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

2 August 2018

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 2018 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 2018 as approved by the shareholders of the Company at the Annual General Meeting held on 2 August 2018.

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

2017-18
ANNUAL REPORT

MAGMA
Investing in the smallest dream

RE

IMAGINED.
ENERGISED.
ASSURED.



MAGMA FINCORP LIMITED

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

About Magma Fincorp Limited

Magma Fincorp Limited (Magma) is a non-deposit taking non-banking finance company (NBFC), registered with the Reserve Bank of India (RBI) as an Asset Finance Company. We are listed on the BSE Limited and the National Stock Exchange in India.

FY 2017-18: Key achievements

(Consolidated)

Total disbursements

₹ **7,287** crores ^

Profit after tax

₹ **230** crores ^

Net interest margin (NIM)

8.8% ^

Collection efficiency

100.3% ^

Corporate information

CIN: L51504WB1978PLC031813

Board of Directors

Mr. Narayan K Seshadri
Non Executive Independent Chairman

Mr. Mayank Poddar
Chairman Emeritus and 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. V K Viswanathan
Non Executive Independent Director

Ms. Madhumita Dutta-Sen
Non Executive Director (Additional 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 (Partner)
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 No. +91 33 2235 7270 / 7271, +91 33 2234 3576
Fax No. +91 33 2215 6823
Email Id: nichetechpl@nichetechpl.com

Performance at a glance

(Consolidated)

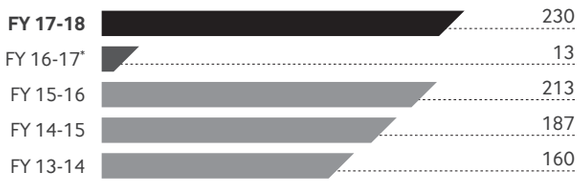
Revenue

(₹ in Crores)



Profit after tax

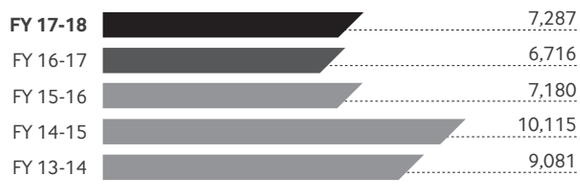
(₹ in Crores)



*Impacted due to loss on sale of NPA

Total disbursements

(₹ in Crores)



AUM (Loan book)

(₹ in Crores)



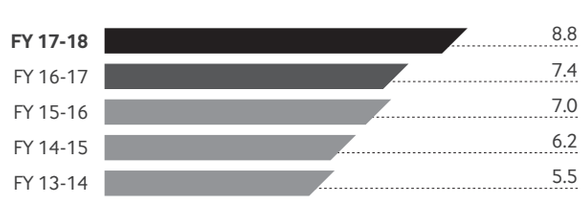
Total assets (including off book)

(₹ in Crores)



Net income margin

(%)



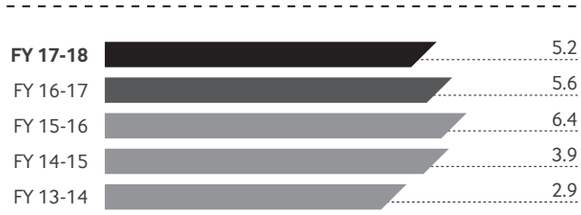
Collection efficiency

(%)



Net NPA*

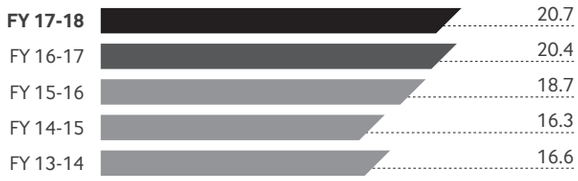
(%)



* FY 17-18 at 3 months overdue, earlier years at 4 months overdue; on AUM.

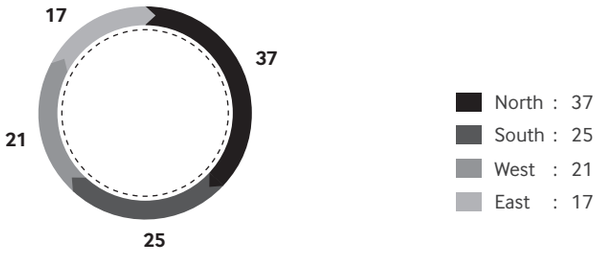
Capital adequacy ratio (Standalone)

(%)



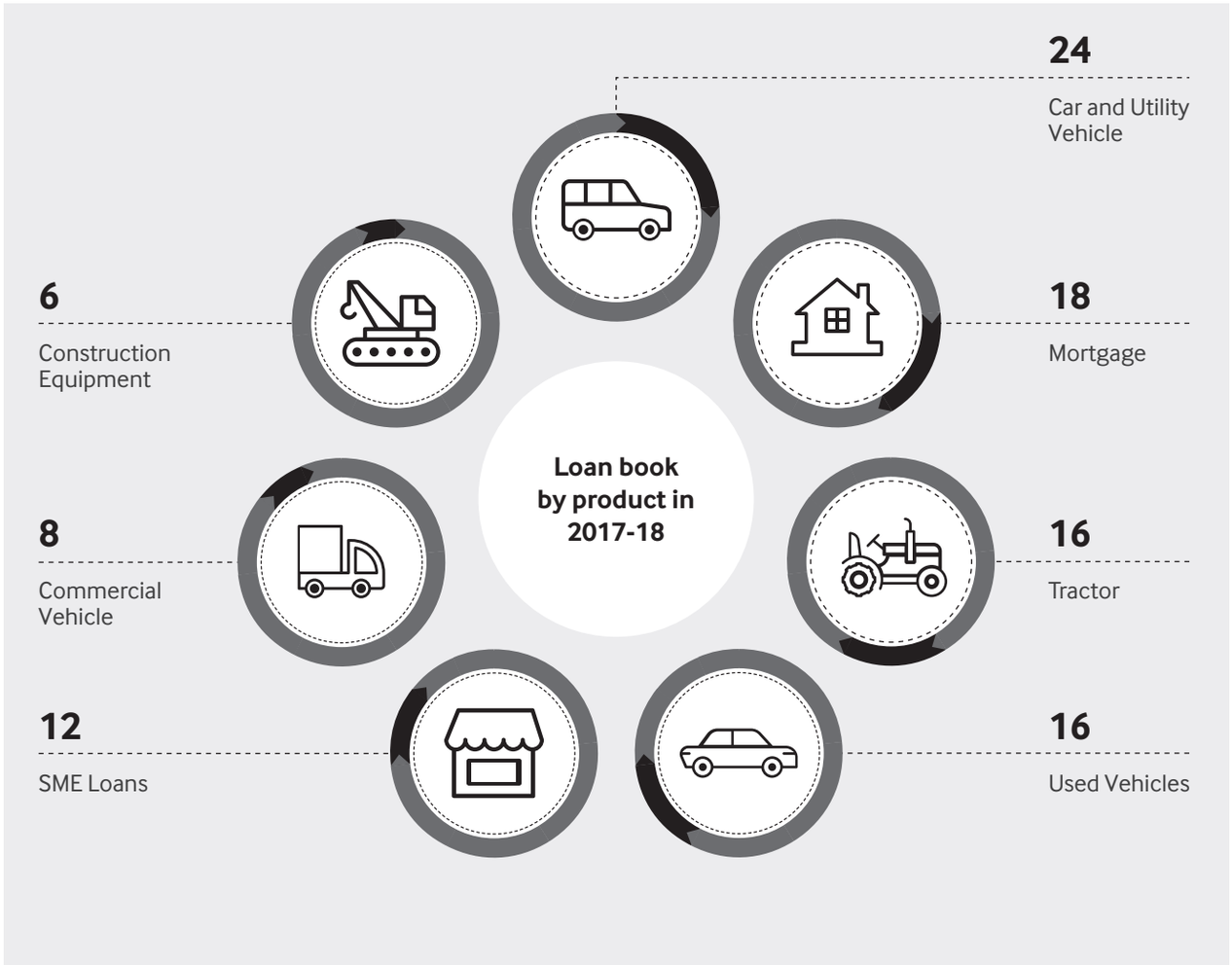
Loan book by geography in 2017-18

(%)



Loan book by product in 2017-18

(%)



Board's Report & Management Discussion and Analysis

Dear Shareholders,

Your Directors have pleasure in presenting the 38th Annual Report along with the Audited Financial Statements of the Company for the financial year ended 31 March, 2018.

Financial highlights is given below:

(₹ in lacs)

	Consolidated		Standalone	
	FY 2017-18	**FY 2016-17**	**FY 2017-18**	**FY 2016-17**
Total income	229,858.65	240,530.93	203,710.89	202,673.42
Profit before interest and depreciation	127,274.12	122,659.49	110,339.50	100,156.44
Less: Interest and finance charges	90,546.05	113,130.24	78,467.49	94,256.97
Less: Depreciation	4,922.45	4,850.13	4,897.65	4,828.66
Profit before tax	**31,805.62**	**4,679.12**	**26,974.36**	**1,070.81**
Tax Expense	8763.21	3,405.89	6,725.42	461.13
Profit after tax (Before Minority Interest)[1]	**23,042.41**	**1,273.23**	**20,248.94**	**609.68**
Minority Interest	-	(772.04)	-	-
Profit after tax (After Minority Interest)	**23,042.41**	**2,045.27**	**20,248.94**	**609.68**
Add: Surplus brought forward	56,403.47	55,160.75	47,606.42	47,129.24
Add: Impact of pre-acquisition surplus on Merger	-	-	4,309.84	-
Balance available for appropriation	**79,445.88**	**57,206.02**	**72,165.20**	**47,738.92**
- Statutory reserves	4,589.95	800.05	4,110.00	130.00
- General reserve	13,832.22	-	13,832.22	-
Dividend Paid				
- On preference shares	0.75	2.08	0.75	2.08
- On equity shares	1,895.79	-	1,895.79	-
- Dividend tax	386.09	0.42	386.09	0.42
Balance carried forward	**58,741.08**	**56,403.47**	**51,940.35**	**47,606.42**

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

Economic and Industry Overview

Global Economic Overview

According to the World Economic Outlook (December 2017 update), the global output was projected to expand by a healthy 3.7% in 2017. The pickup in the growth is broad based, lead by both developed and emerging economies. The forecast for 2018 is even higher at 3.9%, reflecting global growth momentum on the back of a pick-up in investments.

A Global Economic Survey carried out amongst members of the Global Chamber Platform (GCP) has also increased confidence in the global economy. With optimistic growth fore-casts and an increase in business confidence for 2018, the global growth rate is picking up steam after a strong 2017. However the survey has signalled out the following challenges:

- Protectionism and insufficient access to foreign markets. Persistent trade barriers, and the increasing risk of trade wars among the world's major economic blocs may have potential to undermine the expected positive growth for 2018.
- Political instability has been ranked as the second main challenge.
- The tightening of global financial conditions, the stability of the financial system, as well as the effects of climate change were considered as the other main challenges for the global economy in the year ahead.

Indian Economic Overview

India's GDP is estimated to grow by 7.4% in FY2018, which makes the country the world's fastest-growing major economy in 2018. This growth is driven by robust public and private consumption. Consumption was supported by lower energy costs, public sector salary and favourable monsoon rains. Economic activity also benefited from a pick-up in FDI and an increase in public infrastructure spending. Some of the key factors driving growth are:

- On implementing GST, the Indian economy has initiated the process of transforming into a formal economy, improving the tax base. The tax collection for 11 months in FY 2018 showed an increase in net direct taxes by 19.5% on y-o-y basis.
- Foreign Direct Investment (FDI) inflows reached US$ 208.99 billion during April 2014 - December 2017, with maximum contribution from services, computer software & hardware, telecommunications, construction, trading and automobiles.
- The foreign exchange reserves were US$ 422.53 billion in the week up to March 23, 2018, according to data from the RBI, which is approximately 11 months of imports.
- Merchandise exports grew 11% to US$ 273.73 billion and imports 21% to US$ 416.87 billion on a y-o-y basis.
- India has improved its ranking in the World Bank's Doing Business Report by 30 spots over its 2017 ranking, and is ranked 100 among 190 countries in 2018 edition of the report.
- Moody's upgraded India's sovereign rating after 14 years to Baa2, with a stable economic outlook.

However, there are some concerns:

- CPI inflation was at 4.4% in February 2018. In the last monetary policy review, the RBI has projected an increase in CPI inflation to 5.1-5.6%, during the first half of FY2019.
- There are headwinds from the higher bank NPAs, elevated bond yields and trade protectionism may cause disruption. The tightening of global financial markets, in combination with the NPA-laden domestic banking sector, could affect international capital inflows.
- In the first three quarters of FY2017-18, oil prices have been about 16% greater in dollar terms than in the previous year. It is estimated that a $10 per barrel increase in the price of oil will reduce growth by ~0.25bps and increase WPI inflation by ~1.7bps.

Industry Overview

NBFC Sector

NBFCs are vital intermediaries, driving the last mile transmission of credit to sectors that have not had meaningful access to formal banking credit. They have made a significant contribution towards supporting the government's agenda of extending financial inclusion. This role assumes an even greater significance at a time when banking institutions, especially Public Sector Banks, are struggling with growth and asset quality.

Over the last few decades, NBFCs have developed and supported important infrastructural requirements, driving economic growth – especially in the areas of transportation (commercial vehicle and auto finance), rural industry (tractors, small equipment and small sector finance), high potential medium & small scale industry (MSME), consumption financing and home finance.

Overview of underlying asset class

Automobile sector

All India sales of new Commercial Vehicles (CV) recorded a growth of 19.94% during FY2017-18, as opposed to 4.2% growth in FY2016-17. The increase in demand has been in all segments such as Medium & Heavy Commercial Vehicles (MHCV), Small Commercial (SCV) and Light Commercial (LCV) vehicles, which witnessed growth of 11.2%, 27.2% and 16.2%, respectively.

Volume in the Construction Equipment (CE) segment increased by 24.8% in FY2017-18, as opposed to a decline of 12.5% in FY2016-17.

The sale of new passenger vehicles recorded a growth of 7.9% during FY2017-18, against 9.2% growth recorded in FY2016-17. This was mainly due to a slower growth in the utility vehicle segment. Within the Passenger Vehicles segment, Passenger Cars, Utility Vehicles and Multipurpose Vehicles grew by 3.3%, 21.0% and 5.8% respectively, compared to the corresponding previous year.

The revival in demand and rural growth led to 22.1% of volume growth in tractors during FY2017-18 as compared to growth of 18.1% in FY2016-17, the demand for tractors was stronger on back of increased farm activities, with a normal monsoon forecast and improved soil moisture and reservoir levels. An upward revision in Minimum Support Price (MSP) and non-agriculture demand also contributed to tractor growth in FY2017-18.

SME Sector

The MSME sector in India continues to demonstrate resilience in the face of testing global and domestic economic circumstances. The sector has sustained an annual growth rate of over 10% for the past few years. With its agility and dynamism, the sector has shown innovativeness and adaptability to survive economic shocks. The significance of MSMEs is attributable to their caliber for employment generation, low capital & technology requirement, the promotion of industrial development in rural areas, the use of traditional or inherited skill, the use of local resources, mobilisation of resources and the exportability of products.

Further, the MSME sector continues to have a huge unmet demand for credit. The NBFCs share in MSME financing will

continue to grow, but competitive intensity is expected to rise due to the entry of small finance banks and PSB recapitalisation.

Mortgage Sector

Last year the government announced various measures such as Pradhan Mantri Awas Yojana (PMAY), in addition to an extension of the credit-linked subsidy scheme, to expand the affordable housing sector. India's mortgage-to-GDP ratio is still low at 10% in Fiscal 2017 compared to other developing countries, but it has improved from 7.4% in Fiscal 2010, given rising incomes, improving affordability, growing urbanisation — including the emergence of tier 2 and tier 3 cities, — the evolution of the nuclear family concept, tax incentives, widening reach of financiers and faster loan sanctioning. Various structural drivers such as a young population, smaller family sizes, urbanisation, rising income levels and widening reach of financiers provides immense growth prospects for NBFCs in the housing finance space in medium to long term.

Overview of Company's Performance

The Company has shown significant secular progress in each area of its business in FY2017-18. The new initiatives taken by the Company under a new leadership, have shown positive impact during current year. The momentum of disbursement has shown good traction, leading to steady asset growth on a quarterly basis.

Asset Quality

The consolidated GNPA ratio on 90 dpd basis on total AUM, declined from 8.8% (restated based on new regulatory norms applicable for year ended 31 March 2018) in March 2017 to 7.0% in March 2018. Similarly, the NNPA ratio on total AUM has declined from 7.5% in March 2017 to 5.2% in March 2018. This is a significant improvement which is the result of various collection initiatives undertaken by the Company.

Disbursements and Loan Assets

During the year FY2017-18, the standalone disbursements grew by 12.7% from ₹ 5,96,750 lacs in FY2016-17 to ₹ 6,72,581 lacs in FY2017-18. Similarly, the consolidated disbursements grew by 8.5%, from ₹ 6,71,582 lacs in FY2016-17 to ₹ 7,28,680 lacs in FY2017-18. The growth in disbursement is mainly on the back of increase in disbursement of Used Assets, Commercial Vehicles and the SME loans.

Total assets as on 31 March 2018, on standalone basis reached to ₹ 11,95,236 lacs, a growth of 4.70% on y-o-y basis and on consolidated basis it reached to ₹ 13,70,127 lacs, an increase of 0.6% on y-o-y basis.

Total Loan assets as on 31 March 2018 on standalone basis increased by 1.9% y-o-y basis to ₹ 13,76,553 lacs. However, the Total Loan Assets registered on consolidated basis registered a decline of 3.4% to ₹ 15,55,474 lacs.

New Initiatives and Business Outlook

Asset Backed Finance (ABF) business has shown helathy growth on the backdrop of various initiatives taken by the Company to return to the path of healthy growth, with a clear focus on portfolio quality. The disbursement in ABF business has shown an increase of 12% as Compared to last year.

Mortgages Business, the Company continued its transition to sourcing direct business and disbursing lower ticket loans in FY 2017-18. This strategic shift to direct origination and lower ticket size loans impacted the Company's disbursement and loan growth of mortgage business in FY2017-18. With the transition being almost complete, the Company expects steady growth in the business going forward. The push for affordable housing by the Government of India will further expand the Company's current housing strategy.

SME Business continues to remain a bright spot for the Company. With better yields and lower credit cost, SME profitability is best among the products which we offer. Temporary disruption due to demonetisation led to lower disbursement in first half of fiscal 2017-18. In FY2017-18, SME disbursement increased by 12%, as compared to last year, due to increased contribution of business from tier 2/3 towns, the build geo-cluster and industrial segment, an increased contribution of business from Direct Sourcing - starting with pre-approved loans - on a large existing customer database.

Insurance business continues to be profitable in FY2017-18. 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, ensuring that the underwriting guidelines and processes are well defined. The insurance business is growing in a responsible and calibrated manner as per the plan. The Company has launched new and innovative product "One health, a comprehensive health insurance plan" in the health insurance segment to capture market share in the fast growing health insurance market. This would ensure that the Company remains cost-efficient in its operations. The Company also intends to launch new products and shall continue to invest in technology to enhance the dealing experience for channel partners resulting in an improved customer experience.

Branch network

Magma has expanded its branch network to 305 branches in FY2018 as compared to 284 branches in FY2017. The Company continues to exploit 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 125 and 94 branches, respectively.

Capital Raise

At the beginning of the year 2018-19, the Company has successfully raised ₹ 500 Crores through a Qualified Institutional

Placement (QIP). The QIP received an overwhelming response, getting 1.76 times oversubscription from many renowned and marque institutional investors across India and Asia.

Financial Performance

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

The Company Profit after Tax (PAT) on consolidated basis increased to ₹ 23,042 lacs in FY2017-18 compared to ₹ 1,273 lacs in FY2016-17.

Better interest cost management and a prudent mix of products helped the Company increase its net interest margin (NIM) by 137 basis points, from 7.4% to 8.8%, during FY2017-18. Even though average lending rates on earning loan assets declined by 7 basis points to 16.24%, it was offset by a decline in the cost of funds from 9.81% in FY2016- 17 to 9.15%.

Net Income from Operations (*i.e. total income less finance cost*) on a consolidated basis increased by 9.3% from ₹ 1,27,401 lacs in FY2016-17 to ₹1,39,313 Lacs in FY2017-18.

A decrease in volumes and also doing more business through direct sourcing, resulted in a 14% decline in the Brokerage and commission expenses in FY2017-18, as compared to last year. However, the overall opex ratio increased from 3.6% in FY 2016 -17 to 4.4% in FY2017 -18 mainly due to lower Assets Under Management, and higher investment in branch expansion, investments in technology, investments in the existing business and increase outsourcing of collections in higher brackets.

On a Standalone basis, the total Capital Risk Adequacy Ratio (CRAR) for the year FY2017-18 was 20.7%, against the RBI stipulated norm of 15% for non-deposit taking Asset Finance Companies. The recent capital infusion through Qualified Institutional Placement will further strengthen the capital adequacy going forward.

Opportunities, Challenges and Outlook

Opportunities

In the present economic system of India, NBFCs have assumed a significant role in providing accessible and affordable financial services.

With the focus of NBFCs on segments traditionally neglected by banks (non-salaried professionals, individuals, traders and transporters), and with the ongoing stress on public-sector banks due to mounting bad debt, NBFCs have a lucrative opportunity to expand their presence in the Indian financial story.

The success of NBFCs can be clearly attributed to their ability to assess the credit worthiness of customers with informal income, superior product construct tailored to meet the needs of identified customer segment, excellent turn-around time (TAT) from lead to disbursement, wider and effective reach, strong risk management capabilities to check and control bad debts, and an overall better understanding of their customer segments.

The success of NBFCs can be clearly attributed to their ability to assess the credit worthiness of customers with informal income, superior product construct tailored to meet the needs of identified customer segment, excellent turn-around time (TAT from lead to disbursement, wider and effective reach, strong risk management capabilities to check and control bad debts, and an overall better understanding of their customer segments.

As the Indian customer evolves, NBFCs would need to leverage new technologies to improve the customer experience. Increasingly, financial transactions are conducted through electronic banking. As the consumer acceptance of eKYC and biometric authentication increases, fingerprint recognition has the potential of becoming the most commonly used technology for customer interactions. Adoption of the emerging and new technology would result in faster loan approvals and enrich customer experience.

Challenges

India's financial sector is facing considerable challenges. High non-performing assets especially of the Public Sector Banks, and the slow deleveraging and repair of corporate balance sheets are testing the resilience of the banking system, holding back investment and growth.

The year 2017-18 was the year of benign interest rates. However, interest rates have substantially hardened towards the end of the financial year and have continued to harden in FY2018-19. Ensuring that the overall interest cost remains under control would be a big challenge in FY2018-19.

The hardening of crude oil prices could lead to higher inflation during the year, putting further upward pressure on the interest rates.

There has been explosive growth in the financial services sector in the recent few years. The advent of the new generation banks, full service banks, small finance banks and payment banks has opened multiple opportunities for the available talent. Ensuring that the available talent remains committed with the Company, providing adequate career opportunities to existing talent pool and continuously building back up talent pool would be another key challenge for the industry.

Outlook

The Indian economy has returned to become leading growth economy after twin disruptions caused by demonetization and roll out of the Goods and Services Tax. The growth in FY2018-19 has been projected to be higher than the previous year. The third consecutive good monsoon would provide further tailwind to the growth and specially augurs well for the rural economy.

Over last two years, the Company has gone through a transformation building blocks for returning to secular quality growth. The emerging opportunities provide an excellent platform to achieve sustainable growth.

Change in Nature of Business

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

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 that 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.

