit for the year	2,045.27	21,137.71
Amount available for appropriations	**57,206.02**	**65,102.69**
Appropriations		
Proposed dividend on preference shares*	2.08	428.23
Tax on proposed preference dividend as above*	0.42	87.17
Proposed dividend on equity shares*#	-	2,265.36
Tax on proposed equity dividend as above*	-	461.18
Transfer to statutory reserve (as per Reserve Bank of India Act, 1934)	130.00	3,920.00
Transfer to statutory reserve (as per National Housing Bank Act, 1987)	670.05	900.00
Transfer to general reserve	-	1,880.00
	56,403.47	**55,160.75**
	2,12,472.60	**2,10,391.46**

* In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance Sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Company has not appropriated proposed dividend (including tax) on equity and preference shares in the financial year ended 31 March 2017.

Dividend for year ended 31 March 2016 includes dividend on equity shares allotted post 31 March 2016 and tax thereon.

Notes

to the Consolidated Financial Statements (Continued)

NOTE 5 : LONG-TERM BORROWINGS

(₹ in Lacs)

	Security as per	As at 31 March 2017	As at 31 March 2016
Debentures			
Secured			
Redeemable non-convertible debentures	(a)	16,000.00	59,000.00
		16,000.00	**59,000.00**
Unsecured			
Subordinated non-convertible perpetual debentures		13,310.00	11,250.00
Subordinated redeemable non-convertible debentures		78,030.00	77,430.00
		91,340.00	**88,680.00**
Term loan			
Secured *			
from banks	(b) and (c)	1,92,740.23	1,69,205.55
from others (financial institutions)	(b) and (c)	836.89	13,726.31
		1,93,577.12	**1,82,931.86**
Unsecured			
from banks		10,000.00	-
from others		-	700.41
		10,000.00	**700.41**
Share of borrowings of joint venture		12.31	3.90
		3,10,929.43	**3,31,316.17**
* Aggregate of loans guaranteed by Director (including current maturities)		796.50	1,329.40

Nature of security

(a) Debentures are secured by mortgage of Company's immovable property situated at (i) Village - Mehrun, Taluk and District - Jalgaon in the state of Maharastra, and (ii) Rajarhat, Kolkata in the state of West Bengal and (iii) Barasat, Dist. - 24 Parganas (N) and are also secured against designated Assets on finance.

(b) Term loans from Banks / Financial Institutions are secured by way of hypothecation of designated Assets on finance and future rentals receivable therefrom.

(c) Term loans related to wind mills owned by the Company are secured by means of mortgage of the wind mills, assignment of the related receivables, and a bank guarantee in favour of the lending institution alongwith personal guarantee of a Director.

Details of debentures

Terms of maturity of secured redeemable non-convertible debentures

(₹ in Lacs)

Maturity schedule	Interest rate range (p.a.)		As at 31 March 2017		As at 31 March 2016	
	31 March 2017	31 March 2016	Long-term	Current maturities	Long-term	Current maturities
>5 Years	9.00% - 10.10%	10.00% - 10.10%	6,000.00	-	3,000.00	-
3 - 5 Years	9.55% - 10.00%	10.00%	6,000.00	-	3,500.00	-
1 - 3 Years	10.33%	9.63 % - 10.80%	4,000.00	-	52,500.00	-
0 - 1 Years	9.63 % - 10.80%	9.50 % - 11.50%	-	48,500.00	-	61,730.00
			16,000.00	**48,500.00**	**59,000.00**	**61,730.00**

Above current maturities has been disclosed under "Other current liabilities" [Note 9].

Notes

to the Consolidated Financial Statements (Continued)

NOTE 5 : LONG-TERM BORROWINGS (Contd.)

Terms of maturity of unsecured subordinated non-convertible perpetual debentures

(₹ in Lacs)

Maturity schedule	Interest rate range (p.a.)		As at 31 March 2017		As at 31 March 2016	
	31 March 2017	31 March 2016	Long-term	Current maturities	Long-term	Current maturities
> 5 Years	11.50% - 12.10%	12.00 % - 12.10%	7,810.00	-	5,750.00	-
3 - 5 Years	12.50%	12.50 % - 13.75%	2,500.00	-	5,500.00	-
1 - 3 Years	13.50% - 13.75%	-	3,000.00	-	-	-
			13,310.00	**-**	**11,250.00**	**-**

These debentures are perpetual in nature and the Company has a 'Call Option' only after a minimum period of 10 years from the date of issue subject to RBI regulations.

Above current maturities has been disclosed under "Other current liabilities" [Note 9].

Terms of maturity of unsecured subordinated redeemable non-convertible debentures

(₹ in Lacs)

Maturity schedule	Interest rate range (p.a.)		As at 31 March 2017		As at 31 March 2016	
	31 March 2017	31 March 2016	Long-term	Current maturities	Long-term	Current maturities
> 5 Years	10.25% - 11.50%	10.70 % - 11.50%	21,000.00	-	32,700.00	-
3 - 5 Years	11.00% - 11.45%	11.00%	23,000.00	-	13,000.00	-
1 - 3 Years	11.00% - 11.75%	11.20% - 12.00%	34,030.00	-	31,730.00	-
0 - 1 Years	11.75% - 12.00%	11.50%	-	10,700.00	-	500.00
			78,030.00	**10,700.00**	**77,430.00**	**500.00**

Above current maturities has been disclosed under "Other current liabilities" [Note 9].

Terms of repayment of term loans

(₹ in Lacs)

Maturity schedule	Interest rate range (p.a.)		As at 31 March 2017		As at 31 March 2016	
	31 March 2017	31 March 2016	Long-term	Current maturities	Long-term	Current maturities
Secured						
> 5 Years	9.30% - 9.70%	-	3,762.31	-	-	-
3 - 5 Years	9.30% - 12.00%	9.85% - 12.25%	47,301.80	-	56,770.13	-
1 - 3 Years	9.30% - 12.25%	9.85% - 12.25%	1,42,525.32	-	1,26,161.73	-
0 - 1 Years	9.70% - 12.25%	9.85% - 12.25%	-	89,379.29	-	90,551.13
			1,93,589.43	**89,379.29**	**1,82,931.86**	**90,551.13**
Unsecured						
> 5 Years	11.00%	-	10,000.00	-	-	-
1 - 3 Years	-	12.00%	-	-	700.41	-
			10,000.00	**-**	**700.41**	**-**

Above current maturities has been disclosed under "Other current liabilities" [Note 9].