Subsidiary and Joint Venture Companies

Magma Housing Finance Limited [Formerly, Magma Housing Finance (A Public Company with Unlimited Liability)] (MHFL) is a wholly owned subsidiary of the Company. MHFL has made disbursements of ₹ 56,099 lacs against ₹ 47,539 lacs in previous year. MHFL has earned a PBT of ₹ 3,560 lacs for the year ended 31 March 2018 against ₹ 5,198 lacs in previous year.

The Company's Joint Venture with HDI Global SE for General Insurance Business in India named Magma HDI General Insurance Company Limited (MHDI) (the 'JV Company') has completed five full years of operation in the year ending 31 March 2018. MHDI has reported Gross Written Premium (GWP) of ₹ 56,028 lacs in FY 2017-18 against ₹ 42,288 lacs in FY 2016-17. MHDI has earned PBT of ₹ 606 lacs for the year ended 31 March 2018 as against ₹ 717 lacs for the year ended 31 March 2017.

Jaguar Advisory Services Private Limited (JASPL), a Joint Venture with HDI Global SE is an Advisory Services Company domiciled in India. Presently, JASPL provides manpower services. JASPL has earned a PBT of ₹ 1.36 Lacs for the year ended 31 March 2018 against ₹ 1.92 Lacs in previous year.

Corporate Restructuring

Scheme of merger between your Company and Magma Advisory Services Limited

The Board of Directors of your Company approved the Scheme of merger between Magma Advisory Services Limited, wholly owned subsidiary ('Transferor Company') (MASL) and Magma Fincorp Limited (Transferee Company) (MFL) with the stated objectives of inter alia achieving greater integration, financial strength and flexibility; and achieving consolidation of the activities of our Company. The Central Government through the Regional Director, Eastern Region, Ministry of Corporate Affairs (the "Regional Director"), has vide its confirmation order dated 15 January 2018 (the "Effective Date"), approved the Scheme.

Consequently, the Scheme became effective from 15 January 2018, with effect from 1 April 2017 being the Appointed Date of the Scheme, the entire business and undertaking(s) of MASL including all the debts, liabilities, duties and obligations and all assets have been transferred to MFL. MASL stands dissolved without winding-up on the effective date and therefore ceases to be a wholly owned subsidiary Company of your Company. Magma Housing Finance Limited, which was at the time an indirect subsidiary held through MASL, has become a direct subsidiary of your Company.

Scheme of amalgamation between your Company and Magma ITL Finance Limited

The Board of Directors of your Company approved the Scheme of amalgamation between Magma ITL Finance Limited, wholly owned subsidiary ('Transferor Company') (MITL) and Magma Fincorp Limited (Transferee Company) (MFL) with the stated objectives of inter alia achieving greater integration, financial strength and flexibility and achieving consolidation of the activities of our Company. The Hon'ble National Company Law Tribunal, Kolkata Bench (NCLT), has vide its order dated 8 May 2018 approved the Scheme.

Consequently, the Scheme becoming effective from 8 May 2018 with effect from 1 October, 2017, being the Appointed Date of the Scheme, the entire business and undertaking(s) of MITL including all the debts, liabilities, duties and obligations and all assets have been transferred to MFL. MITL stands dissolved without winding-up on the effective date and therefore ceases to be wholly owned subsidiary Company of your Company.

Statement containing salient features of Accounts of the Company's subsidiary 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 subsidiary 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 in place the Dividend Distribution Policy which is available 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 endeavour to maintain a total dividend pay-out ratio in the range of 10% to 20% of the annual standalone PAT of the Company. Your Directors have recommended dividend @40% on Equity Shares i.e Re. 0.80 per Equity Share of the face value of ₹ 2/- each to deliver sustainable value to its shareholders. The payment of the dividend is subject to declaration by the members at the ensuing Annual General Meeting of the Company.

Transfer to Reserve

The Company proposes to transfer a sum of ₹ 4,110.00 lacs to Statutory Reserve as required by RBI. An amount of ₹ 51,940.35 lacs is proposed to be retained in the Surplus Account as at the end of FY 2017-18.

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 2018 along with other particulars as required by Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014 is 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/ 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, 69,000 Equity Shares of the face value of ₹ 2/- each were allotted to the eligible employees 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 financial year

Issue of Equity shares through Qualified Institutional Placement (QIP) under the provisions of Chapter VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended

Your Company raised capital amounting to ₹ 500 crores, approximately, through the Qualified Institutional Placement (QIP) route by way of issuing and allotting 3,22,58,064 Equity Shares of face value ₹ 2 each for cash at issue price of ₹ 155 per Equity Share (including a premium of ₹ 153 per Equity Share), to a host of renowned and marque Institutional Investors who are Qualified Institutional Buyers.

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

Consequent to the issue of the additional Equity Shares as above, the issued, subscribed and paid up Equity Share Capital of the Company stands increased to ₹ 5,385.73 lacs divided into 26,92,86,736 (Twenty Six Crore Ninety Two Lacs Eighty Six Thousand Seven Hundred and Thirty Six) Equity Shares of ₹ 2/- each as on date.

Debt

Secured Debt

During the year, the Company issued 1,600 Nos. Secured Redeemable Non-Convertible Debt in the nature of Debentures of face value ₹ 10 lacs each, aggregating to ₹ 16,000 Lacs. In addition, the Company also issued 200 Nos. Secured Redeemable Non-Convertible Debt in the nature of Debentures of face value ₹ 100 lacs each, of which 15% (partly paid) of the face value aggregating to ₹ 3,000 Lacs. Total amount raised through Secured Redeemable Non-Convertible Debt Instruments is ₹ 19,000 lacs.

Unsecured Subordinated Debentures

During the year, the Company issued 200 Nos. Unsecured Redeemable Non-Convertible Subordinated Debt in the nature of Debentures of face value of ₹ 10 lacs each, aggregating to ₹ 2,000 lacs. Total amount raised through Unsecured Redeemable Non-Convertible Subordinate Debt Instruments is ₹ 2,000 lacs.

Perpetual Debt Instrument

During the year, the Company issued 10 Nos. of Unsecured Redeemable Non-Convertible Perpetual Debt in the nature of Debentures of face value of ₹ 10 lacs each aggregating to ₹ 100 lacs .Total amount raised through Unsecured Redeemable Non-Convertible Perpetual Debt instruments is ₹ 100 lacs.

Credit Rating

During FY 2017-18, Credit Analysis & Research Limited ('CARE') reaffirmed its ratings on the Company's Short term debt instruments at CARE A1+, Bank Facilities, long term Secured and Subordinated Debt instruments at CARE AA- and Perpetual Debt instruments at CARE A+. The long term Secured Debt instruments and Bank Facility ratings of the Company have been reaffirmed by ICRA Limited & India Ratings & Research Private Limited at ICRA AA - and IND AA- respectively. AA- reflects that these instruments have high degree of safety regarding timely payment of financial obligations and carry very low credit risk. CARE Ratings & ICRA Limited have also revised upwards its rating outlook on long term facilities to Stable from Negative. SMERA and Brickwork ratings has reaffirmed the rating for Unsecured Subordinated Debt Instrument at AA.

Rating for Short-term debt instruments from CRISIL are reaffirmed 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 of the Company.

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, 33 and 42 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 three 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 has set up an Integrated Risk Management (IRM) Framework encompassing both the Credit Risk as well as the Market & Interest Risk of the organisation. The said framework helps to manage the risks through constant monitoring of key parameters within the organisation. Involvement of the Senior Management team in implementation of the IRM framework ensures achievement of overall organisational objectives across all business units.

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 organisation's own risk appetite and historical portfolio performance.

Challenges of Portfolio quality faced in last two years have largely been overcome in FY 2018 through a robust hind-sighting process, hawk like focus towards resolution of early warning indicator (EWI), and Continuous Portfolio Monitoring Indicator (CPMI) cases. The initial results are very encouraging.

Regular portfolio reviews by Magma's Risk Department that eventually reports to the 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.

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. CPI Inflation

The above indicators have direct impact on customer cash flows and operational viability of commercial assets that Magma funds;

these are tracked very closely throughout the year to ensure portfolio level corrective steps from time to time.

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 undergoes 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
- Separate credit function to enable unbiased credit assessment
- 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 tenure 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 with regard to 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 the nature of its borrowings are also in domestic rupee debt. Wherever limited foreign exchange exposure exists, the Company has entered into appropriate currency hedging to adequately mitigate the said risk.

Liquidity risk management

Magma, over a period of 3 decades, has worked meticulously to diversify 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 such as 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 flows 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.

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

People Risk

Our intent is to be proactive in identifying and addressing risk aspects around people and address them in a timely and comprehensive manner. Risks that Magma focuses on include:

Risks associated with recruitment:

- Delay in hiring due to non-availability of candidates with appropriate qualifications & experience at the right cost and in the location required
- Hiring candidates who are not aligned with our culture

Risks associated with attrition or underperformance:

- 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:

- Job loss due to organization restructuring

Internal Control System

Internal Control and Audit

Magma has an adequate system of internal control in place. The Company has documented its policies, controls and procedures, covering all financial and operating activities, IT general controls, designed to provide a reasonable assurance with regard to reliability on financial reporting, monitoring of operations, protecting assets from unauthorised use or losses, compliances with regulations, prevention and detection of fraudulent activities etc. The Company continues 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

The Company's well defined organisational structure, documented policies, guidelines, defined authority matrix and internal financial controls ensure efficiency of operations, protection of resources and compliance with the applicable laws and regulations. Moreover, the Company continuously upgrades its systems and undertakes review of policies. The internal financial control is supplemented by extensive internal audits, regular reviews by management and standard policies and guidelines to ensure reliability of financial and all other records to prepare financial statements, its reporting and other data. The Audit Committee of the Board reviews internal audit reports given along with management responses. The Audit Committee also monitors the implemented suggestions. The Company has, in material respect, an adequate internal financial control over financial reporting and such controls are operating effectively. The statutory auditors of the Company have also certified on the existence and operating effectiveness of the internal financial controls relating to financial reporting as of March 2018.

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 victimisation 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 is 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/.

Human Resource-People Count at every step

At Magma, we know that our employees are key in ensuring consistent business success. Our aim is to provide a conducive work environment and enhance their skills, so that they can meet their aspirations while contributing to the Company. We are consistently assessing market trends and understanding our employee requirements to adopt new processes and policies or simplifying and modifying existing ones.

Learning and development

In continuation of our efforts to create an ecosystem of learning for our employees, we achieved 14,000 man-days of training covering 4,500 employees. We launched 21 new training programs across classroom and on-line learning platform. One of our key initiatives amongst these was "Maitree" our signature 0-90 day on-boarding program for new joiners; 90% of them went through the program. "Learnsmart24x7", our new online Learning Management System found resonance with the employees and 4,500 of them got certified across various mandatory and functional learning courses. The portal is a savvy platform available anytime, anywhere and on any device. Through our Sales skill programs, aimed at frontline employees and customised to the role, we covered 87% employees.

The involvement of business leaders in training was truly a positive step towards building a culture of learning. A series of Train the Trainer programs were launched to create a pool of functional trainers in Business. This model helped build ownership and involvement of managers across levels and they not just attended training but also trained their teams.

"Learning Friday", our in branch training model, is one of the continuous learning programs where the 1st Friday of every month is dedicated to learning and providing positive strokes to teams. 10 editions of the program through the year covered all frontline employees, and first level supervisors in ABF business.

The key focus during the year was to build skills that improve job performances and help employees attain success on a continuous basis.

Driven by technology

We are progressing in a concerted manner to embed technology in areas that simplify lives of our employees and enable productivity. Our onsite PeopleSoft platform today has all modules live including employee confirmation, separation and recruitment. To create a great new joinee experience eMilaap, a portal to upload new hire documents went live earlier this year.

Going forward, we will focus on mobility options while strengthening dashboards for our leaders to leverage. We also plan to embrace new age platforms such as chatbots that will allow our employees, especially those in the field to get real time responses on key policy queries.

Incentive schemes

Incentive schemes can be an important driver for business outperformance. We have these schemes for all employees in line (revenue generating, customer facing) roles. Our schemes are sharp with clear key performance indicators (KPIs) for our line staff to ensure accountability and understanding. The scheme design incorporates specific channel nuances to ensure that each plan is aligned with the objectives of the department and channel of business.

At the frontline, we have monthly incentive schemes, while at supervisory roles, the frequency is quarterly and annually. These are dynamic schemes that reflect changes in the external business environment and revisited each year.

Employee retention endeavors

Sustained business success is best enabled when our performing and critical employees remain with us for extended periods of time. Hence retention has been an area of focus. 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.
- Ensuring that remuneration is appropriately benchmarked and aligned with the role.

Outlook

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

- Use values as the bedrock in everything that we do.
  - Launch values based recognition platform – Magma STARS
  - Celebrate Magma values during the year
- Talent management
  - Structured talent management framework to create an internal succession planning pipeline
  - Embed career roadmaps for frontline and supervisory roles
- Enhance HR processes
  - Contemporary suite of policies across the employee life cycle
  - Drive automation and technology creating a WOW employee experience through PeopleSoft and other satellite systems
  - Adopt practices creating a more balanced work-life approach
- Enable efficiencies and performance
  - Sharper Performance Improvement Program (PIP) to address consistent issues of underperformance
  - Robust performance management architecture that is system enabled

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. To build awareness and appreciation of this area, we have implemented an online knowledge module leveraging our learning management system.

Information Technology

Magma has been an innovator and an early adopter of technology. Information Technology has been in the process of transforming from a business enabler to a key business driver in FY 17-18. This year Information Technology focused on business transformation which has direct impact on the way Magma does business, embracing digital payment channels, implementing innovative solutions, improving employee satisfaction and enhancing operational efficiency.

In Fiscal 17-18 Magma has been building a Credit decision engine which would help automate the credit decision at the front end. This will help Magma in serving the customer much faster, to maintain a high quality portfolio and enable sales team to make decisions on real time basis. Customer needs and customer satisfaction are key drivers for all the solutions Magma has implemented this year. As rural customer landscape is changing constantly and as they are embracing and adopting digital technology, Magma introduced a mobile payment gateway. Customers can now pay their EMIs without going to the branches. The mobile payment gateway supports Debit card transaction, net banking, UPI and 2 payment banks. This year Magma collected EMIs of the tune of ₹ 5,880 lacs through 40956 transactions. Customer service team was enabled

with streamlined and customised system workflow for reaching their business targets and to serve customer in a better way.

GST and Demonetisation were major unruly events which affected all the NBFCs this year, Information Technology has enabled business to tackle these events by enhancing the Core Application and making it GST compliant. From Demonetisation point of view, the Point of Collections systems has been upgraded quickly to accommodate the disruptive changes.

To improve its internal employee satisfaction Magma has implemented innovative solutions such as Chatbots to automate Helpdesk activities which helped in improving employee productivity and enhanced IT issue management. Employee on-boarding process was digitised to give a best in class on-boarding experience to new employees. HR and Admin team have adopted Magma Service Desk (MSD) in a big way in FY2018 which has helped streamline their daily operational support. Travel management system has been re-engineered to provide flexibility for employees to manage their travel activities. These initiatives improved employee satisfaction, productivity and reduced internal operational cost.

Magma has moved its email platform to cloud based services from Microsoft (Office 365 Exchange Online services for its Email and collaboration services) making it a disaster proof service which is highly scalable and secure. As per the master guidelines issued by RBI for 'IT Management framework', an IT Strategy Committee has been formed which connects on a quarterly basis and reviews the Information Technology and Technology security initiatives. A Technology Vulnerability Management program has been put in place to ensure all business applications go through rigorous security scans before going into production.

Business is leveraging the real time decision making capabilities driven by data analytics and business intelligence dashboards. Daily and monthly dashboards are built for all key employees across the organization which enable them to track the business growth and take informed decisions based on data insights.

During FY2018-19, Information Technology will continue its focus on improving the top line growth and impacting bottom line directly by implementing solutions that fall under five strategic themes namely "**Digital**", "**Operational Efficiency**", "**Analytics**", "**Collaboration**" and "**Security**". The focus will be on delivering business value fast and securely by constantly challenging the status quo, experimenting, evolving and delivering solutions that are simple, reliable and innovative.

Corporate Image Building & Engaging Target Audience

On the marketing and communications front, for Magma group in FY2018, the key focus continued to be on Below-The-Line activations across targeted geographies. 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 locations. In branch communications and events were focused more in order to achieve better cross-sale and up-sale to existing customers. This also helped reinforce the idea that Magma offers a wide basket of financial solutions to the customers.

Through these events, we show-cased the asset finance products – 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 time was one of the key deliverables. We continued to emphasise on the quality of servicing to our existing customers to make them happy.

FY 17-18 considered to be the most dynamic year for Leasing industry because of the introduction of GST. GST was expected to consolidate the vehicle leasing market in India and fuel to roaring leasing vehicle sector but instead unexpected climb in the tax rate jolted the entire leasing sector & same was experienced by Magma Auto lease. Due to the prevailing uncertainty and high cost impact, some of the clients decided to move out of the leasing arrangement. However due to high level of customer engagement, Auto lease business managed to retain most of its client base with a live fleet of 4000 Vehicles. In order to further penetrate the market team has undergone structural change which will give us greater engagement with our existing customers & position as a preferred leasing partner for new acquisitions at Pan India Level.

In the Housing business, Magma focused on Affordable Housing projects by putting up smaller hoardings at approved project locations. We attended all National Housing Bank, builder association/CREDAI and industry bodies like FICCI anchored events and in some smaller locations, even organised Builder meets to make them familiar with Magma Housing products and build relationships. "Shikhar" and "Apna Ghar Utsav", in-branch Cross selling initiatives were taken up where existing customers of ABF business were invited and provided spot sanction for Home loans. We have also started promoting Pradhan Mantri Awas Yojana (PMAY) and Credit Linked Subsidy Scheme (CLS) very proactively at all our branches and also at some of the affordable housing projects.

At Magma HDI, apart from series of local events and engagement activities for Customers and Intermediaries throughout the year, the highlight was the multi-city mega launch of OneHealth at 4 zonal headquarters - Mumbai, Kolkata, Hyderabad & Raipur, followed by smaller events at 35 locations covering 1600 Intermediaries. The events were covered by all leading media houses around the country. We have also partnered with leading corporate broking houses and industry associations to organise thought leadership seminars at Delhi and Hyderabad.

Customer Relationship Management

Magma aims to be the most trusted and accessible financial

services institution, promoting financial inclusion and creating value for all its stakeholders. Customer Service is a key focus area for your Company. Your Company also believes in integrity, good governance, professionalism, transparency and client satisfaction.

In our endeavour to lay down clear guidelines for dealing with customers and ensuring fair treatment plus superior customer experience to our customers, this year we have created the Group Wide Customer Services Policy. This policy includes the regulatory requirements and leading market practices to enhance the customer experience and have better customer retention. The policy aims to create a framework for:

- Ensuring courteousness, fairness and reasonableness in all the dealings with the customers
- Ensuring transparent communication of information pertaining to products, services and related procedures
- Ensuring privacy and confidentiality of customer information
- Handling customer complaints quickly and empathetically

In FY 18 we initiated a structured project for improving customer experience. We conducted a customer journey mapping and identifying 104 moments of truth and prioritised improvement projects for 37 key areas where customer experience needed to be enhanced. As a result of these initiatives, customer complaints, across ABF, SME and HFC verticals, have reduced significantly by 62%. We have also commenced work on identifying the right Customer Record Management solution for the business with the objective of having one unique customer id across the Group. Other initiatives taken during the year include regular updates to customers over SMS for their loans during processing or even servicing and closure which has helped us to provide a quick, almost instant update and transparency to our customers.

Events such as "Shikhar" – the in-branch invitation for spot sanction for new home loans provided to our existing ABF and SME customers, has continued to help us reach out and cross-sell our existing customers. The focus on Customer Service desk in all branches has helped us to tap online queries of our potential customers and 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

Appointment

Your directors vide a resolution passed by circulation on 29 August 2017 on the recommendation of the Nomination and Remuneration Committee had appointed Ms. Madhumita Dutta-Sen (DIN: 07885010) as the Additional Director in the capacity of Non-Executive Director with effect from 29 August 2017. Ms. Dutta-Sen is serving as a nominee of International Finance Corporation ("IFC") on the Board of the Company. Her terms and conditions of the appointment are governed by the Subscription and Policy Rights Agreement dated 24 June, 2011 and Amendment to the said Agreement dated 29 September, 2014 entered into by and between the Company and IFC.

By virtue of the provisions of Articles of Association of your Company and Section 161 of the Companies Act, 2013, Ms. Dutta-Sen will vacate office at the ensuing Annual General Meeting (AGM) of your Company. Your Directors have recommended for the approval of the Members the appointment of Ms. Dutta-Sen as Non-Executive Director of the Company, liable to retire by rotation, with effect from the date of the ensuing AGM of your Company.

Ms. Dutta-Sen is not disqualified from being appointed as a Director as specified in terms of Section 164 of the Companies Act, 2013.

Notice under Section 160 of the Companies Act, 2013, have been received from a Member of the Company proposing candidature of Ms. Dutta-Sen. Appropriate resolution seeking your approval to the aforesaid appointment along with brief profile of Ms. Dutta-Sen is appearing in the Notice convening the 38th AGM of your Company.

Retirement by Rotation

In accordance with the provisions of the Companies Act, 2013 and Regulation 36 of the Listing Regulations, Mr. Mayank Poddar (DIN: 00009409), retires at the ensuing AGM, and being eligible offers himself for re-appointment. The brief resume / details relating to Director who is to be re-appointed is furnished in the Notice of the ensuing AGM.

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

Resignation

During the financial year, Ms. Ritva Kaarina Laukkanen (DIN: 01782934) who was the Non-Executive Director of the Company and a nominee of IFC, has resigned from the Board of Directors with effect from 15 May 2017.

After the close of the financial year Mr. Sanjay Nayar (DIN:00002615), Non-Executive Director of the Company and a nominee of Zend Mauritius VC Investments, Limited (Zend) has resigned from his office as a Director from the Board of Directors of the Company with effect from 19 April 2018. The above resignation was consequent upon termination of the Investment Agreement with Zend.

The Board of Directors placed on record their deep appreciation for the assistance and guidance provided by Ms. Ritva Kaarina Laukkanen and Mr. Sanjay Nayar during their tenure as Directors of the Company. The Company benefitted immensely from their rich management experience.

The Board of Directors also placed on record their appreciation to Zend for their sustained support during the transformation journey of your Company for over the last 7 years.

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.

Familiarisation programme

In compliance with the requirement of Regulation 25 of Listing Regulations, the Company has put in place a familiarisation programme for the Independent Directors to familiarise them about the Company and their roles, rights, responsibilities in the Company. The details of the familiarisation 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 Independent Directors 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 2018, 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 2018 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 six Board Meetings and five 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 resignation of Mr. Sanjay Nayar, 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 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 resignation of Ms. Ritva Kaarina Laukkanen and Mr. Sanjay Nayar, 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. Satya Brata Ganguly 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 is available 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).

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 2017-18. The Secretarial Audit Report for the financial year ended 31 March 2018 is annexed herewith and marked as Annexure-2. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

Secretarial Standard

The Company complies with all applicable Secretarial Standard.

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 ₹ 1,94,084/- (Rupees One Lac Ninety Four Thousand and Eight Four Only) to IEPF.

Pursuant to Rule 6 of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, (as amended from time to time) read with applicable provisions of the Companies Act, 2013 all the underlying shares in respect of which dividends are not claimed/paid for the last seven consecutive years or more are liable to get transferred to the IEPF DEMAT Account with a Depository Participant as identified by the IEPF Authority. Accordingly, during the year under review 2,82,336 equity shares of face value of ₹ 2 each were transferred to IEPF DEMAT Account.

The Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 2 August 2017 (date of last Annual General Meeting) and also the details of equity shares transferred to IEPF DEMAT Account on the Company's website (www.magma.co.in), as also on the Ministry of Corporate Affairs' website.

Fraud Reporting

During the year under review, neither the Statutory Auditors nor the Secretarial Auditors has reported to the Audit Committee under Section 143(12) of Companies Act, 2013, any instances of fraud committed against the Company by its officers or employees, the details of which needs to be mentioned in the Board's Report.

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
9 May 2018

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, have long-term benefits to the society at large and 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 ₹ 15,072.75 lacs.

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

The Company was required to spend ₹ 301.46 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 ₹ 797.47 lacs which includes amount brought forward from the previous year's i.e. ₹ 374.17 lacs and amount to be spent by erstwhile MITL, which got merged with the Company effective 1 October 2017, during the half year ended 31 March, 2018 i.e. ₹ 121.84 lacs.

b. Amount unspent, if any:

During the year the Company has spent a sum of ₹ 376.04 lacs and the balance unspent amount of ₹ 421.43 lacs shall be carried forward for the next financial year.

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

(₹ in Lacs)

Sl. No	CSR project or activity identified	Sector in which the project is covered	Location of project (District & State)	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs	Cumulative Expenditure up to the reporting period	Amount spent: Direct or through implementing agency
1	Highways Heroes - 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 (Tamil Nadu), Nagpur, Nashik (Maharashtra), Ranchi, Jamshedpur (Jharkhand)	250.00	261.27	261.27	Directly & through Magma Foundation

(₹ in Lacs)

Sl. No	CSR project or activity identified	Sector in which the project is covered	Location of project (District & State)	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs	Cumulative Expenditure up to the reporting period	Amount spent: Direct or through implementing agency
2	Magma Green Park	Environment	Kolkata (West Bengal)	27.00	1.12	1.12	Directly
3	M Scholar	Education	PAN India	75.00	61.72	61.72	Directly & through Magma Foundation
4	Mid Day Meal	Health and Education	Kolkata (West Bengal), Nellore (Andhra Pradesh), Thane (Maharashtra), Saraikella, (Jharkhand), Jaipur (Rajasthan), Faridabad (Haryana)	20.82	21.08	21.08	Through ISKCON Food Relief Foundation
5	Ekal Vidyalaya	Education	West Bengal	19.00	6.00	6.00	Through Friends of Tribal Society and others
6	Magma Swayam	Healthcare, Education and Environment	Deoghar, Ranchi (Jharkhand), Kolkata (West Bengal), Bhubaneshwar (Orissa), Patna (Bihar), Alwar(Rajasthan), Hyderabad (Telangana), Chennai (Tamil Nadu)	60.00	14.71	14.71	Directly & through Magma Foundation
7	M Care - Mobile Clinic	Heath and Environment	Howrah, Hooghly (West Bengal), Tatisilwai (Jharkhand), Patna (Bihar), Hyderabad (Telangana)	9.00	9.61	9.61	Directly & through Magma Foundation
Total Direct expenses of projects & programmes (A)				**460.82**	**375.51**	**375.51**	
Overhead Expenses (B)				**23.50**	**0.53**	**0.53**	
Total (A) + (B)				**484.32**	**376.04**	**376.04**	

Note: figures represent the CSR payment made during the period starting from 1 October 2017 to 31 March 2018 due to the merger of MITL with MFL w.e.f. 1 October 2017.

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 catalyse 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:

Highways Heroes - Trucker's Initiative

In order to reduce truck related accidents, we launched an initiative "Highway Heroes" in March 2015 in association with Petroleum Conservation Research and Association (PCRA), Government of India where we conduct training camps for the drivers' community. Under the program, Magma and PCRA have so far trained over 1.45 lac Truckers at 190 locations across the country.

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

Magma provided financial assistance to around 200 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 studies at a recognised college/ university in India.

Under this scheme Magma is supporting students whose parents are daily wage earners/machine operators/ household help etc. In spite of the hardships, the students have managed to enroll in eminent colleges such as 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 support "Annamrita" for 3850 students at various school across the country for a period of 10 months. The idea was to provide hygienically cooked, balanced, nutritious, wholesome food for children in municipal and government aided schools in Kolkata.

Ekal Vidyalaya - Education - 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 run through 13 locations where the Magmaites took their time out and contributed to social good.

M Care - Mobile Clinic

The doctor patient ratio in our country is in a pitiable shape and moreover there are remote areas where there is no basic health care center in a radius of 5-7 KM. Looking at the situation Magma has decided to conduct weekly health checkup camps at various locations. Our health camps consists of qualified doctor and lab technician with basic test kits. In FY2018 we have treated around 5000 villagers in the state of West Bengal, Telangana, Andhra Pradesh, Bihar and Jharkhand

Magma Foundation

Magma along with its group companies has formed a trust named Magma Foundation. The purpose of this trust is to structure the CSR activity of the organization as a whole. Projects which are executed directly by the organisation will now be implemented by the trust.

Awards

The impact made by Magma has received its due commendation. Certain notable awards received by us for adopting best CSR practices:

- BT CSR Excellence Awards - Innovation in CSR Practices, 2017 for the project Highway Heroes.
- Asian Customer Engagement Forum & Awards - Best CSR Event, 2017 for the project Highway Heroes.
- CSR Journal Excellence Award - Health and Sanitation, 2017 for the project M Care.

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

Your Company's allocated expenditure on CSR for the financial year was ₹ 301.46 lacs determined on the basis of the average net profit of the preceding last three financial years as mentioned in Para 3 above. In this regard, we would like to submit that Magma has successfully spent a sum of ₹ 376.04 lacs which is more than the aforesaid allocated expenditure of two percent of the average net profit of the last three years. Further, as the Company had some unspent CSR amount brought forward from the previous years, which could not be utilised by the Company fully shall be carried forward for the next financial year.

Responsibility Statement

The CSR Committee confirms that the implementation and monitoring of CSR activities of the Company are in compliance with the CSR objectives and CSR policy of the Company.

For and on behalf of the Board

Sanjay Chamria	**Mayank Poddar**
(Vice Chairman and Managing Director)	(Chairman CSR Committee)
DIN: 00009894	DIN:00009409

Mumbai
9 May 2018

Annexure -2 to Board's Report

Form No. MR-3
Secretarial Audit Report
For The Financial Year Ended 31 March, 2018
[Pursuant to section 204(1) of the Companies Act, 2013 and rule 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 **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, 2018, generally 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, 2018, 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) The 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 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) 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

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

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

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

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

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

l) Master Direction on IT framework for NBFC sector, 2017;

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

n) Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs

o) 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 generally 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) 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. 14,000 nos. allotted on 10/05/2017;
   ii. 55,000 nos. allotted on 31/01/2018;

b) Issue of debt securities as under:
   i. Preferential issue and allotment of Rated Secured Redeemable Non-Convertible Debentures of ₹ 10,00,000/- each as under:
      a. 500 nos. allotted on 06/04/2017
      b. 600 nos. allotted on 18/08/2017
      c. 500 nos. allotted on 24/08/2017

ii. Preferential issue of 200 nos. Partly Paid up Secured Redeemable Non-Convertible Debentures of ₹ 15,00,000/- each having face value of ₹ 1,00,00,000/- each on 27/03/2018.

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

a. 100 nos. allotted on 18/05/2017

b. 50 nos. allotted on 07/03/2018

c. 50 nos. allotted on 28/03/2018

iv. Preferential issue and allotment of Rated Unsecured Non-Convertible Subordinated Perpetual Debt in the nature of Debentures of ₹ 10,00,000/- each as under:

a. 10 nos. allotted on 04/08/2017

c) Confirmation Order passed by the Central Government through the Regional Director, Eastern Region, approving the Scheme of Amalgamation of Magma Advisory Services Limited, wholly owned subsidiary, with the Company on 15/01/2018.

We further report that during the period under audit, the Company has passed the following special resolutions:

i) authorization to raise finance up to ₹ 750 crore through further issue of securities;

ii) merger of wholly owned subsidiary, Magma Advisory Services Limited with the Company under section 233 of the Companies Act, 2013;

iii) alteration of Articles of Association with respect to consolidation and reissuance of debt securities by insertion of clause 9A in Chapter I of the Articles of the Company;

iv) issue of debt securities under section 42, 71 and 180(1)(c) of the Companies Act, 2013 up to ₹ 2,000 crore on private placement basis for financial year 2018-19;

v) merger of wholly owned subsidiary, Magma ITL Finance Limited with the Company under section 230-232 read with Section 233 of the Companies Act, 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]

Date: 03.05.2018
Place: Kolkata

ACS no. 11470
COP no. 7596

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: 03.05.2018
Place: Kolkata

Annexure -3 to Board's Report

Form No.MGT- 9
Extract of Annual Return
as on the Financial Year ended on 31 March 2018
[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	99.50	99.50

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 Housing Finance Limited (Formerly Magma Housing Finance [A Public Company with Unlimited Liability]) 8 Sant Nagar, East of Kailash New Delhi - 110 065.	U65922DL2004PLC125931	Subsidiary	100%	2(87)
2.	Jaguar Advisory Services Private Limited 24, Park Street, Kolkata - 700 016 West Bengal.	U74140WB2009PTC136492	Joint Venture	48.89%	2(6)
3.	Magma HDI General Insurance Company Limited 24, Park Street, Kolkata - 700 016 West Bengal.	U66000WB2009PLC136327	Joint Venture	31.33%	2(6)

Note: M/S Magma ITL Finance Limted has merged with the Company w.e.f. 1 October 2017 i.e. Appointed date pursuant to the Order passed by National Company Law Tribunal dated 8 May 2018.

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	65270503	-	65270503	27.545	65270503	-	65270503	27.537	(0.008)
(e) Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
(f) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A)(1):-	**65752083**	**-**	**65752083**	**27.748**	**65752083**	**-**	**65752083**	**27.740**	**(0.008)**
(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)	**65752083**	**-**	**65752083**	**27.748**	**65752083**	**-**	**65752083**	**27.740**	**(0.008)**
B. Public Shareholding									
(1) Institutions									
(a) Mutual Funds	1561571	-	1561571	0.659	9427207	-	9427207	3.977	3.318
(b) Banks / Financial Institutions	79431	122690	202121	0.085	63876	122360	186236	0.079	(0.006)
(c) Central Governments	-	-	-	-	-	-	-	-	-
(d) State Governments	-	-	-	-	-	-	-	-	-
(e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
(f) Insurance Companies	-	-	-	-	-	-	-	-	-
(g) Foreign Institutional Investors (FII)	250482	-	250482	0.106	-	-	-	-	(0.106)
(h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
(i) Others (Specify) -									
Qualified Foreign Investors	75795148	5	75795153	31.987	70495148	5	70495153	29.741	(2.246)
FPI – Corporate Cat-I	21571	-	21571	0.009	109270	-	109270	0.046	0.037
FPI – Corporate Cat-II	33791927	-	33791927	14.261	38217126	-	38217126	16.123	1.862
FPI – Corporate Cat-III	5227501	-	5227501	2.206	4320008	-	4320008	1.823	(0.383)
Sub-total (B)(1):-	**116727631**	**122695**	**116850326**	**49.313**	**122632635**	**122365**	**122755000**	**51.789**	**2.476**
(2) Non-Institutions									
(a) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	9719041	1008135	10727176	4.527	8476904	729800	9206704	3.884	(0.643)
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	6405200	70000	6475200	2.733	1772424	70000	1842424	0.777	(1.956)
(b) NBFCs registered with RBI	-	-	-	-	-	-	-	-	-
(c) Employee Trusts	-	-	-	-	-	-	-	-	-
(d) Overseas Depositors (holding DRs) (balancing figure)	-	-	-	-	-	-	-	-	-

(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	
(e) Any Other									
- Bodies Corp.	34050612	38985	34089597	14.386	33503371	27825	33531196	14.146	(0.240)
- QFI - Individual	-	-	-	-	-	-	-	-	-
- NRI - Repatriable	2124739	8165	2132904	0.900	2173346	-	2173346	0.917	0.462
- NRI – Non-Repatriable					1055241	165	1055406	0.445	
- OCBs	-	165	165	-	-	-	-	-	-
- Trusts	327500	-	327500	0.138	-	-	-	-	(0.138)
- Clearing Members	604721	-	604721	0.255	430177	-	430177	0.181	(0.074)
- IEPF Authority	-	-	-	-	282336	-	282336	0.119	0.119
Sub-total (B)(2):-	**53231813**	**1125450**	**54357263**	**22.939**	**47693799**	**827790**	**48521589**	**20.471**	**(2.468)**
Total Public Shareholding (B)= (B)(1)+(B)(2)	**169959444**	**1248145**	**171207589**	**72.252**	**170326434**	**950155**	**171276589**	**72.260**	**0.008**
Grand Total (A+B)	**235711527**	**1248145**	**236959672**	**100.00**	**236078517**	**950155**	**237028672**	**100.00**	**-**

(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	14.355	-	34015928	14.351	-	(0.004)
2.	Celica Developers Private Limited	29434455	12.422	-	29434455	12.418	-	(0.004)
3.	Columbine Decorative & Marketing Private Limited	1820120	0.768	-	1820120	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		**65752083**	**27.748**	**-**	**65752083**	**27.740**	**-**	**(0.008)**

(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 -	65752083	27.748	65752083	27.740
2.	Changes during the year -	-	-	-	-
3.	At the End of the year -	65752083	27.748	65752083	27.740

(*) % Changes due to others various allotment

(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	14.465	34276629	14.461
02.	True North Fund V LLP (Previously known as India Value Fund V LLP)	28255524	11.924	28255524	11.921
03.	International Finance Corporation	23000000	9.706	23000000	9.703
04.	Lavender Investments Limited	18851431	7.956	18851431	7.953
05.	Leapfrog Financial Inclusion India Holdings Limited	18518519	7.815	13218519	5.577
06.	Bank Muscat India Fund	8754888	3.695	8754888	3.694
07.	KKR Mauritius Direct Investments I. Limited	3674831	1.551	3674831	1.550
08.	Ashish Dhawan	3494210	1.475	246559	0.104
09.	RIMCO India Limited	3000000	1.266	3000000	1.266
10.	SM Tradecom LLP	1820125	0.768	-	-
	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.) -				
	Ashish Dhawan -	**3494210**	**1.475**		
	18/08/2017 – Market Deal	-21751	0.009	3472459	1.465
	25/08/2017 – Market Deal	-178249	0.075	3294210	1.390
	01/09/2017 – Market Deal	-162942	0.069	3131268	1.321
	08/09/2017 – Market Deal	-447058	0.189	2684210	1.132
	22/09/2017 – Market Deal	-150000	0.063	2534210	1.069
	30/09/2017 – Market Deal	-100000	0.042	2434210	1.027
	24/11/2017 – Market Deal	-60166	0.025	2374044	1.002
	01/12/2017 – Market Deal	-261309	0.110	2112735	0.891
	08/12/2017 – Market Deal	-27839	0.012	2084896	0.880
	15/12/2017 – Market Deal	-402	0.000	2084494	0.879
	30/12/2017 – Market Deal	-10076	0.004	2074418	0.875
	12/01/2018 – Market Deal	-300104	0.127	1774314	0.749
	19/01/2018 – Market Deal	-86958	0.037	1687356	0.712
	26/01/2018 – Market Deal	-513042	0.216	1174314	0.496
	16/03/2018 – Market Deal	-28567	0.012	1145747	0.483
	23/03/2018 – Market Deal	-695235	0.293	450512	0.190
	31/03/2018 – Market Deal	-203953	0.086	**246559**	**0.104**
	HSBC Global Investment Funds - Asia Ex Japan Equity Smaller Companies -	**0**	**0.000**		
	22/09/2017 – Market Deal	2396961	1.011	2396961	1.011
	30/09/2017 – Market Deal	559742	0.236	2956703	1.247
	06/10/2017 – Market Deal	19300	0.008	2976003	1.256
	13/10/2017 – Market Deal	37502	0.016	3013505	1.271
	27/10/2017 – Market Deal	14978	0.006	3028483	1.278
	03/11/2017 – Market Deal	126333	0.053	3154816	1.331
	10/11/2017 – Market Deal	236710	0.100	3391526	1.431
	17/11/2017 – Market Deal	124780	0.053	3516306	1.483
	15/12/2017 – Market Deal	3621	0.002	3519927	1.485
	22/12/2017 – Market Deal	26181	0.011	**3546108**	**1.496**
	ICICI Prudential Banking And Financial Services Fund -	**0**	**0.000**		
	07/07/2017 – Market Deal	24955	0.011	24955	0.011
	14/07/2017 – Market Deal	188874	0.080	213829	0.090
	21/07/2017 – Market Deal	902592	0.381	1116421	0.471
	28/07/2017 – Market Deal	19704	0.008	1136125	0.479

(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
	04/08/2017 – Market Deal	79415	0.034	1215540	0.513
	11/08/2017 – Market Deal	263775	0.111	1479315	0.624
	18/08/2017 – Market Deal	325497	0.137	1804812	0.761
	25/08/2017 – Market Deal	12320	0.005	1817132	0.767
	01/09/2017 – Market Deal	75572	0.032	1892704	0.799
	08/09/2017 – Market Deal	357300	0.151	2250004	0.949
	22/09/2017 – Market Deal	2062835	0.870	4312839	1.820
	10/11/2017 – Market Deal	16053	0.007	4328892	1.826
	16/02/2018 – Market Deal	-8678	0.004	4320214	1.823
	23/03/2018 – Market Deal	-14317	0.006	**4305897**	**1.817**
	IDFC Balance Fund -	**999990**	**0.422**		
	07/07/2017 – Market Deal	650000	0.274	1649990	0.0696
	14/07/2017 – Market Deal	137932	0.058	1787922	0.754
	21/07/2017 – Market Deal	310527	0.131	2098449	0.885
	28/07/2017 – Market Deal	107730	0.045	2206179	0.931
	05/05/2017 – Market Deal	103424	0.044	2309603	0.974
	02/06/2017 – Market Deal	58806	0.025	2368409	0.999
	09/06/2017 – Market Deal	9348	0.004	2377757	1.003
	30/06/2017 – Market Deal	41119	0.017	2418876	1.020
	07/07/2017 – Market Deal	-27931	0.012	2390945	1.009
	14/07/2017 – Market Deal	-36576	0.015	2354369	0.993
	28/07/2017 – Market Deal	-14188	0.006	2340181	0.987
	04/08/2017 – Market Deal	-28109	0.012	2312072	0.975
	30/09/2017 – Market Deal	65000	0.027	2377072	1.003
	06/10/2017 – Market Deal	15000	0.006	2392072	1.009
	03/11/2017 – Market Deal	6006	0.003	2398078	1.012
	01/12/2017 – Market Deal	14620	0.006	2412698	1.018
	08/12/2017 – Market Deal	33380	0.014	2446078	1.032
	15/12/2017 – Market Deal	62718	0.026	2508796	1.058
	22/12/2017 – Market Deal	46930	0.020	2555726	1.078
	29/12/2017 – Market Deal	52352	0.022	2608078	1.100
	05/01/2018 – Market Deal	129938	0.055	2738016	1.155
	12/01/2018 – Market Deal	115193	0.049	2853209	1.204
	19/01/2018 – Market Deal	40282	0.017	2893491	1.221
	26/01/2018 – Market Deal	5062	0.002	2898553	1.223
	02/02/2018 – Market Deal	3768	0.002	2902321	1.224
	09/02/2018 – Market Deal	229757	0.097	3132078	1.321
	23/02/2018 – Market Deal	20000	0.008	3152078	1.330
	16/03/2018 – Market Deal	1910	0.001	3153988	1.331
	23/03/2018 – Market Deal	13090	0.006	**3167078**	**1.336**
	Leapfrog Financial Inclusion India Holdings Limited -				
	22/09/2017 – Market Deal	-5300000	2.237	**13218519**	**5.577**
	SM Tradecom LLP -		**0.768**		
	23/06/2017 – Market Deal	-1000	0.000	1819125	0.767
	07/07/2017 – Market Deal	-120000	0.051	1699125	0.717
	14/07/2017 – Market Deal	-200000	0.084	1499125	0.632
	28/07/2017 – Market Deal	-200000	0.084	1299125	0.548
	11/08/2017 – Market Deal	-490783	0.207	808342	0.341
	18/08/2017 – Market Deal	-808342	0.341	-	-

(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 End of the year (or on the date of separation, if separated during the year)				
01.	Zend Mauritius VC Investments Limited	34276629	14.461	34276629	14.461
02.	True North Fund V LLP (Previously known as India Value Fund V LLP)	28255524	11.921	28255524	11.921
03.	International Finance Corporation	23000000	9.703	23000000	9.703
04.	Lavender Investments Limited	18851431	7.953	18851431	7.953
05.	Leapfrog Financial Inclusion India Holdings Limited	13218519	5.577	13218519	5.577
06.	Bank Muscat India Fund	8754888	3.694	8754888	3.694
07.	ICICI Prudential Banking And Financial Services Fund	4305897	1.817	4305897	1.817
08.	KKR Mauritius Direct Investments I. Limited	3674831	1.550	3674831	1.550
09.	HSBC Global Investment Funds - Asia Ex Japan Equity Smaller Companies	3546108	1.496	3546108	1.496
10.	IDFC Balance Fund	3167078	1.336	3167078	1.336

(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 Gupta, Non-Executive Independent Director	5000	0.002	5000	0.002
	V K Viswanathan, Non-Executive Independent Director	1432	0.001	1432	0.001
	Kailash Baheti (Chief Financial Officer)	45000	0.019	50000	0.021
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.) -				
	Kailash Baheti (Chief Financial Officer) -				
	01/09/2017 – Market Deal	-25000	-0.011	20000	0.008
	31/01/2018 – Allotment of Shares through ESOP	30000	0.013	50000	0.021
	At the End of the year -				
	Nabankur Gupta, Non-Executive Independent Director	5000	0.002	5000	0.002
	V K Viswanathan, Non-Executive Independent Director	1432	0.001	1432	0.001
	Kailash Baheti (Chief Financial Officer)	50000	0.021	50000	0.021

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	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**
Change in Indebtedness during the financial year				
Addition	170,449.87	1,151,090.33	-	1,321,540.20
Reduction	(152,450.16)	(1,155,869.58)	-	(1,308,319.74)
Net Change	17,999.71	(4,779.25)	-	13,220.46
Indebtedness at the end of the financial year				
i) Principal Amount	709,049.72	157,659.99	-	866,709.71
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	975.82	3,324.70	-	4,300.52
Total (i+ii+iii)	**710,025.54**	**160,984.69**	**-**	**871,010.23**

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 Chairman Emeritus and 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	80.00	140.00
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	5.15	6.82	11.97
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	74.77	99.74	174.51
2.	Stock Option	NIL	NIL	NIL
3.	Sweat Equity	NIL	NIL	NIL
4.	Commission	NIL	230.00	230.00
	- as % of profit			
	- others, specify			
5.	Others, please specify	10.08	13.44	23.52
	Total Amount (A)	**150.00**	**430.00**	**580.00**
	Ceiling as per the Act	₹ 2,768 Lacs (being 10% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)		

B. Remuneration to the other Directors :

(₹ in Lacs)

Sl. No.	Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board / Committee Meetings	Commission	Others, please specify	
1.	**Independent Directors -**				
	Narayan K Seshadri	17.30	65.00	-	82.30
	Nabankur Gupta	16.20	45.00	-	61.20
	Satya Brata Ganguly	19.20	45.00	-	64.20
	V K Viswanathan	19.20	45.00	-	64.20
	Total Amount (B)(1)	**71.90**	**200.00**		**272.90**
2.	**Other Non-Executive Directors –**				
	Sanjay Nayar	3.0	-	-	3.00
	Madhumita Dutta-Sen	2.0	-	-	2.00
	Ritva Kaarina Laukkanen	2.0	-	-	2.00
	Total Amount (B)(2)	**7.00**			**7.00**
	Total Amount (B) = (B)(1) + (B)(2)	**78.90**	**200.00**	**-**	**278.90**
	Total Managerial Remuneration (A+B)				**858.90**
	Overall Ceiling as per the Act	₹ 277 Lacs (being 1% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)			

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

(₹ in Lacs)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
		Kailash Baheti (Chief Financial Officer)	Shabnum Zaman (Company Secretary)	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	112.50	10.86	123.36
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	10.88	0.15	11.03
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	62.67	9.48	72.15
2.	Stock Option	32.51	-	32.51
3.	Sweat Equity	-	-	-
4.	Commission	-	-	-
	- as % of profit			
	- others, specify			
5.	Others, please specify	28.26	1.84	30.10
	Total Amount	**246.82**	**22.33**	**269.15**

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			None		
Punishment					
Compounding					
B. DIRECTORS					
Penalty			None		
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty			None		
Punishment					
Compounding					

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 2017-18, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for FY 2017-18 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under:

Name of Director/KMP and Designation	Remuneration of Director/KMP for FY 2017-18 (₹ in lacs)	% increase in Remuneration in FY 2017-18	Ratio of remuneration of each Director/ to median remuneration of employees
Mayank Poddar Chairman Emeritus and Whole time Director	150.00	0.00	44.03
Sanjay Chamria Vice Chairman and Managing Director	430.00	186.67%	126.21
Narayan K Seshadri Non-Executive Independent Chairman	82.30	2737.93%	24.16
Nabankur Gupta Non-Executive Independent Director	61.20	2253.85%	17.96
Satya Brata Ganguly Non-Executive Independent Director	64.20	1111.32%	18.84
Sanjay Nayar[1] Non-Executive Director	3.00	275.00%	0.88
Ritva Kaarina Laukkanen[2] Non-Executive Director	2.00	150.00%	0.59
V K Viswanathan Non-Executive Independent Director	64.20	5250.00%	18.84
Madhumita Dutta-Sen[3] Non-Executive Director	2.00	0.00%	0.59
Kailash Baheti Chief Financial Officer	246.82	26.26%	74.12
Shabnum Zaman Company Secretary	22.33	11.00%	6.52

1 Resigned as Director w.e.f. 19 April 2018

2 Resigned as Director w.e.f. 15 May 2017

3 Appointed as Director w.e.f. 29 August 2017

Note: For independent directors, remuneration is based on actuals and for others the remuneration has been taken based on annual remuneration, for calculating the variance with median.

ii) The median remuneration of employees of the Company during the financial year was ₹ 3.41 Lacs.

iii) In the financial year, there was an increase of 4.46% in the median remuneration of employees.

iv) There were 5461 employees on the rolls of Company as on 31 March 2018.