Notes

to the Consolidated Financial Statements (Continued)

NOTE 6 : LONG-TERM PROVISIONS

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Provision for employee benefits		
Provision for gratuity	45.07	132.16
Provision for compensated absences	876.41	821.28
Other provisions		
Provision for non-performing assets	19,086.02	31,305.78
Contingent provision against standard assets	2,580.00	2,660.00
	22,587.50	**34,919.22**

NOTE 7: SHORT-TERM BORROWINGS

(₹ in Lacs)

	Security as per	As at 31 March 2017	As at 31 March 2016
Term loan			
Secured			
from banks	(a)	5,000.00	7,500.00
		5,000.00	**7,500.00**
Commercial papers			
Unsecured			
Face value		61,000.00	75,600.00
Less: Unmatured discounting charges		924.93	1,728.42
		60,075.07	**73,871.58**
Loans from banks			
Secured			
Cash credit facilities	(b)	1,25,447.93	2,56,084.00
Working capital demand loans	(b)	3,57,499.99	3,63,000.00
		4,82,947.92	**6,19,084.00**
		5,48,022.99	**7,00,455.58**

Terms of repayment of term loans

(₹ in Lacs)

Maturity schedule	Interest rate range (p.a.)		As at 31 March 2017	As at 31 March 2016
	31 March 2017	31 March 2016		
Secured				
0 - 1 Years	9.85%	10.85%	5,000.00	7,500.00
			5,000.00	**7,500.00**

Details of unsecured commercial papers

Number of units	Face value (₹ in lacs)	Interest terms	As at 31 March 2017	As at 31 March 2016
12,200	5	Fixed	60,075.07	-
15,120	5	Fixed	-	73,871.58
			60,075.07	**73,871.58**

The above commercial papers carry interest rates ranging from 7.61 % p.a. to 8.95 % p.a. with maturity ranging from 1 months to 3 months (2016: from 8.95 % p.a. to 11.00 % p.a. with maturity ranging from 1 months to 8 months.)

Notes

to the Consolidated Financial Statements (Continued)

NOTE 7: SHORT-TERM BORROWINGS (Contd.)

Details of cash credit facilities and working capital demand loans

The cash credit facilities are repayable on demand and carry interest rates ranging from 9.00 % p.a. to 12.00 % p.a. (2016: from 9.25 % p.a. to 12.25% p.a.). Working capital demand loans are repayable on demand and carry interest rates ranging from 8.15% p.a. to 10.30% p.a. (2016: from 9.55% p.a. to 10.45% p.a.). As per the prevalent practice, cash credit facilities and working capital demand loans are renewed on a year to year basis and therefore, are revolving in nature.

Nature of security

(a) Term loans from banks are secured by way of first charge ranking pari-passu over entire housing and property loans, both present & future.

(b) Cash credit facilities and working capital demand loans from Banks are secured by hypothecation of the Company's finance/loan assets, plant and machinery and future rental income therefrom and other current assets excluding those from real estate (expressly excluding those equipments, plant, machinery, spare parts etc. and future rental income therefrom which have been or will be purchased out of the term loans and / or refinance facility from Financial Institutions, Banks or any other finance organisation). These are collaterally secured by equitable mortgage of immovable properties.

NOTE 8 : TRADE PAYABLES

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Due to micro and small enterprises *	-	-
Due to others	19,758.14	18,320.97
	19,758.14	**18,320.97**
Share of joint venture	1.91	14.10
	19,760.05	**18,335.07**

* The Company has no dues to micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006, as at 31 March 2017 and 31 March 2016. This information is required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006, and has been determined to the extent such parties have been identified on the basis of information available with the Company.

NOTE 9 : OTHER CURRENT LIABILITIES

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Current maturities of long-term borrowings [Note 5]	1,48,579.29	1,52,781.13
Interest accrued but not due on borrowings	9,665.87	11,945.36
Unpaid dividend #	32.28	28.54
Unclaimed matured deposits and interest accrued thereon *	-	0.13
Other liabilities		
Temporary book overdraft	2,090.45	4,362.75
Advances and deposits from customers	7,630.82	8,369.22
Statutory liabilities	714.36	851.75
Director's commission payable	-	160.00
Pending remittance on assignment	25,566.04	25,698.45
Other payables	8,126.70	6,680.60
	2,02,405.81	**2,10,877.93**
Share of joint venture	26,278.94	22,786.00
	2,28,684.75	**2,33,663.93**

Balance would be credited to Investor Education and Protection Fund as and when due.

* Represents liability transferred to and vested in the Company pursuant to the amalgamation of erstwhile Shrachi Infrastructure Finance Limited with the Company in the financial year 2006-07. The Company, in accordance with Reserve Bank of India directives, had transferred the entire outstanding amount together with interest to an escrow account. Unclaimed balance has been credited to Investor Education and Protection Fund.

Notes

to the Consolidated Financial Statements (Continued)

NOTE 10 : SHORT-TERM PROVISIONS

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Provision for employee benefits		
Provision for gratuity	0.28	0.89
Provision for compensated absences	90.59	83.89
Other provisions		
Contingent provision against standard assets	1,460.00	1,440.00
Proposed dividend (including tax thereon)	-	2,788.58
Provision for taxation	84.13	1,572.36
	1,635.00	**5,885.72**
Share of joint venture	7,268.73	7,254.54
	8,903.73	**13,140.26**

NOTE 11 : FIXED ASSETS

Following are the changes in the carrying value of the fixed assets for the year ended 31 March 2017

(₹ in Lacs)

Description of assets	Gross block				Depreciation and amortisation				Net block
	As at 1 April 2016	Additions	Deletions	As at 31 March 2017	As at 1 April 2016	For the year	Deletions	As at 31 March 2017	As at 31 March 2017
Tangible assets									
Fixed assets for own use									
Land	30.26	-	-	30.26	-	-	-	-	30.26
Buildings *	2,186.83	-	-	2,186.83	618.84	38.37	-	657.21	1,529.62
Wind mills	9,701.29	-	-	9,701.29	4,178.56	410.39	-	4,588.95	5,112.34
Furniture and fixtures	2,641.94	189.33	73.22	2,758.05	1,577.39	284.90	56.53	1,805.76	952.29
Vehicles	272.14	37.00	34.98	274.16	106.17	28.98	20.34	114.81	159.35
Office equipments	8,553.05	533.78	274.77	8,812.06	5,253.80	1,238.29	241.68	6,250.41	2,561.65
Leasehold improvements	3,278.07	304.22	67.94	3,514.35	2,004.44	304.57	60.00	2,249.01	1,265.34
Sub-total	**26,663.58**	**1,064.33**	**450.91**	**27,277.00**	**13,739.20**	**2,305.50**	**378.55**	**15,666.15**	**11,610.85**
Fixed assets on operating lease									
Buildings	11.00	-	-	11.00	2.22	0.18	-	2.40	8.60
Vehicles	5,823.04	4,389.18	702.18	9,510.04	1,345.53	1,741.93	320.49	2,766.97	6,743.07
Sub-total	**5,834.04**	**4,389.18**	**702.18**	**9,521.04**	**1,347.75**	**1,742.11**	**320.49**	**2,769.37**	**6,751.67**
Total	**32,497.62**	**5,453.51**	**1,153.09**	**36,798.04**	**15,086.95**	**4,047.61**	**699.04**	**18,435.52**	**18,362.52**
Intangible assets									
Fixed assets for own use									
Computer software	4,594.90	814.87	-	5,409.77	1,728.21	802.52	-	2,530.73	2,879.04
Business and commercial rights	800.00	-	-	800.00	800.00	-	-	800.00	-
Total	**5,394.90**	**814.87**	**-**	**6,209.77**	**2,528.21**	**802.52**	**-**	**3,330.73**	**2,879.04**
Total	**37,892.52**	**6,268.38**	**1,153.09**	**43,007.81**	**17,615.16**	**4,850.13**	**699.04**	**21,766.25**	**21,241.56**
Share of joint venture	**279.66**	**327.36**	**9.52**	**597.50**	**135.43**	**53.62**	**2.42**	**186.63**	**410.87**
Grand total	**38,172.18**	**6,595.74**	**1,162.61**	**43,605.31**	**17,750.59**	**4,903.75**	**701.46**	**21,952.88**	**21,652.43**

* Registration of title for 3 buildings is pending.