(v) Average percentage increase made in salaries of employees other than key managerial personnel in financial year i.e. 2017-18 was 5.71% whereas increase in managerial remuneration for financial year 2017 - 18 was 1329.42%. The increase is due to the impact of Commission payable to Directors which was NIL in last financial year and increase in Sitting fees to Non Executive Independent Directors from ₹ 20,000/- to ₹ 1,00,000/-.

vi) It is hereby affirmed that the remuneration paid is the 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

Place: Mumbai
Date: 9 May 2018

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 Boards' Report for the year ended 31 March 2018 and forming part thereof

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

Name	Age (in years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (₹ in lacs)	Particulars of last employment, last post, employer
MAYANK PODDAR	64	B Com	Chairman Emeritus and Whole time Director	01-Jul-96	43	150.00	Calcutta Credit Corporation Ltd (erstwhile)-Managing Director
SANJAY CHAMRIA	53	FCA	Vice Chairman & Managing Director	01-Jan-92	33	430.00	Magma Leasing Ltd (erstwhile)-Chief Executive
KAILASH BAHETI	54	B. Com (Hons), FCA, ACS, ACMA	Chief Financial Officer	18-Oct-11	33	246.82	Century Extrusion Ltd - CEO & CFO
KAUSHIK BANERJEE	55	B Com Sydenham, MBA AIMM Philippines	President & CEO - ABF	11-Nov-16	26	214.36	Cholamandalam Investment and Finance Company Limited-President Strategy & Corporate Affairs
CHIRAG JAIN	47	IIT Delhi, IIM Ahmedabad	Chief Operating Officer	07-Feb-17	23	206.16	Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited-Chief Operating Officer
DEBRAJ SINHA	44	MPM Symbiosis	Chief People Officer	01-Nov-16	19	189.62	Max Bupa Health Insurance Company Limited-Chief Human Resource Officer
JASHOBRATA BOSE	40	B Tech, PGDM XLRI Jamshedpur	Chief - Corporate Initiatives	06-May-16	17	133.19	Sanofi India Limited-Director-Strategy
MAHENDER BAGRODIA	48	B Com , ACA	Chief Receivables Management	09-Oct-00	25	126.52	Tijaya Enterprises Ltd - General Manager
HARSHVARDHAN CHAMRIA	29	School of Engg Cornell, MBA Stanford	Vice President- SME	01-Sep-14	4	90.66	Magma Fincorp Ltd.
RAJ KUMAR KAPOOR	53	CA	Chief Internal Auditor	07-Mar-11	31	88.94	Jubilant Organosys Group of Comp.-Vice President and Chief Internal Auditor

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

Name	Age (in years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (₹ in lacs)	Particulars of last employment, last post, employer
MAYANK PODDAR	64	B Com	Chairman Emeritus and Whole time Director	01-Jul-96	43	150.00	Calcutta Credit Corporation Ltd (erstwhile)-Managing Director
SANJAY CHAMRIA	53	FCA	Vice Chairman & Managing Director	01-Jan-92	33	430.00	Magma Leasing Ltd (erstwhile)-Chief Executive
KAILASH BAHETI	54	B. Com (Hons), FCA, ACS, ACMA	Chief Financial Officer	18-Oct-11	33	246.82	Century Extrusion Ltd - CEO & CFO
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JASHOBRATA BOSE	40	B Tech, PGDM XLRI Jamshedpur	Chief - Corporate Initiatives	06-May-16	17	133.19	Sanofi India Limited-Director-Strategy
MAHENDER BAGRODIA	48	B Com , ACA	Chief Receivables Management	09-Oct-00	25	126.52	Tijaya Enterprises Ltd - General Manager

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

Name	Age (in years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (₹ n lacs)	Particulars of last employment, last post, employer
NOT APPLICABLE							

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 computed on the basis of the Income Tax Act and Rules, leave encashment, performance 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
Date: 9 May 2018

Business Responsibility Report (BRR)

Magma Fincorp Limited is 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 31 March, 2018, 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	2017-18
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	NIC Code: K Group: 649 Description: Financial Services- Lending
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 305 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)	₹ 4,740.57 lacs
2	Total Turnover (INR)	₹ 203,710.89 lacs
3	Total profit after taxes (INR)	₹ 20,248.94 lacs
4	Total Spending on Corporate Social Responsibility (CSR) initiatives (INR)	₹ 376.04 lacs
5	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax	1.86%
6	List of activities in which CSR expenditure has been incurred (2017-18)	The same has been detailed out in the Annual Report on CSR Activities, annexed to the Board's Report.

SECTION C: Other Details

1	Does the Company have any Subsidiary Company/ Companies?	*Yes (One Subsidiary Company)
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)	BR activities of the subsidiary company are conducted as part of the parent company to the extent possible.
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.

*Note: M/S Magma ITL Finance Limted has merged with the Company w.e.f. 1 October 2017 i.e. Appointed date pursuant to the Order passed by National Company Law Tribunal dated 8 May 2018.

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	Chairman Emeritus and Whole time Director

b) Details of the BR head

Sl. No.	Particulars	Details
1	DIN (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, 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 and also adheres 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/secretarialdocuments/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 CSR committee oversees and review the Company's BR performance. The CSR Committee meets annually for implementation of CSR and BR 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?

The Business Responsibility Report (BRR) is prepared by the Company and the same forms a part of the Annual Report 2017-18. It is also available on the Company's website at wwww.magma.co.in.

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 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 2017-18

Particulars	No. of complaints received	No. of complaints resolved	% of complaints resolved
Shareholders	2	2	100
Customers	272	268	99
Employees	297	296	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 being an NBFC 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 ACH/ AutoDebit/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.

   Various other initiatives launched in previous year viz; discontinuation of printing of fund flow reports and requisition reports, printing both sides of the paper and facility for uploading system generated reports which helped in restricting usages of paper and ink cartridges.

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 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 ACH/AutoDebit/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 is progressing more towards digital transactions, hence we encourage the 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 2018, the Company has 5607 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 392 permanent women employees on 31 March 2018
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 2017-18.	

#	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,4500 employees were covered in various functional and behavioral training programs viz. Organization Induction, Sales Skilling, Managerial development programs, Customer Service programs, Product / policy refreshers, Mandatory training on KYC, AML, POSH and Infosec etc.	
b.	Permanent Women Employees	80% of women employees were imparted training during the year.	
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 Highway Heroes-Trucker's Initiative, M Scholar, Mid-Day Meal program, Ekal Vidyalaya, Medical kit Cum First Aid Box, Every Child is Special, Pre School Education, M Care-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 Whistle blower 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 our country, 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 such 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.	Highways Heroes -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 1.45 Lac Truckers in approximately 190 Transport Nagars across the country.
ii.	M Scholar	Provided financial assistance to 200 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	Provided support to "Annamrita" program which fights class room hunger for students from underprivileged families. We provided mid-day meal to 3850 students from Govt. schools located in West Bengal, Haryana, Maharashtra, Delhi, Andhra Pradesh, Jharkhand, Rajasthan etc. As part of the programme, hygienically cooked, balanced, nutritious, wholesome food is provided the children for 10 months of the year.
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, Bhadrak	Providing safe and conducive environment for the education of the student belongs to the under privileged section of the society.
vi	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.
vii	M Care-Mobile Health Camp	Free Medical Check-up at various location in West Bengal, Andhra Pradesh etc. 4 camps in a month, have benefitted about 5000 patients to date.
viii	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 are Petroleum Conservation Research Association (PCRA), Friends of Tribal Society (FTS), ISKCON Food Relief Foundation (IFRF) and Magma Foundation.

3. Have you done any impact assessment of your initiative?
   We use an external agency for carrying out the impact assessment study of the undertaken project for the Truckers. The same is also vetted by PCRA as part of their practice.

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 ₹ 376.04 lacs during the Financial Year 2017-18. Details of some of the major initiatives the Company has invested during the 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 service 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. Communication at all stages of loan disbursal to customers
4. Build and develop the best performing and efficient team to cater our customers
5. Empower frontline team to efficiently deal with customer requirement without having to depend on others
6. Enhance customer experience at every stage during his association with us

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 through the toll free number – 1800 3002 3202, websites, telephone, letter, Social Media & Branch. In our Company, 272 complaints were received and 4 complaints were pending during the FY 2017-18.

   We proactively highlight complaints to respective verticals for faster resolution and also bring in process changes to reduce the opportunity for future complaints.

   One classic example to this will be implementation of proactive refund processing which has helped in bringing down the refund complaints to a very large extent in FY 18 as compared to FY 17.

2. Does the Company display product information on the product label, over and above what is mandated as per local laws?
   The Company follows the highest standards of product and service responsibility. The Company complies 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.

   For the ease of understanding we have also uploaded the policy in regional languages and are also available at our branches for reference.

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, stakeholders have 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.

   We have also evolved the process of conducting satisfaction surveys to clearly highlight the satisfaction scores at each stage of customer loan cycle with the organization so that we are able to bring in process efficacy at the appropriate stage to enhance customer satisfaction.

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. There are 8 Directors on the Board, with 2 Executive Directors, 2 Non-Executive Directors which includes one Woman Director and 4 Independent Non-Executive Directors. The Chairman is an Independent 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 as on 31 March 2018 is as under:

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

2.2 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 6 times on 11 May 2017, 20 June 2017, 2 August 2017, 18 August 2017, 9 November 2017 and 1 February 2018. 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 at Board Meetings and the last Annual General Meeting (AGM) held on 2 August 2017 and the number of Companies and Committees where each of them is a Director / Member / Chairman as on 31 March 2018 is given below:

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. 2017-18 Attendance at		No. of Directorships in other Companies incorporated in India(*)	Outside Committee Positions Held (**)	
				Board Meeting	Last AGM held on 02.08.2017		Chairman	Member
Mr. Mayank Poddar	Promoter, Executive	Chairman Emeritus and Whole time Director	Nil	5/6	Yes	7	-	-
Mr. Sanjay Chamria	Promoter, Executive	Vice Chairman and Managing Director	Nil	6/6	Yes	8	1	2
Mr. Narayan K Seshadri	Independent, Non-Executive	Chairman	Nil	5/6	Yes	17	2	3
Mr. Nabankur Gupta	Independent, Non-Executive	-	5,000	5/6	No	10	1	5

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. 2017-18 Attendance at		No. of Directorships in other Companies incorporated in India(*)	Outside Committee Positions Held (**)	
				Board Meeting	Last AGM held on 02.08.2017		Chairman	Member
Mr. Satya Brata Ganguly	Independent, Non-Executive	-	Nil	6/6	Yes	6	2	4
Mr. Sanjay Omprakash Nayar[1]	Non-Executive	Nominee - Zend Mauritius VC Investments, Ltd	Nil	1/6	No	17	-	1
Ms. Ritva Kaarina Laukkanen[2]	Non-Executive	Nominee -International Finance Corporation	Nil	1/1	N.A	-	-	-
Mr. V K Viswanathan	Independent, Non-Executive	-	1,432	6/6	Yes	8	3	5
Ms. Madhumita Dutta-Sen[3]	Non-Executive Additional Director	Nominee -International Finance Corporation	Nil	2/2	N.A.	-	-	-

*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.

[1] Mr. Sanjay Nayar, Non-Executive Director resigned w.e.f. 19 April 2018

[2] Ms. Ritva Kaarina Laukkanen, Non-Executive Director resigned w.e.f 15 May 2017.

[3] Ms. Madhumita Dutta-Sen appointed as Additional Director in the capacity of Non-Executive Director w.e.f. 29 August 2017.

2.3 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.

2.4 Remuneration of Directors

a. **Executive Directors**: Remuneration payable to the Executive Directors are in line with the Act, Listing Regulations and Remuneration Policy for remunerating Directors/KMPs.

b. **Non-Executive Directors**: Remuneration to Non-Executive Directors is paid by the way of Sitting Fee for attending the meetings of the Board / Committee. In addition Independent Directors are paid Commission based on the profits of the Company not exceeding 1% of the net profit calculated in accordance with Sections 198 of the Companies Act, 2013.

The details of the remuneration paid to the Directors during the Financial Year ended 31 March 2018 is as follows:

(₹ in Lacs)

Sl No.	Directors	*Salary and allowances	*Perquisites	Sitting fees	Commission	Total
1.	Mr. Mayank Poddar	70.08	79.92	N.A	N.A	150.00
2.	Mr. Sanjay Chamria	93.44	106.56	N.A	230.00	430.00
3.	Mr. Narayan K Seshadri	-	-	17.30	65.00	82.30
4.	Mr. Nabankur Gupta	-	-	16.20	45.00	61.20
5.	Mr. Satya Brata Ganguly	-	-	19.20	45.00	64.20
6.	Mr. Sanjay Nayar	-	-	3.00	N.A	3.00
7.	Ms. Ritva Kaarina Laukkanen	-	-	2.00	N.A	2.00
8.	Mr. V K Viswanatahn	-	-	19.20	45.00	64.20
9.	Ms. Madhumita Dutta-Sen	-	-	2.00	N.A	2.00
	Total	**163.52**	**186.48**	**78.90**	**430.00**	**858.90**

*Details of allowances/perquisites are provided in MGT-9 forming part of the Board's Report

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 2018.

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.

Further, pursuant to Listing Regulations, Senior Management of the Company have affirmed that they have not entered into any material, financial and commercial transactions during the year in which they had personal interest, that may have potential conflict of interest with the Company.

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[4], M/s. Magma Advisory Services Limited[5] and M/s. Magma Housing Finance Limited[6] 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

As on 31 March 2018, Magma has eight Committees of the Board: -

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

The Fair Practices Code Committee was dissolved and the roles and responsibilities of the Fair Practices Code Committee were delegated to the Audit Committee with effect from 2 August 2017.

The terms of reference of the aforesaid 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 is in accordance with the provisions of Section 177 of the Act, RBI Guidelines and Listing Regulations.

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;

[4] M/s. Magma ITL Finance Limited has merged with the Company w.e.f . 1 October 2017 i.e. Appointed date pursuant to the confirmation order passed by National Company Law Tribunal dated 8 May 2018.

[5] M/s. Magma Advisory Services Limited has merged with the Company w.e.f. 1 April 2017 i.e. Appointed date pursuant to the confirmation order passed by Central Government dated 15 January 2018.

[6] 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 April 2017

- 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;
- Review the compliance of the Fair Practices Code and the functioning of the customer grievances redressal mechanism so as to comply with the guidelines and circular issued by the Reserve Bank of India for Non Banking Financial Companies in this regard;
- 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 5 times during the year under review i.e. on 10 May 2017, 20 June 2017, 1 August 2017, 8 November 2017 and 31 January 2018. 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	5
3.	Mr. Sanjay Nayar	Non-Independent, Non-Executive	1
4.	Mr. Nabankur Gupta	Independent, Non-Executive	5
5.	Mr. V K Viswanathan	Independent, Non-Executive	5

Mr. Narayan K Seshadri is the Chairman of the Committee and was present at the last Annual General Meeting held on 2 August 2017.

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

All members of the Audit Committee are financially literate and have accounting and related financial management expertise.

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 1 July 2017, 17 October 2017 and 13 January 2018 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	3

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 2018.

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 has adopted a Charter of Nomination and Remuneration 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 6 times during the year on 10 May 2017, 25 May 2017, 1 August 2017, 8 November 2017, 31 January 2018 and 6 March 2018 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	6
2.	Mr. Narayan K. Seshadri	Independent, Non-Executive	6
3.	Mr. Satya Brata Ganguly	Independent, Non-Executive	5
4.	Ms. Ritva Kaarina Laukkanen[7]	Non Independent, Non-Executive	1
5.	Mr. V K Viswanathan	Independent, Non-Executive	6
6.	Mr. Sanjay Nayar[8]	Non Independent, Non-Executive	1

[7] Ceased to be a member w.e.f. 15 May 2017

[8] Inducted as a member w.e.f. 20 June 2017

The Nomination and Remuneration Committee was re-constituted by a Board of Directors at their meeting held on 20 June 2017 wherein Ms. Ritva Kaarina Laukkanen ceased to be a member of the Committee pursuant to her resignation from the Company and Mr. Sanjay Nayar was inducted as the member 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 25 times during the year under review on 3 April 2017, 6 April 2017, 20 April 2017, 17 May 2017, 18 May 2017, 3 June 2017, 20 June 2017, 17 July 2017, 2 August 2017, 4 August 2017, 14 August 2017, 18 August 2017, 31 August 2017, 19 September 2017, 23 September 2017, 25 October 2017, 13 November 2017, 07 December 2017, 13 January 2018, 23 February 2018, 26 February 2018, 06 March 2018, 23 March 2018, 27 March 2018 and 28 March 2018. 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	21
2.	Mr. Sanjay Chamria	Promoter, Executive	15
3.	Mr. Satya Brata Ganguly	Independent, Non-Executive	23

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

3.5 Corporate Social Responsibility (CSR) Committee

3.5.1 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;
- Such other acts as may be delegated by the Board from time to time.

3.5.2 Composition and Attendance

The CSR Committee met once during the year on 14 August 2017 to discharge its functions. The composition and attendance details of the members of the CSR Committee is given below:

Sl No.	Name of the Directors	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.

3.6 Risk Management Committee

3.6.1 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.

3.6.2 Composition and Attendance

The Risk Management Committee met 3 times during the year on 20 April 2017, 21 September 2017 and 17 January 2018 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	3
2.	Mr. Mayank Poddar	Promoter, Executive	-
3.	Mr. Sanjay Nayar	Non-Independent, Non-Executive	-
4.	Mr. Narayan K Seshadri	Independent, Non-Executive	3

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

3.7 Asset Liability Management Committee

3.7.1 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.

3.7.2 Composition and Attendance

The Asset Liability Management Committee met 4 times during the year on 3 June 2017, 18 September 2017, 29 December 2017 and 30 March 2018 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	3
2.	Mr. Mayank Poddar	Promoter, Executive	3
3.	Mr. Satya Brata Ganguly	Independent, Non-Executive	4

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

3.8 Review Committee

3.8.1 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.

3.8.2 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

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 31 January 2018 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:

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

5.1.1. 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;

5.1.2. 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;

5.1.3. 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;

5.1.4. 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);

5.1.5. 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.

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

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

5.2.2 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;

5.2.3 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;

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

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

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

5.2.7 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;

5.2.8 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

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

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

5.3.1 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;

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

5.3.3 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.

5.3.4 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;

5.3.5 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 framework having impact on the Company. 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 2017-18, the Independent Directors were updated from time to time on an on-going 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, the Chairman 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

Subsidiary company is Board managed with its Board having the rights and obligations to manage the Company 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 in place 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

aforesaid 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 material 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 is available on the Company's website 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. The Mint (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 2017-18, Analyst Conference Calls were conducted on 12 May 2017, 3 August 2017, 10 November 2017 and 2 February 2018. Presentations to Institutional Investor/ Analysts are uploaded on the Company's website www.magma.co.in under 'Investors' section.