Notes

to the Consolidated Financial Statements (Continued)

NOTE 11 : FIXED ASSETS (Contd.)

Following are the changes in the carrying value of the fixed assets for the year ended 31 March 2016

(₹ in Lacs)

Description of assets	Gross block				Depreciation and amortisation				Net block
	As at 1 April 2015	Additions	Deletions	As at 31 March 2016	As at 1 April 2015	For the year	Deletions	As at 31 March 2016	As at 31 March 2016
Tangible assets									
Fixed assets for own use									
Land	30.26	-	-	30.26	-	-	-	-	30.26
Buildings *	3,518.83	-	1,332.00	2,186.83	1,155.28	55.76	592.20	618.84	1,567.99
Wind mills	9,701.29	-	-	9,701.29	3,766.96	411.60	-	4,178.56	5,522.73
Furniture and fixtures	2,616.14	70.92	45.12	2,641.94	1,326.06	276.82	25.49	1,577.39	1,064.55
Vehicles	304.71	59.88	92.45	272.14	147.80	32.10	73.73	106.17	165.97
Office equipments	7,887.53	825.40	159.88	8,553.05	4,186.99	1,215.80	148.99	5,253.80	3,299.25
Leasehold improvements	3,197.54	153.94	73.41	3,278.07	1,695.73	346.63	37.92	2,004.44	1,273.63
Sub-total	**27,256.30**	**1,110.14**	**1,702.86**	**26,663.58**	**12,278.82**	**2,338.71**	**878.33**	**13,739.20**	**12,924.38**
Fixed assets on operating lease									
Buildings	11.00	-	-	11.00	2.05	0.17	-	2.22	8.78
Vehicles	2,779.30	3,506.06	462.32	5,823.04	524.00	972.86	151.33	1,345.53	4,477.51
Sub-total	**2,790.30**	**3,506.06**	**462.32**	**5,834.04**	**526.05**	**973.03**	**151.33**	**1,347.75**	**4,486.29**
Total	**30,046.60**	**4,616.20**	**2,165.18**	**32,497.62**	**12,804.87**	**3,311.74**	**1,029.66**	**15,086.95**	**17,410.67**
Intangible assets									
Fixed assets for own use									
Computer software	3,448.79	1,146.11	-	4,594.90	1,091.52	636.69	-	1,728.21	2,866.69
Business and commercial rights	800.00	-	-	800.00	800.00	-	-	800.00	-
Total	**4,248.79**	**1,146.11**	**-**	**5,394.90**	**1,891.52**	**636.69**	**-**	**2,528.21**	**2,866.69**
Total	**34,295.39**	**5,762.31**	**2,165.18**	**37,892.52**	**14,696.39**	**3,948.43**	**1,029.66**	**17,615.16**	**20,277.36**
Share of joint venture	**224.69**	**55.38**	**0.41**	**279.66**	**73.10**	**62.43**	**0.10**	**135.43**	**144.23**
Grand total	**34,520.08**	**5,817.69**	**2,165.59**	**38,172.18**	**14,769.49**	**4,010.86**	**1,029.76**	**17,750.59**	**20,421.59**

* Registration of title for 3 buildings is pending.

NOTE 12 : NON-CURRENT INVESTMENTS

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Other investment (at cost)		
Investment in equity shares		
Quoted (Fully paid-up of ₹ 10/- each)	1.12	1.12
Unquoted (Fully paid-up of ₹ 10/- each)		
In others	422.04	422.04
Investment in Government securities		
Unquoted (₹ 0.16 lac pledged with sales tax authorities)	0.16	0.16
Others		
In pass through certificates *	5,241.20	2,881.78
In security receipts (of ₹ 1,000/- each)	8,641.93	-
	14,306.45	**3,305.10**
Aggregate provision for diminution in value of investments	(1.05)	(1.05)
	14,305.40	**3,304.05**

Notes

to the Consolidated Financial Statements (Continued)

NOTE 12 : NON-CURRENT INVESTMENTS (Contd.)

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Share of joint venture	32,987.50	29,111.12
	47,292.90	**32,415.17**
Aggregate book value of quoted investments	1.12	1.12
Aggregate market value of quoted investments	0.28	0.33
Aggregate book value of unquoted investments	14,305.33	3,303.98

* The Company has invested in the Pass Through Certificates (PTCs) on the assets securitised by it, as Minimum Retention Ratio, as prescribed in the guidelines issued by Reserve Bank of India from time to time. Current portion of pass through certificates has been included under 'Current Investments' [Note 16] and amounts to ₹ 5,148.61 lacs (2016: ₹ 3,266.60 lacs).

NOTE 13 : DEFERRED TAX ASSETS (NET)

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Deferred tax assets		
Contingent provision against standard assets	1,342.79	1,418.92
Provision for non-performing assets	6,055.68	10,949.21
Unabsorbed depreciation and amortisation	3,585.25	-
Others	379.78	424.33
	11,363.50	**12,792.46**
Deferred tax liabilities		
Fixed assets	3,172.35	2,677.91
Unamortised expenses (net)	5,822.69	5,746.15
Others	803.10	897.23
	9,798.14	**9,321.29**
Share of deferred tax assets of joint venture	408.98	408.98
Deferred tax assets (net)	**1,974.34**	**3,880.15**

NOTE 14 : LONG-TERM LOANS AND ADVANCES

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Assets on finance#		
Secured, considered good*	6,78,671.93	8,12,038.99
Secured, considered doubtful*	22,931.81	55,627.39
Unsecured, considered good	80,833.20	81,876.88
	7,82,436.94	**9,49,543.26**
Others		
Unsecured, considered good		
Capital advances	118.78	12.36
Loans to staff	103.54	126.98
Loans and advances to related parties	163.05	169.34
Tax advances and deduction at source	8,322.35	408.48
Security deposits	1,026.45	853.27
	9,734.17	**1,570.43**

Notes

to the Consolidated Financial Statements (Continued)

NOTE 14 : LONG-TERM LOANS AND ADVANCES (Contd.)

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Unsecured, considered doubtful		
Other loans and advances		
Advances recoverable in cash or kind or for value to be received	500.00	332.00
Less: Provision against loans and advances	500.00	332.00
	-	-
Share of joint venture	96.76	102.58
	7,92,267.87	**9,51,216.27**

Assets on finance is net of amounts securitised/assigned aggregating to ₹ 4,13,253.04 lacs (2016: ₹ 4,08,431.81 lacs).

* Secured by underlying assets financed.

NOTE 15 : OTHER NON-CURRENT ASSETS

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Others		
Non-current bank balances *	9,518.09	2,023.21
Unamortised borrowings costs	1,843.32	1,247.03
Unamortised loan origination costs (net)	7,399.87	6,958.54
Gratuity (excess of plan assets over obligation)	178.09	303.05
	18,939.37	**10,531.83**
Share of joint venture	822.23	2,960.01
	19,761.60	**13,491.84**

* Balances with banks held as security against borrowings, guarantees amounts to ₹ 475.17 lacs (2016: ₹ 312.28 lacs) and as cash collateral for securitisation / direct assignments of receivables amounts to ₹ 9,042.92 lacs (2016: ₹ 1,633.26 lacs).

NOTE 16 : CURRENT INVESTMENTS

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Other investment		
Investment in mutual funds (valued at lower of cost and fair value)		
Quoted	10.79	2.09
Others (at cost)		
In Pass through certificates * [Note 12]	5,148.61	3,266.60
	5,159.40	**3,268.69**
Share of joint venture	2,196.65	4,283.93
	7,356.05	**7,552.62**
Aggregate book value of quoted investments	10.79	2.09
Aggregate market value of quoted investments	2.72	2.72
Aggregate book value of unquoted investments	5,148.61	3,266.60

Notes

to the Consolidated Financial Statements (Continued)

NOTE 17 : TRADE RECEIVABLES

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Unsecured, considered good		
Debts outstanding for a period exceeding six months from the date they became due for payment	-	221.67
Other debts	674.93	483.66
	674.93	**705.33**

NOTE 18 : CASH AND BANK BALANCES

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Cash and cash equivalents		
Cash in hand	5,433.66	6,420.91
Balances with banks		
In current and cash credit accounts	6,411.06	13,867.81
In deposits with original maturity of three months or less	1,624.27	1,530.36
Share of joint venture of cash and cash equivalents	700.64	482.99
	14,169.63	**22,302.07**
Other bank balances *		
In unpaid dividend account	32.28	28.54
In deposits with original maturity of three months or less	522.00	-
In deposits with original maturity of more than three months to twelve months	11,116.63	13,781.86
Current maturities of deposits with original maturity of more than twelve months	7,208.74	4,192.00
Share of joint venture of other bank balances	2,281.68	533.99
	21,161.33	**18,536.39**
	35,330.96	**40,838.46**

* Balances with banks held as security against borrowings, guarantees amounts to ₹ 2,058.83 lacs (2016: ₹ 1,842.73 lacs) and as cash collateral for securitisation / direct assignment of receivables amounts to ₹ 16,347.65 lacs (2016: ₹ 14,439.46 lacs). Fixed deposits accounts with more than twelve months maturity amounting to ₹ 9518.09 lacs (2016: ₹ 2,023.21 lacs) included under 'Other non-current assets' [Note 15].

NOTE 19 : SHORT-TERM LOANS AND ADVANCES

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Asset on finance		
Secured, considered good*	2,97,690.68	3,63,780.66
Unsecured, considered good	1,09,926.12	92,081.24
	4,07,616.80	**4,55,861.90**
Others		
Unsecured, considered good		
Loan and advances to related parties	391.69	743.85
Other loans and advances		
Loans to staff	452.03	282.69
Advances recoverable in cash or kind or for value to be received	1,604.80	2,682.77
Prepaid expenses	717.91	770.59
Balances with statutory / government authorities	1,226.31	1,284.14
	4,392.74	**5,764.04**
	4,12,009.54	**4,61,625.94**

Notes

to the Consolidated Financial Statements (Continued)

NOTE 19 : SHORT-TERM LOANS AND ADVANCES (Contd.)

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Share of joint venture	1,966.70	567.83
	4,13,976.24	**4,62,193.77**

* Secured by underlying assets financed.

NOTE 20 : OTHER CURRENT ASSETS

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Others		
Accrued interest / financial charges	1,806.63	1,844.37
Unamortised borrowings costs	1,286.97	1,244.89
Unamortised loan origination costs (net)	6,842.40	7,079.59
Others	66.14	190.43
	10,002.14	**10,359.28**
Share of joint venture	2,358.45	1,953.07
	12,360.59	**12,312.35**

NOTE 21 : REVENUE FROM OPERATIONS

(₹ in Lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Interest / finance income		
On assets on finance	2,10,963.21	2,27,445.74
On securitisation and assignment of loans	8,598.36	1,988.47
On pass through certificates	679.68	408.76
On fixed deposits	1,887.98	2,469.56
On loans and margins	874.23	926.37
	2,23,003.46	**2,33,238.90**
Other financial income		
Lease rentals	2,438.63	1,325.84
Collection and support services	2,106.55	3,786.84
Foreclosure charges	3,810.09	3,935.80
Income on non-convertible debenture	-	2,199.99
Others	2,454.90	2,570.44
	10,810.17	**13,818.91**
Share of joint venture	748.32	719.53
	2,34,561.95	**2,47,777.34**

Notes

to the Consolidated Financial Statements (Continued)

NOTE 22 : OPERATING RESULT FROM GENERAL INSURANCE BUSINESS

(₹ in Lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Premium income		
Premiums earned (net)	13,442.58	14,799.67
Interest, dividend and rent (gross)	2,368.85	2,174.21
Profit / (loss) on sale / redemption of investments (net)	272.45	197.49
Others	33.22	16.64
	16,117.10	**17,188.01**
Operating expense		
Claims incurred (net)	10,636.96	12,632.01
Commission (net)	(178.07)	44.48
Contribution to solatium fund	7.84	6.32
Operating expenses related to insurance business	5,820.13	4,999.60
Premium deficiency	(55.28)	63.40
	16,231.58	**17,745.81**
	(114.48)	**(557.80)**

NOTE 23 : OTHER INCOME

(₹ in Lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Sale of power	1,108.90	1,034.07
Insurance commission	480.87	626.76
Commission income	673.49	-
Gain on sale of fixed assets (net)	9.70	-
Gain on sale of investments (net)	-	5.27
Rental income	2.61	2.63
Excess provision on investment written back	-	34.53
Bad debt recoveries	2,593.89	1,530.72
Miscellaneous income	545.01	118.62
	5,414.47	**3,352.60**
Share of joint venture	83.22	60.94
	5,497.69	**3,413.54**

NOTE 24 : EMPLOYEE BENEFITS EXPENSE

(₹ in Lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Salaries and wages	26,757.98	29,048.19
Contribution to provident and other funds	1,574.08	1,318.32
Employee share based compensation expense	(37.91)	230.82
Staff welfare expenses	977.21	1,124.37
	29,271.36	**31,721.70**
Share of joint venture	60.68	-
	29,332.04	**31,721.70**

Notes

to the Consolidated Financial Statements (Continued)

NOTE 25 : FINANCE COSTS

(₹ in Lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Interest expense		
On debentures	19,948.81	26,492.82
On term loans	30,902.80	26,432.79
On cash credit and working capital facilities	45,059.47	43,902.55
On others	109.08	352.91
Discount on commercial papers	12,387.35	17,452.70
Other borrowing costs	4,160.06	4,502.70
Mark-to-market (profit) / loss on derivative contracts	(23.10)	23.10
	1,12,544.47	**1,19,159.57**

NOTE 26 : PROVISIONS AND BAD DEBTS WRITTEN-OFF

(₹ in Lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Bad debts written-off	21,130.03	25,752.03
Net loss / (gain) on sale of non-performing assets *	21,146.71	-
Provision for non-performing assets	18,469.21	11,635.57
Contingent provision against standard assets	(60.00)	110.00
	60,685.95	**37,497.60**

* Net of reversals of provision on sale of non-performing assets ₹ 30,688.97 lacs.