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	Particulars of Special Resolutions passed
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.	Aproval for alteration of Articles of Association of the Company
2016-17	Sitaram Seksaria Auditorium, Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, Kolkata-700017	Wednesday, 02 August, 2017	3:00 P.M.	Approval of Scheme of merger of wholly owned subsidiary Company i.e. Magma Advisory Services Limited with the Company

As on date of this report there is no proposal for passing special resolution by Postal Ballot.

b) Location and time of the Equity shareholders meeting convened pursuant to direction of NCLT, Kolkata Bench:

Venue	Day and date	Time	Particulars of Resolution	Type of Resolution passed
Sitaram Seksaria Auditorium, Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, Kolkata-700017	Saturday, 17 February 2018	11:00 A.M.	Approval of the Scheme of Amalgamation between Magma ITL Finance Limited ("Transferor Company") and Magma Fincorp Limited ("Transferee Company") and their respective shareholders ("Scheme") pursuant to the Sections 230 to 232 read with Section 233 and other applicable provisions of the Companies Act, 2013.	Special Resolution

c) Postal Ballot

During the year the Company had conducted Postal Ballot on 22 December 2017 and 30 March 2018 pursuant to Section 110 of the Act read with Companies (Management and Administration) Rules, 2014 including any amendments thereto, Mr. Girish Bhatia, Practicing Company Secretary (CP No. 13792) 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
22 December 2017	Special Resolution	Authorization to raise finance for an amount not exceeding ₹ 750 crores through further issue of Securities	98.14
	Special Resolution	Approve amendment to the Articles of Association of the Company	99.99
30 March 2018	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 the F.Y. 2018-19	99.98

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 and Listing Regulations The Company also issues press releases and publishes quarterly results.

a) Listing of shares

The Equity Shares of the Company are listed on

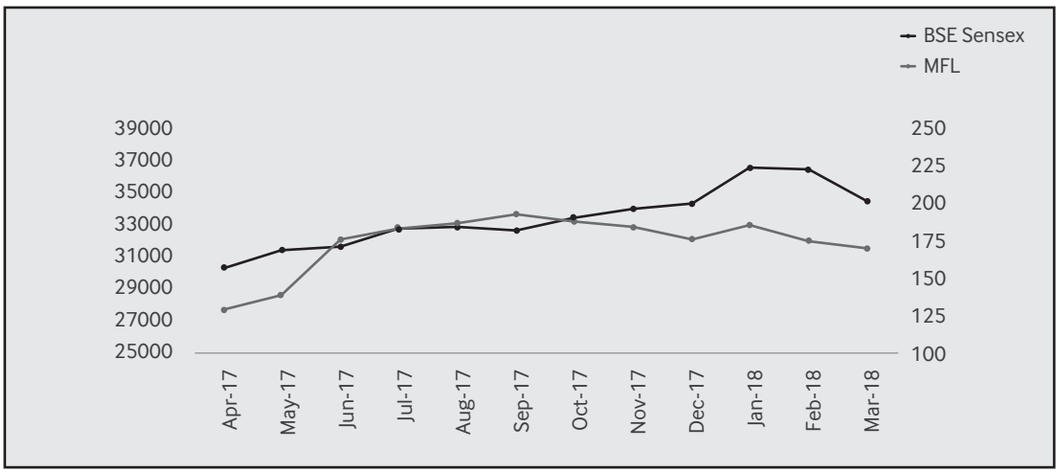
Name of Stock Exchanges	Stock code
National Stock Exchange of India Limited (NSE) 5, Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400 051.	MAGMA
BSE Limited (BSE) Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001.	524000

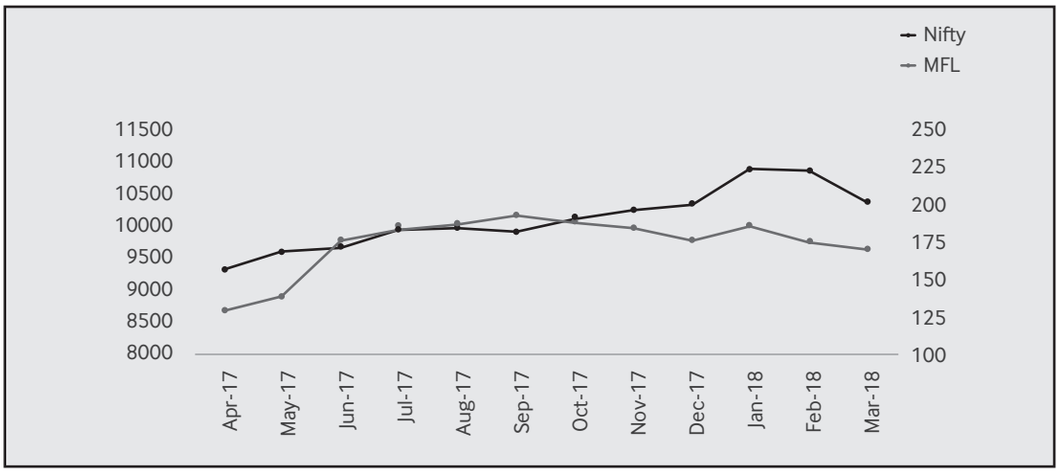
b) Market price data

Monthly high and low quotation during 1 April 2017 to 31 March 2018 is given in the table below:

	BSE Limited			National Stock Exchange of India Limited		
Month	**High (₹)**	**Low (₹)**	**Volume (Nos.)**	**High (₹)**	**Low (₹)**	**Volume (Nos.)**
April, 2017	128.25	106.00	1378649	128.60	106.00	10682677
May, 2017	137.75	115.60	1757348	137.80	115.55	10469693
June, 2017	174.15	125.65	1380093	173.90	125.55	9277153
July, 2017	181.20	158.70	1777199	181.30	158.15	5879109
August, 2017	185.00	165.20	488919	185.60	165.00	5538832
September, 2017	191.40	158.45	5313056	192.00	159.00	9019843
October, 2017	186.95	163.00	932281	187.80	164.25	3265655
November, 2017	182.35	163.00	782899	183.00	163.35	2812330
December, 2017	175.00	156.10	206046	174.75	156.75	1536202
January, 2018	183.50	155.00	382882	183.80	157.65	3823531
February, 2018	172.95	144.50	169147	174.45	135.95	2404270
March, 2018	168.45	140.10	155915	174.00	139.95	2682037

c) Magma Share Performance in comparison to broad based indices:





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 Fincorp Limited "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 38th Annual General Meeting
	Venue	:	
	Time	:	
h)	**Financial Year**	:	1 April 2017 to 31 March 2018
i)	**Book Closure date**	:	27 July 2018 to 2 August 2018 (both days inclusive)
j)	**Financial calendar (tentative)**		
	Financial reporting for the quarter ending		
	1st quarter ending 30 June 2018	:	First week of August 2018
	2nd quarter ending 30 September 2018	:	First week of November 2018
	3rd quarter ending 31 December 2018	:	First week of February 2019
	4th quarter ending 31 March 2019	:	First week of May 2019
	Annual General Meeting for the year ending 31 March 2019	:	First Week of August 2019
k)	**Dividend payment date and rate**	:	On Equity Shares @ 40% i.e Re. 0.80 per Equity Share of the face value of ₹ 2/- each. The dividend will be paid on or after the AGM date. Dividend warrants in respect of shares held in electronic/dematerialized form will be posted to the beneficial owners at their address as per the information furnished by NSDL and CDSL as on the record date.

l)	**Contact person for clarification on Financial Statements**	:	For clarification on Financial Statements, kindly contact: Mr. Rajesh Singhania, Magma Fincorp Limited Magma House, 7th Floor, 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 2018

Particulars	Number of shareholders	Number of shares held	Percentage of shareholding (%)
Up to 500	11886	14,15,989	0.60
501 – 1,000	2399	18,55,210	0.78
1,001 – 5,000	2464	47,74,064	2.01
5,001 – 10,000	248	18,03,210	0.76
10,001 – 50,000	203	46,13,502	1.95
50,001 – 1,00,000	26	17,86,670	0.75
1,00,001 – and above	45	22,07,80,027	93.14
Total	**17271**	**23,70,28,672**	**100.00**

Pattern of shareholding as on 31 March 2018

Category	Number of shares	Percentage (%)
Promoter and Promoter Group	6,57,52,083	27.74
Resident individuals	1,10,49,128	4.66
Foreign holdings	11,63,70,309	49.10
Public financial institutions and banks	1,86,236	0.08
Other Companies / Mutual Funds	4,33,88,580	18.30
IEPF	2,82,336	0.12
Total	**23,70,28,672**	**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 23,70,28,672 Equity Shares of ₹ 2/- each available since 16 January 2001; As on 31 March 2018, 23,60,78,517 Equity Shares constituting 99.60% of the total holding were held in demat mode. Members still holding physical share certificates are requested to dematerialize their shares by approaching any of the Depository Participants registered with the Securities and Exchange Board of India (SEBI). From June 26, 2000 the shares of the Company are mandated by SEBI for trading in dematerialized form.
o)	**Transfer of shares**	:	During the period, transfer of 2,640 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)	**Nomination facility**	:	Pursuant to the provisions of Section 72 of the Companies Act, 2013, and Rule 19 of the Companies (Share Capital and Debentures) Rules, 2014, members may file Nomination in respect of their shareholdings. Members holding shares in Physical Form willing to avail this facility may submit to the Company the prescribed Form SH-13 and any change or variation in the nomination in prescribed Form SH-14. Form SH-13 and SH-14 can be downloaded from the Company's website www.magma.co.in under the 'Investors' section. Members holding shares in electronic form are requested to give the nomination to their respective Depository Participants directly.
q)	**Requirement of PAN**	:	Members who hold shares in the physical form are advised that in terms of the Listing Regulations, for transfer, transmissions of shares etc., a copy of the PAN card along with other necessary documents shall be submitted to the Company/RTA.

r)	**Rights of Members**	:	The following are some of the important rights of the members: 1. Receive notices of General Meetings, Annual Report, etc. 2. Attend and vote at the General Meetings and appoint proxy in their stead. 3. Request an Extraordinary General Meeting along with other members who collectively hold not less than 1/10th of the total paid up share capital of the Company carrying voting rights. 4. Receive dividends and other corporate benefits like rights, bonus shares, etc. when declared / announced. 5. Transfer the shares. 6. Inspect minutes book of General Meetings. 7. Inspect Register of Members. 8. Nominate a person to whom his/her shares shall vest in the event of death.
s)	**Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity**	:	As on 31 March 2018, there are no Outstanding GDRs/ADRs/Warrants or any Convertible instruments
t)	**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
u)	**Debt Securities Listing**	:	The Wholesale Debt Market (WDM) Segment of BSE
v)	**Debenture Trustees**	:	i) IDBI Trusteeship Services Limited Asian Building, 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
w)	**Payment of Listing Fees**		Annual listing fee has been paid by the Company to BSE and NSE.

16. Reconciliation of Share Capital

During the year under review, an audit was carried out at the end of every quarter by a qualified Practising Company Secretary for reconciling the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares held in physical form and the total number of dematerialized shares held with NSDL and CDSL. The report for every quarter upon reconciliation of capital was submitted to the stock exchanges.

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 the expenses incurred, if any, 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 2018.

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.

17. 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: 9 May 2018

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

8 May 2018

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 2018.

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

2 May 2018

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 31.03.2018.

Thanking You,

Yours sincerely,

For **Magma Fincorp Limited**

Sanjay Chamria
Vice Chairman & Managing Director

Independent Auditors' certificate on Corporate Governance

To
The Members of Magma Fincorp Limited

1. This certificate is issued in accordance with the terms of our engagement letter dated 3 October 2017.

2. This report contains details of compliance of conditions of Corporate Governance by Magma Fincorp Limited ('the Company') for the year ended 31 March 2018, as stipulated in Regulations 17-27, clauses (b) to (i) of Regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations'), pursuant to the Listing Agreement of the Company with Stock exchanges.

Management responsibility

3. The preparation of the Corporate Governance Report is the responsibility of the Management of the Company along with the maintenance of all its relevant supporting records and documents. The Company's Management is responsible for compliance with the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the report and applying an appropriate basis of preparation.

Auditor's responsibility

4. Pursuant to the requirements of the SEBI Listing Regulations, our responsibility is to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations for the period 1 April 2017 to 31 March 2018.

5. We have examined the compliance of conditions of Corporate Governance by the Company for the period 1 April 2017 to 31 March 2018 as per the SEBI 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.

6. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes, Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ('ICAI') and the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013, in so far as applicable for the purpose of this certificate. The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

7. 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

8. In our opinion and to the best of our information and according to the explanations given to us and representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as specified in the above-mentioned SEBI Listing Regulations.

9. 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.

Restriction of use

10. The certificate is addressed and provided to the members of the Company solely for the purpose to enable the Company to comply with the requirement of the SEBI Listing Regulations, and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

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

Manoj Kumar Vijai
Partner
Membership No: 046882

London
9 May 2018

Standalone

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Independent Auditor's Report

To the Members of
Magma Fincorp Limited

Report on the Audit of 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 2018, the Statement of Profit and Loss, and the Statement of Cash Flows for the year then ended, and 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 state of affairs, profit and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 of the standalone financial statements 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 standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone 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 standalone 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 standalone financial statements.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

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 2018, its profit and its cash flows for the year ended on that date.

Independent Auditor's Report (Continued)

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 in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.

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.

   d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards prescribed 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 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

   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 contracts - Refer Note 30(c) to the standalone financial statements.

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

   iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited standalone financial statements for the period ended 31 March 2017 have been disclosed – Refer Note 45 to the standalone financial statements.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-10022

Manoj Kumar Vijai
Partner
Membership No. 046882
London, 9 May 2018

Annexure A to the Independent Auditor's 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 2018, 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, as disclosed in Note 11 to the annual standalone financial statements are held in the name of the Company, except for the following:

(₹ In Lacs)

Particulars	Buildings
Total number of cases	3
Gross block as at 31 March 2018	1,818.00
Net block as at 31 March 2018	1,226.80

(ii) The Company is a Non-Banking Finance Company ("NBFC"), primarily engaged in the business of 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 in accordance with the provisions of Section 73 to 76 of the Companies Act, 2013 and the rules framed thereunder.

(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, employees' state insurance, income tax, value added tax, service tax, goods and service tax, cess and any other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities except for delays ranging from 1 day to 52 days with respect to deposit of professional tax with appropriate authorities. As explained to us, the Company did not have any dues on account of sales tax, customs duty and excise duty.

According to the information and explanations given to us, there are no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, value added tax, service tax, goods and service tax, cess and other material statutory dues were in arrears, as at 31 March 2018, for a period of more than six months

Annexure A to the Independent Auditor's Report (Continued)

from the date they became payable. As explained to us, the Company did not have any dues on account of sales tax, customs duty and 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:

Name of the Statute	Nature of Dues	Amount (₹ Lacs)	Paid under Protest Amount (₹ Lacs)	Period to which amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	723.56	108.54	2013-2014	CIT(A), Kolkata
Income Tax Act, 1961	Income Tax	88.47	-	2014-2015	CIT(A), Kolkata
Finance Act , 1994	Service Tax	208.00	93.00	2002-2003 to 2006-2007	CESTAT, EZB, Kolkata
Finance Act , 1994	Service Tax	184.52	-	2010-2011 to 2013-2014	Service Tax Commissionerate, 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
West Bengal Value Added Tax Act, 2003	VAT	7.20	-	2013-2014	West Bengal Commercial Taxes Appellate and Revisional Board
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	2013-2014	Sales Tax Tribunal, Delhi
Delhi Value Added Tax	VAT	78.38	-	2013-2014	Sales Tax Tribunal, Delhi
Income Tax Act, 1961	Income Tax	2.25	0.34	2012-2013	CIT(A), Kolkata
Income Tax Act, 1961	Income Tax	157.94	21.97	2011-2012 to 2013-2014	CIT(A), Kolkata
Finance Act, 1994	Service Tax	107.99	8.09	2008-2009 to 2011-2012	CESTAT, 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 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

Annexure A to the Independent Auditor's Report (Continued)

Act, 2013 where applicable. The details of such related party transactions have been disclosed in the financial statements, as required by the applicable accounting standards.

(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. Accordingly, paragraph 3(xiv) of the Companies (Auditor's Report) Order, 2016 is not applicable.

(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's Registration No: 101248W/W-10022

Manoj Kumar Vijai
Partner
Membership No. 046882
London, 9 May 2018

Annexure B to the Independent Auditor's 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 2018:

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 2018 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").

Auditor's 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 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

Annexure B to the Independent Auditor's Report (Continued)

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 2018, 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's Registration No: 101248W/W-10022

Manoj Kumar Vijai
Partner
Membership No. 046882
London, 9 May 2018

Balance Sheet

(₹ in Lacs)

	Note No.	As at 31 March 2018	As at 31 March 2017
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	4,740.57	4,739.19
Reserves and surplus	4	2,14,899.79	1,99,050.19
		2,19,640.36	**2,03,789.38**
Non-current liabilities			
Long-term borrowings	5	2,11,377.25	2,38,677.37
Long-term provisions	6	29,802.50	18,534.81
		2,41,179.75	**2,57,212.18**
Current liabilities			
Short-term borrowings	7	5,72,376.84	4,87,335.75
Trade payables	8		
- Due to micro and small enterprises		-	-
- Due to others		31,889.68	21,038.31
Other current liabilities	9	1,28,588.36	1,71,123.45
Short-term provisions	10	1,561.02	1,426.58
		7,34,415.90	**6,80,924.09**
Total		**11,95,236.01**	**11,41,925.65**
ASSETS			
Non-current assets			
Fixed assets			
- Property, plant and equipment	11	16,343.31	18,315.31
- Intangible assets	11	2,763.37	2,779.78
- Capital work-in-progress		107.85	548.90
		19,214.53	**21,643.99**
Non-current investments	12	40,726.04	53,284.47
Deferred tax assets (net)	13	2,527.05	1,971.67
Long-term loans and advances	14		
- Assets on finance		6,77,398.07	6,05,715.07
- Others		10,223.72	18,768.54
Other non-current assets	15	10,138.23	16,913.69
		7,60,227.64	**7,18,297.43**
Current assets			
Current investments	16	6,504.06	4,737.23
Trade receivables	17	371.89	643.21
Cash and bank balances	18	37,467.50	27,249.11
Short-term loans and advances	19		
- Assets on finance		3,76,569.91	3,76,890.14
- Others		6,145.38	6,143.59
Other current assets	20	7,949.63	7,964.94
		4,35,008.37	**4,23,628.22**
Total		**11,95,236.01**	**11,41,925.65**
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

Manoj Kumar Vijai
Partner
Membership No. 046882

London, 09 May 2018

For and on behalf of the Board of Directors

Narayan K Seshadri
Chairman
[DIN: 00053563]

Kailash Baheti
Chief Financial Officer

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

Shabnum Zaman
Company Secretary

Mumbai, 09 May 2018

Statement of Profit and Loss

(₹ in Lacs)

	Note no.	Year ended 31 March 2018	Year ended 31 March 2017
REVENUE			
Revenue from operations	21	1,97,915.80	1,97,766.77
Other income	22	5,795.09	4,906.65
Total revenue		**2,03,710.89**	**2,02,673.42**
EXPENSE			
Employee benefits expense	23	32,433.16	23,020.76
Finance costs	24	78,467.49	94,256.97
Depreciation and amortisation expense	11	4,897.65	4,828.66
Provisions and bad debts written-off	25	34,637.56	54,232.49
Other expenses	26	26,300.67	25,263.73
Total expense		**1,76,736.53**	**2,01,602.61**
Profit before tax		**26,974.36**	**1,070.81**
Tax expense:			
Current tax - current year		7,532.41	-
- earlier year		(251.61)	(330.07)
Deferred tax		(555.38)	791.20
Profit after tax		**20,248.94**	**609.68**
Earnings per equity share (Nominal value of ₹ 2/- each fully paid up):	29		
Basic (in ₹)		8.54	0.26
Diluted (in ₹)		8.52	0.26
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

Manoj Kumar Vijai
Partner
Membership No. 046882
London, 09 May 2018

For and on behalf of the Board of Directors

Narayan K Seshadri
Chairman
[DIN: 00053563]

Kailash Baheti
Chief Financial Officer

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

Shabnum Zaman
Company Secretary

Mumbai, 09 May 2018

Cash Flow Statement

(₹ in Lacs)

	Year ended 31 March 2018		Year ended 31 March 2017	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax		26,974.36		1,070.81
Adjustments for :				
Depreciation and amortisation expense	4,897.65		4,828.66	
Interest expense	64,185.36		79,087.52	
Provision for non-performing assets	6,352.90		16,514.04	
Utilisation of provision on sale of non-performing assets	-		(27,240.62)	
Contingent provision against standard assets	520.00		70.00	
Gain on sale of investments (net)	(1.50)		-	
Excess provision on investment written back	(1.05)		-	
Investment written-off	1.12		-	
(Profit) / Loss on sale of fixed assets (net)	(190.35)		(16.00)	
Capital work in progress written-off	597.69		690.13	
Employee share based compensation expense	50.08		(37.60)	
Discount on commercial papers	10,530.18		11,098.65	
Dividend income	-		(0.36)	
Mark-to-market (profit)/loss on derivative contracts	-	86,942.08	(23.10)	84,971.32
Operating cash flow before working capital changes		**1,13,916.44**		**86,042.13**
Adjustments for :				
Trade and other receivables	11,720.95		(7,882.93)	
Assets on finance	(31,194.15)		1,76,364.77	
Other bank balances	(2,196.49)		(6,651.83)	
Trade payables and other liabilities	15,552.87	(6,116.82)	1,345.47	1,63,175.48
Cash from operations		**1,07,799.62**		**2,49,217.61**
Taxes paid (net)		(8,768.25)		(8,584.48)
Net cash from operating activities (A)		**99,031.37**		**2,40,633.13**
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets (including capital work-in-progress)	(5,196.23)		(6,271.41)	
Proceeds from sale of fixed assets	2,521.72		463.64	
Impact of amalgamation of subsidiaries	(3,373.11)		-	
Dividend income	-		0.36	
Subscription to investments	(10,377.86)		(17,396.00)	
Proceeds from maturity of investments	9,408.43		5,189.10	
Net cash used in investing activities (B)		**(7,017.05)**		**(18,014.31)**

Cash Flow Statement (Continued)

(₹ in Lacs)

	Year ended 31 March 2018		Year ended 31 March 2017	
C. CASH FLOW FROM FINANCING ACTIVITIES				
Payments for redemption of non-convertible preference shares	-		(1,300.20)	
Proceeds from issue of long-term debentures	21,100.00		28,860.00	
Redemption of long-term debentures	(59,200.00)		(56,230.00)	
Borrowing - Term Loans	37,588.33		72,546.98	
Repayment - Term Loans	(81,822.58)		(70,509.22)	
Repayment of Inter - Corporate Deposits - Subsidiary	(3,500.00)		-	
Increase / Decrease in short-term borrowings(net) *	61,240.39		(1,19,174.74)	
Proceeds from issue of equity shares including securities premium	41.40		78.59	
Interest paid	(68,595.57)		(81,628.49)	
Dividend paid (including tax thereon)	(2,280.35)		(2,786.91)	
Net cash used in financing activities (C)		**(95,428.38)**		**(2,30,143.99)**
Net decrease in cash and cash equivalents (A+B+C)		(3,414.06)		(7,525.17)
Cash and cash equivalents as at the beginning of the year		12,684.29		20,209.46
Cash and cash equivalents as at the end of the year		**9,270.23**		**12,684.29**
CASH AND CASH EQUIVALENTS [NOTE 18]				
Cash in hand		4,025.76		5,433.09
Balances with banks				
In current and cash credit accounts		3,546.78		5,626.93
In deposit accounts with maturity of less than three months		1,697.69		1,624.27
		9,270.23		**12,684.29**

* Short-term 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

Manoj Kumar Vijai
Partner
Membership No. 046882

London, 09 May 2018

For and on behalf of the Board of Directors

Narayan K Seshadri
Chairman
[DIN: 00053563]

Kailash Baheti
Chief Financial Officer

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

Shabnum Zaman
Company Secretary

Mumbai, 09 May 2018

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 asset or liability is respectively classified as current when it is expected to be realized or settled in the company's normal operating cycle or within 12 months after the reporting date. Current assets and liabilities include the current portion of non-current assets and non-current liabilities respectively. All other assets and liabilities are classified as non-current 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. Estimates and underlying assumptions are reviewed on an ongoing basis and 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 principle 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

Notes to the Financial Statements (Continued)

Note 2 : Significant Accounting Policies (Contd.)

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.

(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 or fully provided for. Recoveries made from previously written off contracts are included in "Other Income".

Notes to the Financial Statements (Continued)

Note 2 : Significant Accounting Policies (Contd.)

(vi) Property, plant and equipment

Property, plant and equipment are carried at cost of acquisition less accumulated depreciation. The cost of tangible fixed assets comprises the purchase price, taxes, duties, freight (net of rebates and discounts) and any other directly attributable costs of bringing the assets to their working condition for their intended use. Borrowing costs directly attributable to acquisition of those tangible fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

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.

(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.

Notes to the Financial Statements (Continued)

Note 2 : Significant Accounting Policies (Contd.)

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 Government administered provident fund scheme, 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.

(xi) 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 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) Income taxes

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

Notes to the Financial Statements (Continued)

Note 2 : Significant Accounting Policies (Contd.)

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. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and deferred taxes relate to same taxable entity and same taxation authority.

(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 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

Notes to the Financial Statements (Continued)

Note 2 : Significant Accounting Policies (Contd.)

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) Foreign currency transactions

Foreign currency transactions are accounted for at the rates prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the Statement of Profit and Loss. Monetary assets and liabilities denoted in foreign currencies as at the Balance Sheet date are translated at the closing exchange rates. Resultant exchange differences, if any, are recognised in the Statement of Profit and Loss and related assets and liabilities are accordingly restated in the Balance Sheet. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency at the Balance Sheet date are reported using exchange rates at the date of the transaction.