NOTE 27 : OTHER EXPENSES

(₹ in Lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Rent	1,688.86	1,802.94
Brokerage and commission	11,178.34	12,255.73
Rates and taxes	73.76	79.94
Insurance	113.06	102.98
Advertisement and publicity	303.70	389.30
Travelling and conveyance	2,216.66	2,588.21
Repairs and maintenance		
- machinery	371.92	241.98
- others	1,259.45	1,187.20
Payment to Directors		
- fees	20.01	15.43
- commission	12.40	170.50
Professional fees	1,972.67	1,948.51
Legal charges	2,097.11	1,855.52
Printing and stationery	534.91	584.89
Communication	1,434.95	1,398.47
Electricity charges	696.42	656.33
Corporate social responsibility expenditure [Note 40]	384.64	355.71
Loss on sale of fixed assets (net)	-	2.30
Capital work in progress written-off	690.13	-
Miscellaneous expenses	2,774.99	2,034.82
	27,823.98	**27,670.76**
Share of joint venture	29.47	52.80
	27,853.45	**27,723.56**

Notes

to the Consolidated Financial Statements (Continued)

NOTE 28 : SEGMENT REPORTING

The Group is organised into following reportable segments referred to in Accounting Standard (AS - 17) "Segment Reporting":

(a) Primary segment: Business segment

(₹ in Lacs)

	Finance and mortgages	General insurance	Others	Total
Revenue				
(i) External and other income	**2,38,023.17**	**692.27**	**1,229.72**	**2,39,945.16**
	(2,49,118.20)	(173.90)	(1,340.98)	(2,50,633.08)
(ii) Inter-segment	**331.21**	**(331.21)**	**-**	**-**
	(406.14)	(406.14)	(-)	(-)
Total revenue	**2,38,354.38**	**361.06**	**1,229.72**	**2,39,945.16**
	(2,49,524.34)	(-232.24)	(1,340.98)	(2,50,633.08)
Result - Profit / (loss) before tax	**4,106.74**	**294.76**	**277.62**	**4,679.12**
	(30,680.16)	(-238.40)	(140.46)	(30,582.22)
Other information				
Segment assets	**13,09,673.86**	**43,154.01**	**6,693.54**	**13,59,521.41**
	(15,05,583.66)	(39,379.41)	(7,352.01)	(15,52,315.08)
Segment liabilities	**11,04,197.80**	**33,879.61**	**811.04**	**11,38,888.45**
	(12,99,975.96)	(30,363.93)	(1,353.55)	(13,31,693.44)
Capital expenditure	**6,268.38**	**327.36**	**-**	**6,595.74**
	(5,762.31)	(55.38)	(-)	(5,817.69)
Depreciation and amortisation	**4,439.74**	**53.62**	**410.39**	**4,903.75**
	(3,046.46)	(-)	(410.48)	(3,456.94)
Non-cash expenses (other than depreciation)	**18,348.20**	**-**	**-**	**18,348.20**
	(11,999.49)	(-)	(-)	(11,999.49)

Previous year's figures are stated in brackets.

(i) The segment information is based on the consolidated financial statements.

(ii) The reportable segment of the group are further described as below:

- (a) Finance and mortgages - this includes asset and housing finance.
- (b) General insurance - this includes general insurance business.
- (c) Others - includes windmill and other allied activities.

(b) All the companies included in above reporting operate within India. Hence geographic segment is not applicable.

NOTE 29 : LEASE TRANSACTIONS IN THE CAPACITY OF LESSEE

Lease rental expense under non-cancellable operating lease during the year amounted to ₹ 65.19 lacs (2016: ₹ 29.17 lacs) [share of joint venture ₹ 21.85 lacs (2016:₹ Nil)]. Future minimum lease payments under non-cancellable operating lease is as below:

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Not later than one year	84.18	43.26
Later than one year but not later than five years	87.16	123.01
Later than five years	-	42.15

Additionally, the Company uses the office facilities under cancellable operating leases. The rental expense under cancellable operating lease during the year amounts to ₹ 2,095.33 lacs (2016: ₹ 1,956.45 lacs) [share of joint venture ₹ 101.67 lacs (2016: ₹ 41.69 lacs)].

Notes

to the Consolidated Financial Statements (Continued)

NOTE 30 : EARNINGS PER SHARE (EPS)

The computation of EPS is set out below:

			Units	Year ended 31 March 2017	Year ended 31 March 2016
Basic and Diluted					
(a)	(i)	Weighted average number of equity shares (Face value of ₹ 2/- per share) for basic EPS	Nos.	23,69,03,308	23,20,96,351
	(ii)	Weighted average number of equity shares for diluted EPS [after considering 4.03 lacs shares (2016: 7.43 lacs) resulting from assumed exercise of employee stock options and equity warrants]	Nos.	23,73,06,305	23,28,39,048
(b)		Net profit after tax	₹ in Lacs	2,045.27	21,137.71
(c)		Less : Preference dividend including tax thereon	₹ in Lacs	3.39	515.40
(d)	(i)	Net profit for equity shareholders for basic EPS	₹ in Lacs	2,041.88	20,622.31
	(ii)	Net profit for equity shareholders for diluted EPS	₹ in Lacs	2,041.88	20,622.31
(e)	(i)	Earnings per share (Face value of ₹ 2/- per share) – basic	₹	0.86	8.89
	(ii)	Earnings per share (Face value of ₹ 2/- per share) – diluted	₹	0.86	8.86

NOTE 31 : RELATED PARTY DISCLOSURES

Related party disclosures as at and for the year ended 31 March 2017.

(A)	Names of the related parties where control exists	Nature of Relationship
i.	Mr. Narayan K Seshadri	Chairman & Independent Director
ii.	Mr. Sanjay Chamria	Vice Chairman & Managing Director
iii.	Mr. Mayank Poddar	Whole Time Director
iv.	Mr. Sanjay Nayar	Director
v.	Mrs. Ritva Kaarina Laukkanen	Director

(B) Others - With whom transactions have taken place during the year

	Names of other Related parties	Nature of Relationship
i.	Celica Developers Private Limited	Private Company in which Director or his relative is Member or Director
ii.	Tranzmute Capital & Management Private Limited	Private Company in which Director or his relative is Member or Director
iii.	Microfirm Capital Private Limited	Private Company in which Director or his relative is Member or Director
iv.	Devsar Vyapaar Private Limited	Private Company in which Director or his relative is Member or Director
v.	Pragati Sales LLP	Firm in which Director or his relative is a Partner
vi.	Magma Consumer Finance Private Limited	Private Company in which Director or his relative is Member or Director
vii.	Finance Industry Development Council	Private Company in which Director or his relative is Member or Director
viii.	Mr. Neil Graeme Brown	Independent Director (upto 06 May 2016)
ix.	Mr. Nabankur Gupta	Independent Director
x.	Mr. Satya Brata Ganguly	Independent Director
xi.	Mr. V K Viswanathan	Independent Director (w.e.f. 13 August 2016)
xii.	Mrs. Shabnum Zaman	Company Secretary (w.e.f. 02 August 2015)
xiii.	Mr. Atul Bansal	Chief Financial Officer (upto 03 November 2016)
xiv.	Mr. Kailash Baheti	Company Secretary (upto 01 August 2015) & Chief Financial Officer (w.e.f. 04 November 2016)
xv.	Mr. Harshvardhan Chamria	Relative of Key Managerial Personnel

Notes

to the Consolidated Financial Statements (Continued)

NOTE 31 : RELATED PARTY DISCLOSURES (Contd.)

(₹ in Lacs)

Name of related party	Nature of transaction	Transaction value for the year ended 31 March 2017	Outstanding amount as at 31 March 2017	Transaction value for the year ended 31 March 2016	Outstanding amount as at 31 March 2016
A) Private company in which Director is Member or Director					
1. Celica Developers Private Limited	Long-term loans and advances given	24.19	163.05	30.24	169.34
	Refund of long-term loans and advances given	30.48	-	-	-
	Investment in Non Convertible Debenture	-	-	20,700.00	-
	Redemption of Non Convertible Debenture	-	-	20,700.00	-
	Income on Non Convertible Debenture	-	-	2,199.99	-
	Purchase of preference shares of Magma Advisory Services Limited	-	-	24,888.89	-
	Unsecured loan taken	-	-	2,190.00	-
	Refund of Unsecured loan taken	-	-	2,192.51	-
	Interest expense	-	-	2.51	-
	Rent expense	411.43	-	348.31	-
	Equity dividend paid	-	-	235.48	-
	Corporate policy issued	2.11	-	1.53	-
2. Tranzmute Capital & Management Private	Refund of long-term loans and advances given	-	-	40.50	-
	Electricity charges paid	-	-	0.67	-
	Telephone charges paid	-	-	0.94	-
3. Finance Industry Development Council	Annual subscription	1.15	-	0.56	-
4. Microfirm Capital Private Limited	Equity dividend paid	-	-	272.13	-
	Unsecured loan taken (including interest)	-	-	685.95	-
	Refund of unsecured loan taken (including interest)	-	-	943.37	-
	Investment in Redeemable Cumulative Preference shares	-	1,271.14	-	1,271.14
	Interest expense	-	-	34.95	-
	Dividend income	0.01	-	-	-
5. Pragati Sales LLP	Unsecured loan taken (including interest)	-	-	72.19	-
	Refund of unsecured loan taken (including interest)	-	-	110.83	-
	Interest expense	-	-	4.19	-
6. Magma Consumer Finance Private Limited	Unsecured loan taken (including interest)	-	-	1,704.86	-
	Refund of unsecured loan taken (including interest)	-	-	1,704.86	-
	Sale of assets	14.44	-	-	-
	Interest expense	-	-	29.86	-
7. Devsar Vyapaar Private Limited	Unsecured loan taken (including interest)	-	-	202.89	-
	Refund of unsecured loan taken (including interest)	-	-	866.41	-
	Interest expense	-	-	87.39	-

Notes

to the Consolidated Financial Statements (Continued)

NOTE 31 : RELATED PARTY DISCLOSURES (Contd.)

(₹ in Lacs)

Name of related party	Nature of transaction	Transaction value for the year ended 31 March 2017	Outstanding amount as at 31 March 2017	Transaction value for the year ended 31 March 2016	Outstanding amount as at 31 March 2016
B) Key management personnel					
1. Mr. Mayank Poddar	Rent expense	2.03	-	1.88	-
	Directors' remuneration	150.00	-	150.00	-
	Premium for policies underwritten	0.06	-	-	-
2. Mr. Sanjay Chamria	Director's remuneration	150.00	-	150.00	-
	Provision for commission	-	-	160.00	160.00
3. Mr. Kailash Baheti	Salary	97.48	-	37.48	-
4. Mrs. Shabnum Zaman	Salary	19.13	-	10.49	-
5. Mr. Atul Bansal	Salary	84.34	-	154.74	-
C) Directors					
1. Mr. Neil Graeme Brown	Sitting fees	-	-	1.20	-
	Commission #	-	-	35.00	35.00
2. Mr. Narayan K Seshadri	Sitting fees	2.90	-	2.20	-
	Commission #	-	-	75.00	75.00
3. Mr. Nabankur Gupta	Sitting fees	2.60	-	1.60	-
	Commission #	-	-	30.00	30.00
4. Mr. Satya Brata Ganguly	Sitting fees	7.80	-	5.80	-
	Commission #	-	-	20.00	20.00
5. Mr. V K Viswanathan	Sitting fees	3.52	-	-	-
6. Mr. Sanjay Nayar	Sitting fees	0.80	-	1.40	-
7. Mrs. Ritva Kaarina Laukkanen	Sitting fees	0.80	-	0.60	-
D) Relatives of Directors					
1. Mr. Harshvardhan Chamria	Salary	77.92	-	38.78	-

Related parties identified includes related parties as per section 2(76) of the Companies Act, 2013.

Transactions with related parties have been identified on the basis of related party transactions disclosed in financial statement of the respective subsidiary and joint venture entities.

Commission provided in financial year 2015-16 has been fully paid in financial year 2016-17.

Notes

to the Consolidated Financial Statements (Continued)

NOTE 32 : EMPLOYEE BENEFITS

Gratuity Benefit Plan

The following tables set out the status of the gratuity plan as required under Accounting Standard (AS) 15 (revised) on Employee Benefits.

(a) Reconciliation of opening and closing balances of the present value of defined benefit obligation

(₹ in Lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Opening defined benefit obligation	1,497.07	1,405.47
Obligation received from previous employer	-	-
Current service cost	272.54	234.83
Interest cost	108.27	100.96
Actuarial losses /(gains)	203.41	8.34
Benefits paid	(243.08)	(252.53)
Closing defined benefit obligation	**1,838.21**	**1,497.07**
Share of joint venture	**61.87**	**45.84**

(b) Changes in the fair value of the plan assets are as follows

(₹ in Lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Opening fair value of the plan assets	1,667.07	1,590.33
Expected return on plan assets	137.74	123.64
Contributions by employer	382.42	189.84
Actuarial (losses) / gains	-	-
Benefits paid	(216.28)	(236.74)
Closing fair value of the plan assets	**1,970.95**	**1,667.07**
Share of joint venture	**56.95**	**58.80**

(c) Net asset / (liability) recognised in the balance sheet

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Defined benefit obligation	(1,838.21)	(1,497.07)
Fair value of plan assets	1,970.95	1,667.07
Net asset	**132.74**	**170.00**
Share of joint venture	**(4.92)**	**12.96**

Notes

to the Consolidated Financial Statements (Continued)

NOTE 32 : EMPLOYEE BENEFITS (Contd.)