(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.

(xxi) 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.

Note 3 : Share Capital

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Authorised		
1,26,50,00,000 (2017: 265,000,000) Equity shares of ₹ 2/- each	25,300.00	5,300.00
5,83,00,000 (2017: 54,300,000) Preference shares of ₹ 100/- each	58,300.00	54,300.00
	83,600.00	**59,600.00**
Issued, subscribed and paid-up		
Equity share capital		
23,70,28,672 (2017: 236,959,672) Equity shares of ₹ 2/- each, fully paid up	4,740.57	4,739.19
	4,740.57	**4,739.19**

Reconciliation of the number of shares outstanding and the amount of share capital

(₹ in Lacs)

	As at 31 March 2018		As at 31 March 2017	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
Opening balance	23,69,59,672	4,739.19	23,68,28,672	4,736.57
Equity shares issued on exercise of ESOPs during the year	69,000	1.38	1,31,000	2.62
Closing balance	**23,70,28,672**	**4,740.57**	**23,69,59,672**	**4,739.19**
Preference shares (Cumulative non-convertible redeemable)				
Opening balance	-	-	65,00,999	1,300.20
6 months US Dollar Libor plus 3.25% preference shares redeemed during the year (20% annually)	-	-	(65,00,999)	(1,300.20)
Closing balance	-	-	-	-

Notes to the Financial Statements (Continued)

Note 3 : Share Capital (Contd.)

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.

During the year, the Company has allotted on 10 May 2017 and 31 January 2018, 14,000 equity shares and 55,000 equity shares respectively of the face value of ₹ 2/- each to the eligible employees 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.

On 12 April 2018, the Company has allotted 3,22,58,064 equity shares of face value of ₹ 2/- each to Qualified Institutional Buyers, aggregating to approximately ₹ 50,000 lacs, including premium of ₹ 153/- per share under Chapter VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended and Companies Act, 2013 read with relevant rules thereunder and other applicable provisions. Consequent to the said allotment, the total paid-up equity share capital of the Company stands increased to 26,92,86,736 equity shares of ₹ 2/- each aggregating to ₹ 5,385.73 lacs. The equity shares issued and allotted as aforesaid rank pari passu with the existing equity shares of the Company in all respect.

During the year ended 31 March 2018, 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 including shares alloted post 31 March 2018, pursuant to Qualified Institutional Placement (QIP) and ESOP scheme. Total dividend on 26,92,86,736 equity shares for the year ended 31 March 2018 would amount to ₹ 2,597.11 lacs including corporate dividend tax of ₹ 442.82 lacs, subject to approval of shareholders.

Preference shares

The Company declares and pays dividend on preference shares in both Indian rupees and foreign currencies.

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.

For the financial year ended 31 March 2017, the Company has recommended dividend based on the 6 months US Dollar Libor applicable as on 30 December 2016 and closing exchange rate applicable as on 31 March 2017 and which was liable to vary depending on the actual date of payment of the dividend. Accordingly, the excess dividend and tax thereon of ₹ 0.90 lacs (2017: ₹ 2.50 lacs) has been provided with respect to above preference shares for the previous financial year ended 31 March 2017 in the current financial year.

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 2018		As at 31 March 2017	
	%	No. of shares	%	No. of shares
Equity shares				
Zend Mauritius VC Investments Limited	14.46	3,42,76,629	14.47	3,42,76,629
Microfirm Capital Private Limited	14.35	3,40,15,928	14.36	3,40,15,928
Celica Developers Private Limited	12.42	2,94,34,455	12.42	2,94,34,455
True North Fund V LLP (formerly known as India Value Fund V LLP)	11.92	2,82,55,524	11.92	2,82,55,524
International Finance Corporation	9.70	2,30,00,000	9.71	2,30,00,000
Lavender Investments Limited	7.95	1,88,51,431	7.96	1,88,51,431
LeapFrog Financial Inclusion India Holdings Limited	5.58	1,32,18,519	7.82	1,85,18,519

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 1,000,000 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. The options will get settled by issue of equity shares at the exercise price. 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 1,000,000 to 5,000,000.

During the year, the Nomination and Remuneration Committee of the Board of Directors has granted 5,15,000 options (2017: 1,25,000) under MESOP 2007 to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹ 2/- each).

	Year ended 31 March 2018		Year ended 31 March 2017	
	No. of options	Wtd. avg. exercise price (₹)	No. of options	Wtd. avg.exercise price (₹)
Outstanding options at the beginning of the year	2,14,000	60.00	2,87,500	60.00
Granted during the year	5,15,000	96.70	1,25,000	60.00
Exercised during the year	69,000	60.00	1,31,000	60.00
Lapsed during the year	-	-	67,500	60.00
Forfeited during the year	-	-	-	-
Outstanding options at the end of the year	**6,60,000**	**88.64**	**2,14,000**	**60.00**
Options vested and exercisable at the end of the year	10,000	60.00	59,000	60.00

MRSOP, 2014

Under MRSOP, the Company provided for the creation and issue of 5,000,000 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. The options will get settled by issue of equity shares at the exercise price.

During the year, the Nomination and Remuneration Committee of the Board of Directors has granted 3,00,000 options (2017: Nil) under MRSOP 2014 to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹ 2/- each).

	Year ended 31 March 2018		Year ended 31 March 2017	
	No. of options	Wtd. avg. exercise price (₹)	No. of options	Wtd. avg.exercise price (₹)
Outstanding options at the beginning of the year	3,20,000	2.00	6,70,000	2.00
Granted during the year	3,00,000	100.00	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	1,10,000	2.00	3,50,000	2.00
Forfeited during the year	-	-	-	-
Outstanding options at the end of the year	**5,10,000**	**59.65**	**3,20,000**	**2.00**
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 is ₹ 78.84 (2017: ₹ 71.93) using the Black-Scholes model with the following assumptions:

	Units	As at 31 March 2018	As at 31 March 2017
Grant date share price	₹	79.80 - 165.30	56.85 - 108.00
Exercise price	₹	2.00 - 120.00	2.00 - 60.00
Dividend yield	%	0.48 - 1.02	0.61 - 1.06
Expected life	years	3.84 - 5.21	4.42 - 4.80
Risk free interest rate	%	6.80 - 7.82	6.92 - 8.35
Volatility	%	42.00 - 49.99	42.00 - 58.13

Equity shares reserved for issue under options

(₹ in Lacs)

	No. of options granted	Exercise price (₹)	As at 31 March 2018		As at 31 March 2017	
			No. of options	Amount	No. of options	Amount
Under MESOP 2007:						
Tranche II	2,50,000	60.00	-	-	40,000	0.80
Tranche V	1,50,000	60.00	-	-	14,000	0.28
Tranche VI	50,000	60.00	20,000	0.40	35,000	0.70
Tranche XI	1,25,000	60.00	1,25,000	2.50	1,25,000	2.50
Tranche XII	1,25,000	60.00	1,25,000	2.50	-	-
Tranche XIII	2,25,000	100.00	2,25,000	4.50	-	-
Tranche XIV	90,000	120.00	90,000	1.80	-	-
Tranche XV	75,000	120.00	75,000	1.50	-	-
Under MRSOP 2014:						
Tranche I (A)	6,50,000	2.00	2,10,000	4.20	3,20,000	6.40
Tranche I (C)	3,00,000	100.00	3,00,000	6.00	-	-

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.

Particulars	Unit	Year ended 31 March 2018	Year ended 31 March 2017
Net profit for equity shareholders	₹ in Lacs	20,248.93	606.29
Stock-based employee compensation expense (intrinsic value method)	₹ in Lacs	50.08	(37.60)
Stock-based employee compensation expense (fair value method)	₹ in Lacs	81.42	16.75
Proforma net profit	₹ in Lacs	20,217.59	585.44
Basic earnings per share (Face value: ₹ 2/-) as reported	₹	8.54	0.26
Proforma basic earnings per share (Face value: ₹ 2/-)	₹	8.53	0.25
Diluted earnings per share (Face value: ₹ 2/-) as reported	₹	8.52	0.26
Proforma diluted earnings per share (Face value: ₹ 2/-)	₹	8.51	0.25

Notes to the Financial Statements (Continued)

Note 4 : Reserves and Surplus

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Capital reserve		
Opening balance	457.98	457.98
Add: Adjusted on account of amalgamation of Magma ITL Finance Limited (MITL) (Refer note 39)	22.24	-
	480.22	**457.98**
Capital redemption reserve	**1,421.84**	**1,421.84**
Securities premium reserve		
Opening balance	1,15,839.98	1,15,755.70
Add: Adjusted on account of amalgamation of Magma Advisory Services Limited (MASL) (Refer note 40)	16,333.33	-
Add: On equity shares issued on exercise of ESOPs during the year	48.59	84.28
	1,32,221.90	**1,15,839.98**
Employee share option outstanding		
Gross employee share compensation cost for options granted in earlier years	237.49	283.40
Less: Transferred to securities premium reserve on allotment of shares	8.57	8.31
Add: Deferred employee compensation cost	50.08	(37.60)
	279.00	**237.49**
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	21,990.00	21,860.00
Add: Adjusted on account of amalgamation of MITL (Refer note 39)	2,350.00	-
Add: Transfer from surplus in the statement of profit and loss	4,110.00	130.00
	28,450.00	**21,990.00**
General reserve		
Opening balance	11,390.00	11,390.00
Less: Adjusted on account of amalgamation of MASL (Refer note 40)	25,222.22	-
Add: Transfer from surplus in the statement of profit and loss	13,832.22	-
	-	**11,390.00**
Surplus (balance in the statement of profit and loss)		
Opening balance	47,606.42	47,129.24
Balance transfer on account of amalgamation of MASL (Refer note 40)	8.83	-
Balance transfer on account of amalgamation of MITL (Refer note 39)	4,301.01	-
Profit for the year	20,248.94	609.68
Amount available for appropriations	**72,165.20**	**47,738.92**
Appropriations		
Dividend on preference shares*	0.75	2.08
Tax on preference dividend as above*	0.15	0.42
Dividend on equity shares*	1,895.79	-
Tax on equity dividend as above*	385.94	-
Transfer to statutory reserve	4,110.00	130.00
Transfer to general reserve	13,832.22	-
	51,940.35	**47,606.42**
	2,14,899.79	**1,99,050.19**

* 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 in the financial year ended 31 March 2018 and same will been shown in the financial year ended 31 March 2019 post approval by shareholders in Annual General Meeting.

Notes to the Financial Statements (Continued)

Note 5 : Long-Term Borrowings

(₹ in Lacs)

	Security as per	As at 31 March 2018	As at 31 March 2017
Debentures			
Secured			
Redeemable non-convertible debentures	(a)	19,500.00	5,500.00
		19,500.00	**5,500.00**
Unsecured			
Subordinated non-convertible perpetual debentures (Tier I capital)		13,410.00	13,310.00
Subordinated redeemable non-convertible debentures (Tier II capital)		59,000.00	78,030.00
Subordinated debts from banks (Tier II capital)		10,000.00	10,000.00
		82,410.00	**1,01,340.00**
Term loan			
Secured *			
from banks	(b) and (c)	1,09,436.70	1,31,000.48
from others (financial institutions)	(b) and (c)	30.55	836.89
		1,09,467.25	**1,31,837.37**
		2,11,377.25	**2,38,677.37**
* Aggregate of loans guaranteed by Director (including current maturities)		263.60	796.50

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. The total asset cover is hundred percent or above of the principal amount of the said debentures.

(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 2018		As at 31 March 2017	
	31 March 2018	31 March 2017	Long-term	Current maturities	Long-term	Current maturities
>5 Years	9.00%	9.00%	10,000.00	-	5,000.00	-
3 - 5 Years	9.55%	9.55%	500.00	-	500.00	-
1 - 3 Years	8.99% - 9.10%	-	9,000.00	-	-	-
0 - 1 Years	8.74%	9.63% - 10.80%	-	5,000.00	-	48,500.00
			19,500.00	**5,000.00**	**5,500.00**	**48,500.00**

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 2018		As at 31 March 2017	
	31 March 2018	31 March 2017	Long-term	Current maturities	Long-term	Current maturities
> 5 Years	11.00% - 12.10%	11.50% - 12.10%	7,910.00	-	7,810.00	-
3 - 5 Years	-	12.50%	-	-	2,500.00	-
1 - 3 Years	12.50% - 13.75%	13.50% - 13.75%	5,500.00	-	3,000.00	-
			13,410.00	**-**	**13,310.00**	**-**
Percentage of Tier I Capital			6.88%		8.15%	

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 2018		As at 31 March 2017	
	31 March 2018	31 March 2017	Long-term	Current maturities	Long-term	Current maturities
> 5 Years	10.00% - 10.90%	10.25% - 11.50%	17,200.00	-	21,000.00	-
3 - 5 Years	10.30% - 11.50%	11.00% - 11.45%	28,800.00	-	23,000.00	-
1 - 3 Years	11.00%	11.00% - 11.75%	13,000.00	-	34,030.00	-
0 - 1 Years	11.20% - 11.75%	11.75% - 12.00%	-	21,030.00	-	10,700.00
			59,000.00	**21,030.00**	**78,030.00**	**10,700.00**

Above current maturities has been disclosed under "Other current liabilities" [Note 9]

Terms of repayment of subordinated term loans (unsecured) (Tier II capital)

(₹ in Lacs)

Maturity schedule	Interest rate range (p.a.)		As at 31 March 2018		As at 31 March 2017	
	31 March 2018	31 March 2017	Long-term	Current maturities	Long-term	Current maturities
Monthly installments						
> 5 Years	10.10%	11.00%	1,666.67	-	10,000.00	-
3-5 Years	10.10%	-	8,333.33	-	-	-
			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 5 : Long-Term Borrowings (Contd.)

Terms of repayment of term loans (secured)

(₹ in Lacs)

Maturity schedule	Interest rate range (p.a.)		As at 31 March 2018		As at 31 March 2017	
	31 March 2018	31 March 2017	Long-term	Current maturities	Long-term	Current maturities
Half yearly installments						
1 - 3 Years	-	10.45%	-	-	1,428.57	-
0 - 1 Years	8.90%	10.45%	-	1,427.20	-	2,855.76
			-	**1,427.20**	**1,428.57**	**2,855.76**
Quarterly installments						
3 - 5 Years	8.30% - 10.45%	9.50% - 10.00%	20,597.43	-	35,270.83	-
1 - 3 Years	8.30% - 10.70%	9.50% - 12.25%	88,788.90	-	95,086.89	-
0 - 1 Years	8.30% - 11.10%	9.85% - 12.25%	-	55,456.47	-	59,313.46
			1,09,386.33	**55,456.47**	**1,30,357.72**	**59,313.46**
Monthly installments						
3 - 5 Years	12.00%	12.00%	18.50	-	11.11	-
1 - 3 Years	12.00%	12.00%	62.42	-	39.97	-
0 - 1 Years	12.00%	10.75% - 12.00%	-	41.95	-	1,701.32
			80.92	**41.95**	**51.08**	**1,701.32**
			1,09,467.25	**56,925.62**	**1,31,837.37**	**63,870.54**

Above current maturities has been disclosed under "Other current liabilities" [Note 9]

Note 6 : Long-Term Provisions

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Provision for employee benefits		
Provision for compensated absences	636.78	775.61
Other provisions		
Provision for non-performing assets [Note 35(m)]	26,795.72	15,859.20
Contingent provision against standard assets (Tier II capital)	2,370.00	1,900.00
	29,802.50	**18,534.81**

Note 7 : Short-Term Borrowings

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Commercial papers		
Unsecured		
Face value	55,000.00	51,000.00
Less: Unmatured discounting charges	780.01	815.37
	54,219.99	**50,184.63**
Loans from banks		
Secured*		
Cash credit facilities	2,16,156.85	1,07,151.13
Working capital demand loans	3,02,000.00	3,29,999.99
	5,18,156.85	**4,37,151.12**
	5,72,376.84	**4,87,335.75**
Aggregate of loans guaranteed by Director	**-**	**-**

Notes to the Financial Statements (Continued)

Note 7 : Short-Term Borrowings (Contd.)

Details of unsecured commercial papers

(₹ in Lacs)

Number of units	Face value (₹ in lacs)	Interest terms	As at 31 March 2018	As at 31 March 2017
11,000	5	Fixed	54,219.99	-
10,200	5	Fixed	-	50,184.63
			54,219.99	**50,184.63**

The above commercial papers carry interest rates ranging from 8.20% p.a. to 8.38% p.a. with maturity ranging from 2 month to 3 months (2017: from 7.61 % p.a. to 8.95 % p.a. with maturity ranging from 1 months to 3 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 8.70 % p.a. to 12.10 % p.a. (2017: from 9.00 % p.a. to 11.20% p.a.). Working capital demand loans are repayable on demand and carry interest rates ranging from 8.15 % p.a. to 9.25 % p.a. (2017: from 8.20% p.a. to 9.60% 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. The Company has entered into a forward buy contract of US $ 78.13 lacs (INR ₹ 5,000.00 lacs). The said loan including the interest payable thereon has been fully hedged to INR liability. There is no un-hedged foreign currency exposure as on 31 March 2018.

*** 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, tangible movable assets, plant and machinery, equipments, etc and future rental income therefrom and other current assets (expressly excluding those equipments, plant, machinery, spare parts, tangible movable assets 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 financial organisation). These are collaterally secured by way of equitable mortgage over immovable property.

Note 8 : Trade Payables

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Due to micro and small enterprises *	-	-
Due to others	31,889.68	21,038.31
	31,889.68	**21,038.31**

* 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 2018 and 31 March 2017. 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.

Notes to the Financial Statements (Continued)

Note 9 : Other Current Liabilities

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Current maturities of long-term borrowings [Note 5]	82,955.62	1,23,070.54
Interest accrued but not due on borrowings	4,300.52	8,706.11
Unpaid dividend #	34.56	32.28
Other liabilities		
Temporary book overdraft	5,893.25	2,090.45
Advances and deposits from customers	6,170.48	6,476.09
Statutory liabilities	697.31	601.56
Director's commission [Note 36]	200.00	-
Pending remittance on assignment	19,358.27	22,695.91
Other payables ##	8,978.35	7,450.51
	1,28,588.36	**1,71,123.45**

There has been no delay in transfer of amounts required to be transferred to Investor Education and Protection Fund and balance would be credited as and when due.

Includes provision for commission payable to executive director of ₹ 230.00 lacs (2017: ₹ Nil), refer Note 36.

Note 10 : Short-Term Provisions

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Provision for employee benefits		
Provision for compensated absences	21.02	86.58
Other provisions		
Contingent provision against standard assets (Tier II capital)	1,540.00	1,340.00
	1,561.02	**1,426.58**

Note 11 : Fixed Assets

Following are the changes in the carrying value of the fixed assets for the year ended 31 March 2018

(₹ in Lacs)

Description of assets	Gross block					Depreciation and amortisation					Net block
	As at 1 April 2017	Adjustment**	Additions	Deletions	As at 31 March 2018	As at 1 April 2017	Adjustment**	For the year	Deletions	As at 31 March 2018	As at 31 March 2018
Property, plant and equipment											
Fixed assets for own use											
Land ^	30.26	-	-	-	30.26	-	-	-	-	-	30.26
Buildings *^	2,165.37	-	-	-	2,165.37	655.83	-	38.01	-	693.84	1,471.53
Wind mills ^	9,701.29	-	-	-	9,701.29	4,588.95	-	410.39	-	4,999.34	4,701.95
Furniture and fixtures	2,746.43	-	115.77	36.96	2,825.24	1,802.25	-	246.32	34.22	2,014.35	810.89
Vehicles	274.16	-	163.12	23.66	413.62	114.81	-	37.38	6.20	145.99	267.63
Office equipments	8,804.83	-	793.33	536.74	9,061.42	6,248.15	-	1,149.12	428.64	6,968.63	2,092.79
Leasehold improvements	3,497.32	-	258.93	32.87	3,723.38	2,246.03	-	302.02	26.31	2,521.74	1,201.64
Sub-total	**27,219.66**	**-**	**1,331.15**	**630.23**	**27,920.58**	**15,656.02**	**-**	**2,183.24**	**495.37**	**17,343.89**	**10,576.69**
Fixed assets on operating lease											
Buildings	11.00	-	-	-	11.00	2.40	-	0.18	-	2.58	8.42
Vehicles	9,510.04	-	3,159.95	3,796.18	8,873.81	2,766.97	-	1,948.31	1,599.67	3,115.61	5,758.20
Sub-total	**9,521.04**	**-**	**3,159.95**	**3,796.18**	**8,884.81**	**2,769.37**	**-**	**1,948.49**	**1,599.67**	**3,118.19**	**5,766.62**
Total	**36,740.70**	**-**	**4,491.10**	**4,426.41**	**36,805.39**	**18,425.39**	**-**	**4,131.73**	**2,095.04**	**20,462.08**	**16,343.31**
Intangible assets											
Fixed assets for own use											
Computer software	5,282.29	11.31	743.37	-	6,036.97	2,502.51	5.17	765.92	-	3,273.60	2,763.37
Business and commercial rights	800.00	-	-	-	800.00	800.00		-	-	800.00	-
Total	**6,082.29**	**11.31**	**743.37**	**-**	**6,836.97**	**3,302.51**	**5.17**	**765.92**	**-**	**4,073.60**	**2,763.37**
Grand total	**42,822.99**	**11.31**	**5,234.47**	**4,426.41**	**43,642.36**	**21,727.90**	**5.17**	**4,897.65**	**2,095.04**	**24,535.68**	**19,106.68**

* Registration of title for 3 buildings is pending.

** Refer Note 39.

^ For details of movable / immovable property, plant and equipment hypothecated against borrowings, refer Note 5.

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
Property, plant and equipment									
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.

^ For details of movable / immovable property, plant and equipment hypothecated against borrowings, refer Note 5.

Notes to the Financial Statements (Continued)

Note 12 : Non-Current Investments

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Other investment (at cost) [Note 42]		
Investment in equity shares (Trade investment)		
Quoted (fully paid-up of ₹ 10/- each)	-	1.12
Unquoted (fully paid-up of ₹ 10/- each)		
In subsidiaries	21,970.94	9,329.94
In joint ventures	6,302.20	6,302.20
In others	422.04	422.04
Investment in preference shares (Trade investment)		
Unquoted (fully paid-up of ₹ 10/- each)		
In subsidiary	-	24,888.89
Investment in government securities (Non-trade investment)		
Unquoted (pledged with sales tax authorities)	0.16	0.16
Others (Non-trade investment)		
In pass through certificates *	6,028.54	4,924.70
In security receipts (of ₹ 1,000/- each)	6,002.16	7,416.47
	40,726.04	**53,285.52**
Aggregate provision for diminution in value of investments	-	(1.05)
	40,726.04	**53,284.47**
Aggregate book value of quoted investments	-	1.12
Aggregate market value of quoted investments	-	0.28
Aggregate book value of unquoted investments	40,726.04	53,284.40

* 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 ₹ 6,504.06 lacs (2017: ₹ 4,737.23 lacs) has been included under 'Current Investments' [Note 16].