(d) Expenses recognised in the statement of profit and loss account

(₹ in Lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Current service cost	272.54	234.83
Interest on defined benefit obligation	108.27	100.96
Net actuarial losses / (gains) recognised	203.41	8.34
Expected return on plan assets	(137.74)	(123.64)
Net expense included in "Employee benefits expenses"	**446.48**	**220.49**
Share of joint venture	**35.40**	**9.20**

(e) Summary of actuarial assumptions*

	As at 31 March 2017	As at 31 March 2016
Discount rate	7.28%	7.87%
Salary increase	5.00%	5.00%
Withdrawal Rate	4.20%	4.20%

*includes assumptions for joint venture entity

(f) Expected rate of return on plan assets: This is based on the expectation of the average long-term rate of return expected on investments of the fund during the estimated term of the obligations.

(g) Discount rate: The discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of the obligations.

(h) Salary escalation rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

(i) Experience adjustments*

(₹ in Lacs)

	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
Present value of defined benefit obligation	(1,838.21)	(1,497.07)	(1,405.47)	(1,011.18)	(862.62)
Fair value of plan assets	1,970.95	1,667.07	1,590.33	1,346.06	1,090.09
Funded status [surplus/(deficit)]	132.74	170.00	184.86	334.88	227.47
Experience (gain)/loss adjustment on plan liabilities	71.95	3.88	73.50	66.05	56.36
Experience gain/(loss) adjustment on plan assets	-	-	(5.53)	-	(6.57)
Experience (gain)/loss adjustment on plan liabilities due to change in assumption	131.46	4.46	202.02	(93.20)	43.40

* Gratuity is applicable to the subsidiary companies from financial year ended 31 March 2014 and therefore disclosure has been made from the aforesaid year for the subsidiaries.

Share of joint venture

(₹ in Lacs)

	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
Present value of defined benefit obligation	(61.87)	(45.84)	(31.61)	(17.75)	(15.80)
Fair value of plan assets	56.95	58.80	33.78	26.37	16.16
Funded status [surplus/(deficit)]	(4.92)	12.96	2.17	8.63	0.36
Experience (gain)/loss adjustment on plan liabilities	(0.02)	(3.20)	2.36	(0.53)	-
Experience gain/(loss) adjustment on plan assets	(13.98)	-	-	-	0.19
Experience (gain)/loss adjustment on plan liabilities due to change in assumption	4.61	0.17	3.95	(1.53)	-

Notes

to the Consolidated Financial Statements (Continued)

NOTE 33 : CASH FLOW STATEMENT

Due to the different methods of computing cash flows adopted by one of the joint venture carrying on the business of insurance, which is mandated by the Insurance Regulatory and Development Authority, consolidated cash flows for the year could be better viewed when summarised as follows:

(₹ in Lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
From operating activities	2,94,864.53	73,281.47
From investing activities	(18,565.15)	(25,412.58)
From financing activities	(2,84,431.82)	(49,826.59)
Net increase / (decrease) in cash and cash equivalents	(8,132.44)	(1,957.70)
Cash and cash equivalents as at the beginning of the year	22,302.07	24,259.77
Cash and cash equivalents as at the end of the year	14,169.63	22,302.07

NOTE 34 : CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

(a) Contingent liabilities

(₹ in Lacs)

		As at 31 March 2017	As at 31 March 2016
1	**Claims against the Company not acknowledged as debt**		
	(i) Income tax matters under dispute	295.12	319.86
	(ii) VAT matters under dispute	240.49	242.33
	(iii) Service tax matters under dispute	452.50	115.00
	(iv) Legal cases against the company *	116.32	329.43
2	**Guarantees**		
	(i) Unexpired bank guarantee	30,524.06	24,549.84

* The Company is also involved in other law suits, claims, investigations and proceedings, including collection and repossession related matters, which arise in the ordinary course of business. However, there are no significant claims on such cases.

(b) Commitments

(₹ in Lacs)

		As at 31 March 2017	As at 31 March 2016
1	Estimated amount of contracts remaining to be executed on capital account and not provided for [share of joint venture ₹ 202.10 lacs (2016: ₹ Nil)]	1,074.81	582.89
2	Redemption of preference shares (including premium)	-	1,300.20
3	Undisbursed housing / other loans	3,747.15	10,309.83

(c) The Company has a process whereby periodically all long-term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision required under any Law / Accounting Standard / RBI Regulation for material foreseeable losses on such long term contracts has been made in the books of account.

NOTE 35 : MOVEMENT OF PROVISION FOR NON-PERFORMING ASSETS

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
Provision for non-performing assets		
Balance as per last financial statements	31,305.78	19,670.21
Add: Provision made during the year (net)	18,469.21	11,635.57
Less: Reversals of provision on sale of non-performing assets	30,688.97	-
	19,086.02	**31,305.78**

Notes

to the Consolidated Financial Statements (Continued)

NOTE 35 : MOVEMENT OF PROVISION FOR NON-PERFORMING ASSETS (Contd.)

The Company classifies non-performing assets (NPAs) at 4 months overdue and is compliant with the requirement for the financial year ending 31 March 2017 as per the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated 01 September 2016. These provisioning norms are considered the minimum and additional provision is made based on perceived credit risk where necessary.

During the financial year ended 31 March 2017, the Company has recorded an additional provision of ₹ 2,375.00 lacs towards NPAs which are more than 15 months overdue. This additional provision is in line with the RBI guidelines on NPA provisioning norms applicable for the year ending 31 March 2018. Accordingly, the profit before tax for the financial year ended 31 March 2017, is lower to the extent of ₹ 2,375.00 lacs.

NOTE 36 :

Statement containing salient features of the financial statement of subsidiaries, pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014 is given below:

(a) Financial information of subsidiaries (including step-down subsidiary) for the year ended 31 March 2017:

(₹ in Lacs)

	Magma Advisory Services Limited	Magma Housing Finance Limited	Magma ITL Finance Limited
Share capital	5,666.67	14,810.25	4,500.00
Reserves and surplus	16,342.17	12,691.57	8,651.52
Total assets	22,011.64	1,60,463.79	63,507.95
Total liabilities	22,011.64	1,60,463.79	63,507.95
Investments	21,981.73	1,225.46	727.88
Turnover / total income	96.04	25,097.88	13,782.62
Profit before taxation	(0.56)	5,197.88	(1,884.71)
Provision for taxation	0.37	1,823.94	1,084.52
Profit after taxation	(0.93)	3,373.94	(2,969.23)
Proposed dividend (including tax thereon)	-	-	-
% of shareholding (including investment through subsidiaries)	100%	100%	74%

(b) Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to joint ventures as at 31 March 2017:

	Name of joint ventures	Units	Magma HDI General Insurance Company Limited*	Jaguar Advisory Services Private Limited
1	Shares of joint ventures held by the Company on the year end			
	No. of shares	Nos.	4,62,50,000	11,000
	Amount of investment in joint ventures	₹ in lacs	7,400.00	2.20
	Extent of holding	%	41.11%	48.89%
2	Description of how there is significant influence		Holding more than 20% of the paid up capital	Holding more than 20% of the paid up capital
3	Networth attributable to shareholding as per latest audited balance sheet	₹ in lacs	9,274.40	2,378.98
4	Profit for the year			
	i. Considered in consolidation	₹ in lacs	259.12	0.65
	ii. Not considered in consolidation	₹ in lacs	371.15	0.68

The Company did not have any associate companies in the current year.