Note 13 : Deferred Tax Assets / Liabilities (net)

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Deferred tax assets		
Contingent provision against standard assets	1,366.31	1,121.30
Provision for non-performing assets	9,540.06	5,661.59
Unabsorbed depreciation and amortisation	-	3,585.25
Others	291.19	303.94
	11,197.56	**10,672.08**
Deferred tax liabilities		
Fixed assets	3,241.54	3,172.35
Unamortised expenses (net)	5,379.97	5,469.70
Others	49.00	58.36
	8,670.51	**8,700.41**
Deferred tax assets (net)	**2,527.05**	**1,971.67**

Notes to the Financial Statements (Continued)

Note 14 : Long-Term Loans and Advances

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Assets on finance#		
Secured, considered good*	5,41,886.65	5,04,951.84
Secured, considered doubtful*	47,908.63	19,930.03
Unsecured, considered good	87,602.79	80,833.20
	6,77,398.07	**6,05,715.07**
Others		
Unsecured, considered good		
Capital advances	15.26	118.61
Loans to staff	10.85	96.86
Loans and advances to related parties [Note 36]	163.05	10,063.05
Tax advances and deduction at source (net of provision for taxes)	9,040.30	7,478.98
Security deposits	994.26	1,011.04
	10,223.72	**18,768.54**
Unsecured, considered doubtful		
Other loans and advances		
Advances recoverable in cash or kind or for value to be received	505.27	500.00
Less: Provision against loans and advances##	505.27	500.00
	-	-
	6,87,621.79	**6,24,483.61**

Assets on finance includes sub-standard assets of ₹ 53,712.43 lacs (2017: ₹ 69,754.07 lacs) and is net of amounts securitised / assigned aggregating to ₹ 3,16,818.15 lacs (2017: ₹ 3,62,064.98 lacs).

During the year, the Company has created a provision of ₹ 5.27 lacs (2017: ₹ 168.00 lacs) towards other loans and advances. Accordingly, the balance of provision against other loans and advances as at 31 March 2018 is ₹ 505.27 lacs (2017: ₹ 500.00 lacs).

* Secured by underlying assets financed.

Note 15 : Other Non-Current Assets

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Others		
Non-current bank balances*	2,312.37	8,629.25
Unamortised borrowings costs	1,302.01	1,567.64
Unamortised loan origination costs (net)	6,383.63	6,548.17
Gratuity (excess of plan assets over obligation) [Note 27]	140.22	168.63
	10,138.23	**16,913.69**

* Balances with banks held as security against borrowings, guarantees amounts to ₹ 331.94 lacs (2017: ₹ 475.17 lacs lacs) and as cash collateral for securitisation / direct assignment of receivables amounts to ₹ 1,980.43 lacs (2017: ₹ 8,154.08lacs).

Note 16 : Current Investments

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Other investment [Note 42]		
Others (at cost) (Non-trade investment)		
In pass through certificates [Note 12]	6,504.06	4,737.23
	6,504.06	**4,737.23**
Aggregate book value of unquoted investments	**6,504.06**	**4,737.23**

Notes to the Financial Statements (Continued)

Note 17 : Trade Receivables

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Unsecured, considered good		
Debts outstanding for a period exceeding six months from the date they became due for payment	-	-
Other debts	371.89	643.21
	371.89	**643.21**

Note 18 : Cash and Bank Balances

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Cash and cash equivalents		
Cash in hand	4,025.76	5,433.09
Balances with banks		
In current and cash credit accounts	3,546.78	5,626.93
In deposits with original maturity of three months or less	1,697.69	1,624.27
	9,270.23	**12,684.29**
Other bank balances *		
In unpaid dividend account	34.56	32.28
In deposits with original maturity of three months or less	232.65	522.00
In deposits with original maturity of more than three months to twelve months	14,362.73	9,373.04
Current maturities of deposits with original maturity of more than twelve months	13,567.33	4,637.50
	28,197.27	**14,564.82**
	37,467.50	**27,249.11**

* Balances with banks held as security against borrowings, guarantees amounts to ₹ 2,287.55 lacs (2017: ₹ 2,058.83 lacs) and as cash collateral for securitisation / direct assignment of receivables amounts to ₹ 25,791.18 lacs (2017: ₹ 12,050.87 lacs). Fixed deposits accounts with more than twelve months maturity amounting to ₹ 2,312.37 lacs (2017: ₹ 8,629.25 lacs) included under 'Other Non-Current Assets' [Note 15].

Note 19 : Short-Term Loans and Advances

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Asset on finance		
Secured, considered good*	2,68,076.72	2,66,964.02
Unsecured, considered good	1,08,493.19	1,09,926.12
	3,76,569.91	**3,76,890.14**
Others		
Unsecured, considered good		
Loan and advances to related parties [Note 36]	563.37	665.13
Other loans and advances		
Loans to staff	116.80	191.40
Advances recoverable in cash or kind or for value to be received	3,763.20	3,606.22
Prepaid expenses	789.14	640.72
Balances with statutory / government authorities	912.87	1,040.12
	6,145.38	**6,143.59**
	3,82,715.29	**3,83,033.73**

* Secured by underlying assets financed

Notes to the Financial Statements (Continued)

Note 20 : Other Current Assets

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Others		
Accrued interest / financial charges	210.60	221.29
Unamortised borrowings costs	1,068.28	1,050.07
Unamortised loan origination costs (net)	6,642.06	6,638.85
Others	28.69	54.73
	7,949.63	**7,964.94**

Note 21 : Revenue From Operations

(₹ in Lacs)

	Year ended 31 March 2018	Year Ended 31 March 2017
Interest / finance income		
On assets on finance	1,65,168.47	1,76,802.86
On securitisation	13,155.74	7,606.28
On pass through certificates	950.14	599.83
On fixed deposits	2,078.14	1,527.65
On loans and margins	1,275.66	1,966.65
	1,82,628.15	**1,88,503.27**
Other financial income		
Lease rentals	2,728.96	2,438.63
Collection and support services	1,682.10	1,879.72
Foreclosure charges	3,298.06	3,378.74
Management fees/Documentation charges	6,061.66	397.88
Others	1,516.87	1,168.53
	15,287.65	**9,263.50**
	1,97,915.80	**1,97,766.77**

Note 22 : Other Income

(₹ in Lacs)

	Year ended 31 March 2018	Year Ended 31 March 2017
Sale of power	1,015.74	1,108.90
Insurance commission	1,289.36	816.57
Commission income	163.89	673.49
Gain on sale of fixed assets (net)	190.35	16.00
Gain on sale of investments (non-current, other than trade) (net)	1.50	-
Rental income	2.56	2.61
Delinquency fund	918.64	576.98
Bad debt recovered	1,836.91	1,333.23
Miscellaneous income	376.14	378.87
	5,795.09	**4,906.65**

Notes to the Financial Statements (Continued)

Note 23 : Employee Benefits Expense

(₹ in Lacs)

	Year ended 31 March 2018	Year Ended 31 March 2017
Salaries and wages	29,728.75	20,841.95
Contribution to provident and other funds	1,377.46	1,387.52
Employee share based compensation expense	50.08	(37.91)
Staff welfare expenses	1,276.87	829.20
	32,433.16	**23,020.76**

Note 24 : Finance Costs

(₹ in Lacs)

	Year ended 31 March 2018	Year Ended 31 March 2017
Interest expense		
On debentures	13,649.20	18,735.10
On term loans	18,906.27	21,412.79
On cash credit and working capital facilities	31,428.10	38,838.99
On others	201.79	100.64
Discount on commercial papers	10,530.18	11,098.65
Other borrowing costs	3,751.95	4,093.90
Mark-to-market (profit) / losses on derivative contracts [Note 35(c)]	-	(23.10)
	78,467.49	**94,256.97**

Note 25 : Provisions and Bad Debts Written-Off

(₹ in Lacs)

	Year ended 31 March 2018	Year Ended 31 March 2017
Bad debts written-off	27,764.66	18,340.33
Net loss / (gain) on sale of non-performing assets *	-	19,308.12
Provision for non-performing assets	6,352.90	16,514.04
Contingent provision against standard assets	520.00	70.00
	34,637.56	**54,232.49**

* Net of reversals of provision on sale of non-performing assets ₹ Nil (2017: ₹ 27,240.62 lacs).

Notes to the Financial Statements (Continued)

Note 26 : Other Expenses

(₹ in Lacs)

	Year ended 31 March 2018	Year Ended 31 March 2017
Rent	1,775.58	1,530.02
Brokerage and commission	9,223.68	10,606.68
Rates and taxes	40.91	68.94
Insurance	51.73	117.55
Advertisement and publicity	232.69	269.47
Travelling and conveyance	2,021.51	1,864.50
Repairs and maintenance		
- machinery	263.39	254.79
- others	1,458.99	1,259.26
Payment to directors		
- fees	93.94	14.95
- commission	200.00	12.40
Professional fees	2,516.42	1,742.06
Legal charges	1,553.74	1,776.75
Outsourced collection charges	2,248.15	697.82
Printing and stationery	505.48	482.30
Communication	1,143.62	1,357.85
Electricity charges	661.75	649.18
Corporate social responsibility expenditure [Note 37]	376.04	374.07
Capital work in progress written-off	597.69	690.13
Miscellaneous expenses	1,335.36	1,495.01
	26,300.67	**25,263.73**

Note 27 : Employee benefits *

Gratuity benefit plan

The scheme is fully 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 2018	Year Ended 31 March 2017
Opening defined benefit obligation	1,707.33	1,324.19
Current service cost	244.87	239.74
Interest cost	110.99	95.80
Actuarial losses /(gains)	8.70	261.41
Benefits paid	(365.46)	(213.81)
Amalgamation of subsidiary	42.24	-
Closing defined benefit obligation	**1,748.67**	**1,707.33**

Notes to the Financial Statements (Continued)

Note 27 : Employee benefits * (Contd.)

(b) Changes in the fair value of the plan assets are as follows

(₹ in Lacs)

Particulars	Year ended 31 March 2018	Year Ended 31 March 2017
Opening fair value of the plan assets	1,875.96	1,627.24
Expected return on plan assets	134.50	132.63
Contributions by employer	308.63	329.90
Actuarial (losses) / gains	(64.74)	-
Benefits paid	(365.46)	(213.81)
Closing fair value of the plan assets	**1,888.89**	**1,875.96**

(c) Net asset / (liability) recognised in the balance sheet

(₹ in Lacs)

Particulars	Year ended 31 March 2018	Year Ended 31 March 2017
Defined benefit obligation	(1,748.67)	(1,707.33)
Fair value of plan assets	1,888.89	1,875.96
Net asset	**140.22**	**168.63**

(d) Expenses recognised in the statement of profit and loss account

(₹ in Lacs)

Particulars	Year ended 31 March 2018	Year Ended 31 March 2017
Current service cost	241.64	239.74
Interest on defined benefit obligation	110.99	95.80
Net actuarial losses / (gains) recognised	73.44	261.41
Expected return on plan assets	(134.50)	(132.63)
Net expense included in "Employee benefits expenses"	**291.57**	**464.32**

(e) Summary of actuarial assumptions

Particulars	Year ended 31 March 2018	Year Ended 31 March 2017
Discount rate	7.71%	7.28%
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) Expected contribution for next year: The expected contributions by employer for the next year is ₹ 308.63 lacs.

Notes to the Financial Statements (Continued)

Note 27 : Employee benefits * (Contd.)

(j) Mortality: It is assumed that active members of the Scheme will experience in service mortality in accordance with the standard table Indian Assured Lives Mortality (2006-08) ultimate.

(k) Experience adjustments

(₹ in Lacs)

Particulars	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
Present value of defined benefit obligation	(1,748.67)	(1,707.33)	(1,324.19)	(1,277.33)	(952.71)
Fair value of plan assets	1,888.89	1,875.96	1,627.24	1,551.10	1,309.86
Funded status [surplus/(deficit)]	140.22	168.63	303.05	273.77	357.15
Experience (gain)/loss adjustment on plan liabilities	99.30	140.70	(1.17)	60.94	67.87
Experience gain/(loss) adjustment on plan assets	(64.74)	-	-	(5.26)	-
Experience (gain)/loss adjustment on plan liabilities due to change in assumption	(90.94)	120.71	3.23	177.74	(94.91)

Defined benefit plan

The contribution made to various statutory funds is recognized as expenses and included in Note 23 'Employee benefits expense' under 'Contribution to provident and other funds' in Statement of Profit and Loss. The detail is as follows.

(₹ in Lacs)

Particulars	As at 31 March 2018	As at 31 March 2017
Provident and Pension Fund	1,085.89	923.20
Gratuity Fund	291.57	464.32
Contribution to provident and other funds	**1,377.46**	**1,387.52**

* Including actuarial valuation of MITL for financial year 2017-18

Note 28 : Lease transactions in the capacity of Lessee

Lease rental expense under non-cancellable operating lease during the year amounted to ₹ 361.45 lacs (2017: ₹ 32.32 lacs). Future minimum lease payments under non-cancellable operating lease is as below:

(₹ in Lacs)

Particulars	As at 31 March 2018	As at 31 March 2017
Not later than one year	376.13	39.64
Later than one year but not later than five years	393.09	37.51
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 ₹ 1,765.16 lacs (2017: ₹ 1,983.14 lacs). Above rental expense includes the cost allocated to the subsidiaries and joint ventures amounting to ₹ 351.03 lacs (2017: ₹ 485.44 lacs).

Notes to the Financial Statements (Continued)

Note 29 : Earnings per share (EPS)

(₹ in Lacs)

Particulars			Units	Year ended 31 March 2018	Year ended 31 March 2017
		Basic & Diluted			
a)	(i)	Weighted average number of equity shares (Face value of ₹ 2/- per share) for basic EPS	Nos.	23,69,81,217	23,69,03,308
	(ii)	Weighted average number of equity shares for diluted EPS [after considering 6.36 lacs shares (2017: 4.03 lacs) resulting from assumed exercise of employee stock options and equity warrants]	Nos.	23,76,16,802	23,73,06,305
b)		Net profit after tax	₹ in Lacs	20,248.94	609.68
c)		Less : Preference dividend including tax thereon	₹ in Lacs	0.01	3.39
d)	(i)	Net profit for equity shareholders for basic EPS	₹ in Lacs	20,248.93	606.29
	(ii)	Net profit for equity shareholders for diluted EPS	₹ in Lacs	20,248.93	606.29
e)	(i)	Earnings per share (Face value of ₹ 2/- per share) – basic	₹	8.54	0.26
	(ii)	Earnings per share (Face value of ₹ 2/- per share) – diluted	₹	8.52	0.26

Note 30 : Contingent liabilities and commitments (to the extent not provided for)

(a) Contingent liabilities

(₹ in Lacs)

Particulars		As at 31 March 2018	As at 31 March 2017
1	**Claims against the Company not acknowledged as debt**		
	(i) Income tax matters under dispute	265.52	292.96
	(ii) VAT matters under dispute	321.46	240.49
	(iii) Service tax matters under dispute	431.29	292.37
	(iv) Legal cases against the company *	123.96	116.32
2	**Guarantees**		
	(i) Unexpired bank guarantee	35,763.88	28,098.46

* 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 2018	As at 31 March 2017
Estimated amount of contracts remaining to be executed on capital account and not provided for	909.39	872.54

(c) The amount included above represents best possible estimate arrived at on the basis of available information.The Management believes that it has a reasonable case in its defense of the proceedings and accordingly no further provision has been created.

(d) 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. Finally, in July 2017, order has been passed by Calcutta High Court where in Company's appeal has been allowed except for ₹ 93 lacs. Accordingly, the Company has filed letter seeking refund of balance amount of ₹ 311 lacs from Department.

(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	As at 31 March 2018	As at 31 March 2017
Audit fees	36.00	36.00
Limited review of quarterly results	30.00	30.00
Other services	7.90	2.45
Reimbursement of expenses	8.22	8.23
Total	**82.12**	**76.68**

Note 33 : Loans and advances to subsidiary Company

(₹ in Lacs)

Name of the Subsidiary	Maximum Outstanding	As at 31 March 2018
Magma ITL Finance Limited [a subsidiary]*	14,900.00	-
	(15,000.00)	(9,900.00)
*Above loans & advances have been given for general business purposes and figures are considered upto 30 September 2017 (Refer Note 36 and 39).		
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 (2017: ₹ Nil).

(b) Earnings in foreign currency ₹ Nil (2017: ₹ Nil).

(c) Expenditure in foreign currency on account of professional fees, travelling and others ₹ 78.29 lacs (2017: ₹ 80.58 lacs).

(d) Dividend remitted in foreign currency

Particulars	Paid in 31 March 2018	Paid in 31 March 2017
Preference shares		
Financial year to which the dividend relates	2016-17	2015-16
Number of shareholder	1	1
Number of shares held	65,00,999	86,10,198
Amount remitted (₹ lacs)	**0.75**	**87.02**

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)

Particulars	As at 31 March 2018	As at 31 March 2017
(i) CRAR (%)	20.7	20.4
(ii) CRAR -Tier I Capital (%)	17.3	15.4
(iii) CRAR -Tier II Capital (%)	3.4	5.0
(iv) Amount of subordinated debt raised as Tier-II capital	90,030.00	98,730.00
(v) Amount raised by issue of Perpetual Debt Instruments	13,410.00	13,310.00

(b) Investments

(₹ in Lacs)

Particulars	As at 31 March 2018	As at 31 March 2017
1 Value of Investments		
(i) Gross Value of Investments		
(a) In India	47,230.10	58,022.75
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	-	1.05
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	47,230.10	58,021.70
(b) Outside India	-	-
2 Movement of provisions held towards depreciation on investments		
(i) Opening balance	1.05	1.05
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off / write-back of excess provisions during the year	1.05	-
(iv) Closing balance	-	1.05

(c) Derivative

1 Forward Rate Agreement / Interest rate Swap

(₹ in Lacs)

Particulars	As at 31 March 2018	As at 31 March 2017
(i) The notional principal of swap agreements	-	-
(ii) Loss which would be incurred if counterparties failed to fulfil their obligations under the agreements	-	-
(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	-	-

The Company does not have any gain/loss (2017: gain 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 2018 and 31 March 2017.

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

(₹ in Lacs)

Particulars	Currency Derivative	Interest Rate Derivative
(i) Derivatives (Notional Principal Amount) : For Hedging	5,000.00	-
(ii) Marked to Market Positions		
(a) Asset (+)	-	-
(b) Liability (-)	-	-
(iii) Credit Exposure	5,000.00	-
(iv) Unhedged Exposures	-	-

(d) Disclosures relating to Securitisation

1(i) Outstanding amount of Securitised assets as per books of the SPVs #

(₹ in Lacs)

Particulars	As at 31 March 2018	As at 31 March 2017
1. No. of Special Purpose Vehicles (SPVs) sponsored by the NBFC for securitisation transactions *	40	23
2. Total amount of securitised assets as per books of the SPVs sponsored	2,51,002.20	2,26,105.01
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	25,758.61	19,622.76
Others	12,532.60	9,661.93
4. Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
(i) Exposure to own securitisation		
First loss	-	-
Others	36,723.55	27,359.26
(ii) Exposure to third party securitisations		
First loss	-	-
Others	-	-
b) On-balance sheet exposures		
(i) Exposure to own securitisation		
First loss	-	-
Others	23,306.75	22,100.02
(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 aggregating to ₹ 810.30 lacs for the year ended 31 March 2018 (2017: ₹ 1,290.58 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)

Particulars	As at 31 March 2018		As at 31 March 2017	
	Non-current	Current	Non-current	Current
1 Excess interest spread receivable	5,373.06	11,277.11	5,527.21	10,480.73
2 Unrealised gain on securitisation transactions	5,373.06	11,277.11	5,527.21	10,480.73

(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 ₹ Nil (2017: ₹ 1,261.88 lacs) has been received by the Company as an investor after withholding SDT of ₹ Nil lacs (2017: ₹ 436.71 lacs).

2 Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

(₹ in Lacs)

Particulars	Year ended 31 March 2018	Year Ended 31 March 2017
(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)

* Provision of ₹ 348.88 lacs (2017:₹ 348.88 lacs) has not been reversed on account of non-performing assets sold during the financial year ended 31 March 2017 where the sale value is higher than the NBV.

3 Details of the net book value of investments in security receipts:

(₹ in Lacs)

Particulars	Year ended 31 March 2018	Year Ended 31 March 2017
Backed by non-performing assets sold by the Company as underlying	6,002.16	7,416.47
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	**6,002.16**	**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)

Particulars	Year ended 31 March 2018	Year Ended 31 March 2017
No. of accounts	7,821	1,601
Aggregate value (net of provisions) of accounts sold	23,202.11	35,253.75
Aggregate consideration	23,202.11	35,253.75
Additional consideration realised in respect of accounts transferred in earlier years	-	-
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 2018 and 31 March 2017.

b) Details of non-performing financial assets sold:

(₹ in Lacs)

Particulars	Year ended 31 March 2018	Year Ended 31 March 2017
(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	3,440.57	1,325.42	728.49	9,196.22	15,169.70	2,000.73	311.64	-	32,172.77
Advances	64,754.86	29,758.81	34,462.28	87,144.97	1,65,805.23	4,45,441.75	1,51,119.10	91,850.07	10,70,337.07
Investments	568.08	567.65	591.30	1,802.52	2,974.51	5,592.46	6,438.24	28,695.34	47,230.10
Borrowings*	29,709.06	54,963.29	50,252.10	58,315.39	1,29,066.88	3,30,315.51	1,32,542.98	81,544.49	8,66,709.70
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 ₹ 5,18,156.85 lacs has been distributed over the same period as the maturity pattern of assets on finance. Borrowings includes ₹ 82,955.62 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 2018	As at 31 March 2017
(i) Direct exposure		
A. Residential mortgages	52,165.39	62,592.35
B. Commercial real estate	14,058.44	19,495.27
C. Investments in Mortgage Backed Securities (MBS) and other securitised exposures*		
a. Residential	-	-
b. Commercial Real Estate	2,158.28	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)

Particulars	As at 31 March 2018	As at 31 March 2017
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
Total Exposure to Capital Market	**-**	**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 2018 and 31 March 2017.

4 Unsecured advances

(₹ in Lacs)

Particulars	As at 31 March 2018		As at 31 March 2017	
	Non-Current	Current maturities	Non-Current	Current maturities
1 Unsecured Advances	87,602.79	1,08,493.19	80,833.20	1,09,926.12

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 2018 and 31 March 2017.

(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

(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 2018 and 31 March 2017.

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.)

(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	24-Mar-18	CARE AA-	CARE AA-
		06-Jul-17	IND AA-	IND AA-
		31-Jan-18	ICRA AA-	ICRA AA-
2	Subordinated debentures	24-Mar-18	CARE AA-	CARE AA-
		05-Mar-18	BWRAA	BWRAA
		01-Mar-18	SMERA AA	SMERA AA
3	Perpetual debt instruments	23-Mar-18	CARE A+	CARE A+
		02-Feb-18	BWR AA-	BWR AA-
4	Commercial papers	20-Feb-18	CARE A1+	CARE A1+
		20-Feb-18	CRISIL A1+	CRISIL A1+
5	Bank facility	24-Mar-18	CARE AA-	CARE AA-
		19-Jul-17	ICRA AA-	ICRA AA-
		06-Jul-17	IND AA-	IND AA-

* Date of rating assigned relates to rating valid on 31 March 2018.

j) Remuneration of non-executive Directors

(₹ in Lacs)

	Name of directors	Nature of payment	Year Ended 31 March 2018	Year Ended 31 March 2017
1	Mr. Narayan K Seshadri	Sitting Fees	17.30	2.90
		Commission	65.00	-
2	Mr. Nabankur Gupta	Sitting Fees	16.20	2.60
		Commission	45.00	-
3	Mr. Satya Brata Ganguly	Sitting Fees	22.20	5.30
		Commission	45.00	-
4	Mr. V K Viswanathan	Sitting Fees	19.20	1.40
		Commission	45.00	-
5	Mr. Sanjay Nayar	Sitting Fees	3.00	0.80
6	Mrs.Madhumita Dutta Sen	Sitting Fees	2.00	-
7	Mrs. Ritva Kaarina Laukkanen	Sitting Fees	2.00	0.80

(k) Provisions and Contingencies

(₹ in Lacs)

	Break up of 'Provisions and Contingencies' shown in the Statement of Profit and Loss	Year Ended 31 March 2018	Year Ended 31 March 2017
Under "Provisions and bad debts written-off"			
1	Provision for standard assets	520.00	70.00
2	Provision for non-performing assets	6,352.90	16,514.04
Under "Tax expenses"			
1	Provision made towards income tax (includes deferred tax)	6,725.42	461.13
Under "Employee Benefit Expenses"			
1	Provision for compensated absences	(204.39)	117.10

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.)