* Extent of holding includes investment held through Jaguar Advisory Services Private Limited.

Notes

to the Consolidated Financial Statements (Continued)

NOTE 37 :

The Company's share of each of the assets, liabilities, income, expenses, etc. (each without elimination of the effect of transactions between the Company and the Joint Ventures) related to its interest in these joint ventures, based on the audited financial statements are as follows:

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	4,626.12	4,626.12
Reserves and surplus	7,025.68	6,765.91
Fair value change account	1.58	1.78
Non-current liabilities		
Long-term borrowings	12.31	3.90
Current liabilities		
Trade payables	1.91	14.10
Other current liabilities	26,598.74	23,093.27
Short-term provisions	7,268.73	7,254.54
ASSETS		
Non-current assets		
Fixed assets	615.45	255.09
Non-current investment	34,087.53	30,211.15
Deferred tax assets (net)	408.98	408.98
Long-term loans and advances	96.76	102.58
Other non-current assets	822.23	2,960.01
Current assets		
Current investment	2,196.65	4,283.93
Cash and bank balances	2,982.32	1,016.98
Short-term loans and advances	1,966.70	567.83
Other current assets	2,358.45	1,953.07

(₹ in Lacs)

	As at 31 March 2017	As at 31 March 2016
REVENUE		
Revenue from operations	748.32	719.53
Operating result from general insurance business	(445.69)	(963.94)
Other income	83.22	60.94
EXPENSE		
Employee benefits expense	60.68	-
Other expenses	29.47	52.80

Notes

to the Consolidated Financial Statements (Continued)

NOTE 38 : DISCLOSURE REQUIRED UNDER SCHEDULE III OF COMPANIES ACT, 2013

(₹ in Lacs)

Name of the entity in the Group	Net Asset		Shares in profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
A) Parent				
1 Magma Fincorp Limited	92.37 %	2,03,789.38	47.88 %	609.68
B) Subsidiaries				
Indian				
1 Magma Advisory Services Limited (MASL)	1.26 %	2,770.85	264.92 %	3,373.01
2 Magma ITL Finance Limited (MITL)	2.90 %	6,401.99	(172.60)%	(2,197.19)
Foreign		Not Applicable		Not Applicable
Minority interests in all subsidiaries	1.55 %	3,419.59	(60.60)%	(772.04)
C) Associates (Investment as per the equity method)				
Indian		Not Applicable		Not Applicable
Foreign		Not Applicable		Not Applicable
D) Joint Venture (as per proportionate consolidation / investment as per the equity method)				
Indian				
1 Jaguar Advisory Services Private Limited (JASPL)	1.08 %	2,376.78	0.05 %	0.65
2 Magma HDI General Insurance Company Limited (MHDI)	0.85 %	1,874.37	20.35 %	259.12
Foreign		Not Applicable		Not Applicable
Total	**100.00 %**	**2,20,632.96**	**100.00 %**	**1,273.23**

NOTE 39 : DISCLOSURES RELATING TO SPECIFIED BANK NOTES (SBN) IN TERMS OF THE NOTIFICATION ISSUED BY MCA

Details of Specified Bank Notes (SBN) held and transacted during the period 08 November 2016 to 30 December 2016

(₹ in Lacs)

Name of joint ventures	SBNs	Other Denomination Notes *	Total
Closing cash in hand as on 08 November 2016 #	857.20	57.45	914.65
Add: Permitted receipts **	-	29,215.81	29,215.81
Less: Permitted payments	-	35.50	35.50
Less: Amount deposited in Banks ***	857.20	28,332.84	29,190.04
Closing cash in hand as on 30 December 2016 #	-	904.92	904.92

Based on the daily cash register and petty cash summary statement maintained across the branches.

* Includes balance in State Bank of India eZ Card and replenishment in transit.

** Includes direct cash deposits made by the customers in Company's bank accounts vide RBI Circular No. DCM (Plg) No. 1226/10.27.00/2016-17 dated 08 November 2016 under Section 3(c)(v). Also includes withdrawal from bank.

*** Includes SBN of ₹ 5.29 lacs as part of petty cash at 127 branches which was exchanged across the counter at banks.

Notes

to the Consolidated Financial Statements (Continued)

NOTE 40 : CORPORATE SOCIAL RESPONSIBILITY (CSR)

A CSR committee has been formed by the Company as per the Companies Act, 2013. CSR expenses have been incurred through out the year on the activities as specified in Schedule VII of the said Act.

a) Gross amount required to be spent by the Company during the year is ₹ 493.25 lacs.

b) Amount spent during the year on CSR activities

(₹ in Lacs)

		In cash	Yet to be paid in cash	Total
(i)	Construction/ acquisition of any asset	-	-	-
(ii)	On purposes other than (i) above	353.64	31.00	384.64

During earlier year while calculating the eligibility amount in CSR, balance of provision for non-performing assets and provision for standard assets were added back to derive at the book profit. Going by the provisions of Section 198 of the Companies Act, 2013, the Company is not required to add back the balance of provision for non-performing assets and provision for standard assets, hence the same has not been considered while calculating the revised eligibility criteria for CSR.

NOTE 41 : ADDITIONAL DISCLOSURE ON STEP DOWN SUBSIDIARY

The step-down subsidiary of the Company i.e. Magma Housing Finance (A Public Company with Unlimited Liability) has been converted from an Unlimited Liability Company into a Company limited by shares vide Certificate of Incorporation dated 19 December, 2016 issued by Registrar of Companies, Delhi (RoC). Subsequent to the conversion, the name of the step-down subsidiary has been changed to Magma Housing Finance Limited vide Certificate of Incorporation dated 07 April 2017 issued by Registrar of Companies, Delhi (RoC).

NOTE 42 : DERIVATIVE TRANSACTION

The Company has recognised gain of ₹ 23.10 lacs (2016: ₹ loss 23.10 lacs) relating to derivative financial instrument. The Company does not have any unhedged foreign currency exposure.

NOTE 43 : PREVIOUS YEAR'S FIGURE

Previous year's figure including those in brackets have been regrouped and / or rearranged wherever necessary.

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Regn. No. 101248W/W-100022

Jayanta Mukhopadhyay
Partner
Membership No. 055757

Kolkata, 11 May 2017

For and on behalf of the Board of Directors

Narayan K Seshadri
Chairman
[DIN: 00053563]

Sanjay Chamria
Vice Chairman & Managing Director
[DIN: 00009894]

Kailash Baheti
Chief Financial Officer

Shabnum Zaman
Company Secretary

Mumbai, 11 May 2017

NOTES

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concept, content and design at aicl (info@aicl.in)