(I) Concentration of Deposits, Advances, Exposures and NPAs

1 Concentration of Advances

(₹ in Lacs)

Particulars	As at 31 March 2018
Total advances to twenty largest borrowers	25,786.56
Percentage of advances to twenty largest borrowers to total advances	2.4

2 Concentration of Exposures

(₹ in Lacs)

Particulars	As at 31 March 2018
Total exposure to twenty largest borrowers/ customers	25,786.56
Percentage of exposures to twenty largest borrowers/ customers to total exposure on borrowers/ customers	2.4

3 Concentration of NPAs

(₹ in Lacs)

Particulars	As at 31 March 2018
Total exposure to top four NPA accounts	1,318.22

4 Sector-wise NPAs

Sector		% of NPAs to Total Advances in the sector
(i)	Agriculture & allied activities	19.6
(ii)	MSME	3.4
(iii)	Corporate borrowers*	-
(iv)	Services	7.4
(v)	Unsecured personal loans	-
(vi)	Auto loans	8.8
(vii)	Other personal loans	8.6

* Corporate borrowers are included in the respective sector

(m) Movement of NPAs

(₹ in Lacs)

Particulars		Year ended 31 March 2018	Year ended 31 March 2017
i)	Net NPAs to Net Advances (%)	7.3%	7.6%
ii)	Movement of NPAs (Gross)		
	a) Opening balance	89,684.10	1,25,073.53
	b) Additions during the year	61,248.20	59,771.30
	c) Reductions during the year	49,311.23	95,160.73
	d) Closing balance	**1,01,621.07**	**89,684.10**
iii)	Movement of Net NPAs		
	a) Opening balance	73,824.90	98,487.74
	b) Additions during the year	53,788.63	53,624.01
	c) Reductions during the year	52,788.18	78,286.85
	d) Closing balance	**74,825.35**	**73,824.90**
iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a) Opening balance	15,859.20	26,585.79
	b) Provisions made during the year *	7,459.57	6,147.29
	c) Write-off / write-back of excess provisions *	(3,476.95)	16,873.88
	d) Closing balance	**26,795.72**	**15,859.20**

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.)

The Company classifies non-performing assets (NPAs) at 3 months overdue and is compliant with the requirement for the financial year ending 31 March 2018, in a phased manner over 3 years commencing from the financial year 2015-16, 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 minimum and additional provision is made based on perceived credit risk where necessary. For the financial year 2016-17, the Company classified non-performing assets (NPAs) at 4 months overdue and accordingly the above figures are not comparable to that extent.

* Includes the balance of provisions for NPAs of MITL amounting to ₹ 4,583.62 lacs as on effective date 1 October 2017, refer Note 39.

(n) Disclosure of complaints

Customer complaints

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
No. of complaints pending at the beginning of the year	4	25
No. of complaints received during the year	265	531
No. of complaints redressed during the year	265	552
No. of complaints pending at the end of the year	4	4

Note 36 : Related party disclosures

Related party disclosures as at and for the year ended 31 March 2018.

(A)	**Names of the related parties where control exists**		**Nature of relationship**
	i.	Magma ITL Finance Limited	Subsidiary Company (upto 30 September 2017)
	ii.	Magma Advisory Services Limited	Subsidiary Company (upto 31 March 2017)
	iii.	Magma Housing Finance Limited [Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]	Subsidiary Company (w.e.f. 1 April 2017) Step down Subsidiary Company (upto 31 March 2017)
	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 (upto 15 May 2017)
(B)	**Key managerial personnel**		**Nature of Relationship**
	i.	Mr. Mayank Poddar	Whole Time Director
	ii.	Mr. Sanjay Chamria	Vice Chairman & Managing Director
	iii.	Mr. Kailash Baheti	Chief Financial Officer (w.e.f. 04 November 2016)
	iv.	Mrs. Shabnum Zaman	Company Secretary
	v.	Mr. Atul Avadh Bansal	Chief Financial Officer (upto 03 November 2016)
(C)	**Others - With whom transactions have taken place during the year**		
	Names of 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.	Finance Industry Development Council	Private Company in which Director or his relative is Member or Director
	v.	Microfirm Capital Private Limited	Private Company in which Director or his relative is Member or Director
	vi.	Magma Consumer Finance Private Limited	Private Company in which Director or his relative is Member or Director
	vii.	Experian Credit Information Company of India Private Limited	Private Company in which Director or his relative is Member or Director
	viii.	Mr. Nabankur Gupta	Independent Director
	ix.	Mr. Satya Brata Ganguly	Independent Director
	x.	Mr. V K Viswanathan	Independent Director (w.e.f. 13 August 2016)
	xi.	Mrs. Shabnum Zaman	Company Secretary
	xii.	Mr. Atul Avadh Bansal	Chief Financial Officer (upto 03 November 2016)
	xiii.	Mr. Kailash Baheti	Chief Financial Officer (w.e.f. 04 November 2016)
	xiv.	Mrs. Madhumita Dutta Sen	Nominee Director (w.e.f. 29 August 2017)
	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 2018	Outstanding amount as at 31 March 2018	Transaction value for the year ended 31 March 2017	Outstanding amount as at 31 March 2017
A) Subsidiary					
1. Magma ITL Finance Limited^	Investment in equity shares	3,419.57	-	-	3,329.94
	Long-term loans and advances given	8,000.00	-	36,500.00	9,900.00
	Refund of long-term loans and advances given	10,400.00	-	28,100.00	-
	Cost allocation made*	60.76	-	709.88	-
	Interest income	671.28	-	1,259.29	-
2. Magma Advisory Services Limited^^	Investment in equity shares	-	-	-	6,000.00
	Investment in preference shares	-	-	-	24,888.89
	Preference dividend received	-	-	0.36	-
3. Magma Housing Finance Limited [Formerly Magma Housing Finance (A public company with unlimited liability)]	Cost allocation made*	947.32	-	787.35	-
	Investment in equity shares**	-	21,970.94	-	-
	Refund of Unsecured loan taken#	3,500.00	-	-	-
	Interest expense#	190.92	-	-	-
B) Joint venture					
1. Magma HDI General Insurance Company Limited	Investment in equity shares	-	6,300.00	-	6,300.00
	Short-term loans and advances given#	16,987.52	563.37	14,348.80	665.13
	Refund of short-term loans and advances given#	17,127.06	-	14,263.79	-
	Cost allocation made*	924.83	-	1,159.57	-
	Insurance commission income	1,289.36	90.21	816.57	28.13
	Insurance premium paid	13.53	-	10.93	-
	Sale of fixed asset	87.40	-	-	-
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	-	163.05	24.19	163.05
	Refund of long-term loans and advances given	-	-	30.48	-
	Rent expense	251.69	-	411.43	-
	Equity dividend paid	235.48	-	-	-
2. Finance Industry Development Council	Annual subscription	-	-	1.15	-
3. Experian Credit Information Company of India Private Limited	Annual subscription	0.06	-	-	-
	Professional fees	39.49	-	-	-
	Capital work-in-progress (Credit engine)	69.00	-	-	-
4. Microfirm Capital Pvt Ltd.	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 2018	Outstanding amount as at 31 March 2018	Transaction value for the year ended 31 March 2017	Outstanding amount as at 31 March 2017
D) Key management personnel					
1. Mr. Mayank Poddar	Rent expense	-	-	2.03	-
	Director's remuneration	150.00	-	150.00	-
2. Mr. Sanjay Chamria	Director's remuneration	200.00	-	150.00	-
	Provision for commission	230.00	230.00	-	-
3. Mr. Kailash Baheti	Salary	246.82	-	97.48	-
	Amount received against exercise of ESOP	18.00	-	-	-
4. Mrs. Shabnum Zaman	Salary	22.33	-	19.13	-
5. Mr. Atul Avadh Bansal	Salary	-	-	84.34	-
E) Directors					
1. Mr. Narayan K Seshadri	Sitting fees	17.30	-	2.90	-
	Commission	65.00	65.00	-	-
2. Mr. Nabankur Gupta	Sitting fees	16.20	-	2.60	-
	Commission	45.00	45.00	-	-
3. Mr. Satya Brata Ganguly	Sitting fees#	22.20	-	5.30	-
	Commission	45.00	45.00	-	-
4. Mr. V K Viswanathan	Sitting fees	19.20	-	1.40	-
	Commission	45.00	45.00	-	-
5. Mrs. Madhumita Dutta Sen	Sitting Fee	2.00	-	-	-
6. Mr. Sanjay Nayar	Sitting fees	3.00	-	0.80	-
7. Mrs. Ritva Kaarina Laukkanen	Sitting fees	2.00	-	0.80	-
F) Relatives of Directors					
1 Mr. Harshvardhan Chamria	Salary	90.66	-	77.92	-

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.

** acquired from Magma Advisory Services Limited by virtue of merger w.e.f. 1 April 2017.

includes transactions post merger of Magma ITL Finance Limited with Magma Fincorp Limited and outstanding balance includes balance as on 1 October 2017 amounting to ₹ 37.77 lacs.

^ represents transactions upto 30 September 2017 as Magma ITL Finance Limited got merged with the Company w.e.f. 1 October 2017.

^^ merged with the Company w.e.f. 1 April 2017.

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 ₹ 310.43 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	376.04	-	376.04

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 2018, 37 cases (2017: 16 cases) of frauds has been detected and reported. The un-recovered amounts aggregating to ₹ 141.92 lacs (2017: ₹ 162.74 lacs) have been fully provided for / written-off.

Note 39 : Amalgamation of Magma ITL Finance Limited

a) Pursuant to the Scheme of Amalgamation sanctioned by the Honourable National Company Law Tribunal (NCLT), Kolkata Bench on 08 May, 2018, the entire business and all assets and liabilities of erstwhile Magma ITL Finance Limited (MITL), a wholly owned subsidiary company engaged in the business of providing finance, has with effect from 1 October, 2017, been transferred to and vested in the Company. Accordingly, the said assets, liabilities, and transactions have been incorporated in these financial statements.

b) The appointed date of the amalgamation is 1 October, 2017.

c) The Amalgamation has been accounted for under "Pooling of Interest" method as prescribed by the Accounting Standard 14 "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India, in accordance with which:

(i) The assets and liabilities as at 1 October, 2017 have been incorporated in the financial statements of the Company at their carrying amounts in the books of erstwhile MITL subject to necessary adjustments made to ensure uniformity in the accounting policies between the two companies in accordance with Para 11 of Accounting Standard-14 "Accounting for Amalgamations".

(ii) In terms of the Scheme of Amalgamation
Consequent upon and simultaneously with the transfer and recording of assets and liabilities of the MITL in the books of the Company, entire shareholding that the Company held in MITL has been cancelled and MITL stands dissolved without winding-up on the effective date and therefore ceases to be wholly owned subsidiary of the Company. The difference in the value of Net Assets transferred and the carrying amount of Investments has been adjusted in the reserves.

To the extent that there are intercompany loans, deposits, balances as between the MITL and the Company or vice versa, the obligation in respect thereof has come to an end and there is no liability in that behalf and corresponding effect has been given in the books of account and records of the Company for the reduction of any assets and liabilities as the case may be.

(iii) The impact on revenue and profit before tax is ₹ 5,138.71 lacs and ₹ 1,732.53 lacs, respectively for the year ended 31 March 2018.

(iv) The value of net identifiable assets of the MITL acquired is ₹ 13,422.76 lacs and the difference between the value of investment and the share capital of the MITL of ₹ 2,249.51 lacs has been adjusted with retained earnings.

Note 40 : Amalgamation of Magma Advisory Services Limited

a) Pursuant to the Scheme of Amalgamation sanctioned by the Hon'ble Regional Director, Eastern Region, Ministry of Corporate Affairs, on 15 January, 2018, the entire business and all assets and liabilities of erstwhile Magma Advisory Services Limited (MASL), a wholly owned subsidiary company engaged in the business of manpower outsourcing and providing advisory & consultancy services, has with effect from 1 April, 2017, been transferred to and vested in the Company. Accordingly, the said assets, liabilities, and transactions have been incorporated in these financial statements.

b) The appointed date of the amalgamation is 1 April, 2017.

c) The Amalgamation has been accounted for under "Pooling of Interest" method as prescribed by the Accounting Standard 14 "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India, in accordance with which:

(i) The assets and liabilities as at 1 April, 2017 have been incorporated in the financial statements of the Company at their carrying amounts in the books of erstwhile MASL subject to necessary adjustments made to ensure uniformity in the accounting policies between the two companies in accordance with in Para 11 of Accounting Standard-14 "Accounting for Amalgamations".

Notes to the Financial Statements (Continued)

Note 40 : Amalgamation of Magma Advisory Services Limited (Contd.)

(ii) In terms of the Scheme of Amalgamation Consequent upon and simultaneously with the transfer and recording of assets and liabilities of the MASL in the books of the Company, entire shareholding that the Company held in MASL has been cancelled and MASL stands dissolved without winding-up on the effective date and therefore ceases to be wholly owned subsidiary of the Company. The difference in the value of Net Assets transferred and the carrying amount of Investments has been adjusted in the reserves.

To the extent that there are intercompany loans, deposits, balances between MASL and the Company or vice versa, the obligation in respect thereof has come to an end and there is no liability in that behalf and corresponding effect has been given in the books of account and records of the Company for the reduction of any assets and liabilities as the case may be.

(iii) Magma Housing Finance Limited, previously a step-down subsidiary of the Company, has become direct subsidiary of the Company.

(iv) The impact on revenue and profit before tax is ₹ 0.91 lacs and ₹ (1.72) lacs, respectively for the year ended 31 March 2018.

(v) The value of net identifiable assets of the MASL acquired is ₹ 22,008.84 lacs and the difference between the value of investment and the share capital of the MASL of ₹ 25,222.22 lacs has been adjusted with retained earnings.

Note 41: 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%	2,379.77	2,379.77	18.15	17.49	-
2	Magma HDI General Insurance Company Limited (including indirect holding)	India	41.11%	52,282.94	52,282.94	316.02	66.68	89.53

Notes to the Financial Statements (Continued)

Note 42 : Details of investments

(₹ in Lacs)

	Name of the Company	As at 31 March 2018		As at 31 March 2017	
		Qty.	Book Value	Qty.	Book Value
A	**EQUITY SHARES (Fully paid up)**				
	Quoted				
1	ITC Limited	-	-	100	1.12
	Total	**-**	**-**	**100**	**1.12**
	Unquoted (in subsidiary companies)				
1	Magma Housing Finance Limited	14,81,02,450	21,970.94	-	-
2	Magma Advisory Services Limited*	-	-	2,11,11,112	6,000.00
3	Magma ITL Finance Limited*	-	-	3,32,99,400	3,329.94
	Total	**14,81,02,450**	**21,970.94**	**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
	Total	**-**	**-**	**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**
D	**OTHERS**				
	Unquoted				
1	In pass through certificate - MFL Securitisation Trust	40	12,532.60	23	9,661.93
2	In security receipts	6,00,216	6,002.16	7,41,647	7,416.47
	Total	**6,00,256**	**18,534.76**	**7,41,670**	**17,078.40**
	Grand Total	**18,81,65,606**	**47,230.10**	**13,01,70,738**	**58,022.75**
	Aggregate provision for diminution in value of investments	-	-	-	(1.05)
	Net Total	**18,81,65,606**	**47,230.10**	**13,01,70,738**	**58,021.70**

* Merged with the Company during the year. Refer note 39 and 40.

Note 43 : 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 44 : Previous year's figure

Previous year's figure including those in brackets have been regrouped and / or rearranged wherever necessary.

Notes to the Financial Statements (Continued)

Note 45 : 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.

The above note is not applicable for the current financial year.

As per our report of even date attached.

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

Manoj Kumar Vijai
Partner
Membership No. 046882

London, 09 May 2018

For and on behalf of the Board of Directors

Narayan K Seshadri
Chairman
[DIN: 00053563]

Kailash Baheti
Chief Financial Officer

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

Shabnum Zaman
Company Secretary

Mumbai, 09 May 2018

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 2018	Amount overdue as at 31 March 2018
	Liabilities		
1	**Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid**		
(a)	Debentures		
	- Secured	24,500.00	-
	- Unsecured	93,440.00	-
(b)	Deferred Credits	-	-
(c)	Term Loans	1,76,392.87	-
(d)	Inter-Corporate Loans and Borrowing	-	-
(e)	Commercial Paper	54,219.99	-
(f)	Public Deposits	-	-
(g)	Cash Credit / Working Capital Demand Loans from Banks	5,18,156.85	-

(₹ in Lacs)

Sl. No.	Particulars	Amount outstanding as at 31 March 2018
	Assets	
2	**Break-up of Loans and Advances, including Bills Receivables (other than those included in (4) below)**	
(a)	Secured	-
(b)	Unsecured	16,740.99
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	5,766.62
(ii)	Stock on Hire including Hire Charges under Sundry Debtors	-
(iii)	Other loans counting towards AFC activities	
	(a) Loans where assets have been repossessed	2,660.81
	(b) Loans other than (a) above	10,51,307.17
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 2018
	Long-term 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	28,695.18
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of Mutual Funds	-
	(iv) Government Securities	-
	(v) Others	
	- National Savings Certificate	0.16
	- Pass Through Certificate	12,532.60
	- Security Receipts	6,002.16

5 Borrower group-wise classification of assets financed as in (2) and (3) above

(₹ in Lacs)

Category		Secured	Unsecured	Total as at 31 March 2018
1	Related Parties			
	(a) Subsidiaries	-	-	-
	(b) Companies in the same group	-	653.58	653.58
	(c) Other related parties	-	163.05	163.05
2	Other than Related Parties	8,63,638.62	2,12,020.34	10,75,658.96
	Total	**8,63,638.62**	**2,12,836.97**	**10,76,475.59**

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 2018	Book Value (Net of Provisions) as at 31 March 2018
1	Related Parties		
	(a) Subsidiaries	29,821.81	21,970.94
	(b) Companies in the same group	11,853.73	6,302.20
	(c) Other related parties	-	-
2	Other than Related Parties	19,039.15	18,956.96
	Total	**60,714.69**	**47,230.10**

Schedule annexed to the Balance Sheet (Continued)

7 Other information

(₹ in Lacs)

Particulars		Total as at 31 March 2018
(i)	Gross Non-Performing Assets	
	(a) Related parties	-
	(b) Other than Related parties	1,01,621.07
(ii)	Net Non-Performing Assets	
	(a) Related parties	-
	(b) Other than Related parties	74,825.35
(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, 09 May 2018

Independent Auditor's Report

To the Members of
Magma Fincorp Limited

Report on the Audit of Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Magma Fincorp Limited (hereinafter referred to as "the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group"), and its joint ventures, which comprise the Consolidated Balance Sheet as at 31 March 2018, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement, for the year then ended, including a summary of significant accounting policies and other explanatory information (hereinafter 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 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated state of affairs, consolidated profit and consolidated cash flows of the Group including its joint ventures 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 respective Board of Directors of the companies included in the Group and of its joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its joint ventures 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 the 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 consolidated 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.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its joint ventures are responsible for assessing the ability of the Group and of its joint ventures to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 consolidated 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, as well as evaluating the overall presentation of the consolidated financial statements.

We are also responsible to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Group and of its joint ventures to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Group and its joint ventures to cease to continue as a going concern.

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.

Independent Auditor's Report (continued)

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiary and joint ventures, 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, its joint ventures as at 31 March 2018, and their consolidated profit and consolidated cash flows for the year ended on that date.

Other Matters

We did not audit the financial statements of the subsidiary and both joint ventures, whose financial statements reflect total assets of Rs 204,552.54 lacs, total revenues of Rs. 22,499.41 lacs and net cash inflows amounting to Rs 505.06 lacs for the year ended on that date, as considered in the consolidated financial statements. These financial statements / financial information 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 subsidiary and joint ventures and our report in terms of sub-section (3) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiary and joint ventures is based solely on the reports of the other auditors.

Our opinion above 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 and the financial statements certified by the management.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements of subsidiaries and joint ventures, as noted in the 'other matter' 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 the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the 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 relevant 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 Indian 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 31 March 2018 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company and joint ventures incorporated in India, none of the directors of the Group companies and joint ventures incorporated in India is disqualified as on 31 March 2018 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 with reference to financial statements of the Holding Company, its subsidiary company and joint ventures incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

    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 Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiary and joint ventures, as noted in the 'Other matter' paragraph:

        i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its joint ventures - Refer Note 34(a) to the consolidated financial statements.

        ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, on long-term

Independent Auditor's Report (continued)

Report on Other Legal and Regulatory Requirements (continued)

contracts including derivative contracts - Refer Note 34(c) to the consolidated financial statements in respect of such items as it relates to the Group and its joint ventures.

iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Holding Company and its subsidiary company and joint ventures incorporated in India during the year ended 31 March 2018.

iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2018. However amounts as appearing in the audited consolidated financial statements for the period ended 31 March 2017 have been disclosed - Refer Note 45 to the consolidated financial statements

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-10022

Manoj Kumar Vijai
Partner
Membership No. 046882
London, 9 May 2018

Annexure A to the Independent Auditor's Report

The Annexure referred to in the Independent Auditor's Report to the members of Magma Fincorp Limited ("the Holding Company") on the consolidated financial statements for the year ended 31 March 2018:

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 2018 we have audited the internal financial controls over financial reporting of Magma Fincorp Limited (herein referred to as "the Holding Company"), its subsidiary and joint ventures, as of date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company, its subsidiary and joint ventures 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 ("the Guidance Note") 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").

Auditor's 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 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.

Annexure A to the Independent Auditor's Report (continued)

Auditor's Responsibility (continued)

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 subsidiary and joint ventures' 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 Holding Company, its subsidiary and joint ventures, 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 2018, 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 the subsidiary and joint ventures, is based on the corresponding reports of the auditors of such companies. Our opinion is not modified in respect of this matter.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-10022

Manoj Kumar Vijai
Partner
Membership No. 046882
London, 9 May 2018

Consolidated Balance Sheet

(₹ in Lacs)

	Note No.	As at 31 March 2018	As at 31 March 2017
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	4,740.57	4,739.19
Reserves and surplus	4	2,27,202.46	2,12,472.60
Fair value change account		6.82	1.58
		2,31,949.85	**2,17,213.37**
Minority Interest		**-**	**3,419.59**
Non-current liabilities			
Long-term borrowings	5	2,56,339.12	3,10,929.43
Long-term provisions	6	33,261.31	22,587.50
		2,89,600.43	**3,33,516.93**
Current liabilities			
Short-term borrowings	7	6,13,505.94	5,48,022.99
Trade payables	8		
- Due to micro and small enterprises		-	-
- Due to others		32,777.86	21,889.51
Other current liabilities	9	1,91,443.33	2,29,256.75
Short-term provisions	10	10,849.23	8,903.73
		8,48,576.36	**8,08,072.98**
Total		**13,70,126.64**	**13,62,222.87**
ASSETS			
Non-current assets			
Fixed assets			
- Property, plant and equipment	11	16,547.15	18,472.88
- Intangible assets	11	3,322.55	3,179.55
- Goodwill on consolidation		-	6,120.02
- Capital work-in-progress		166.94	753.48
		20,036.64	**28,525.93**
Non-current investments	12	52,278.54	47,292.90
Deferred tax assets (net)	13	2,980.30	1,974.34
Long-term loans and advances	14		
- Assets on finance		8,14,297.17	7,82,436.94
- Others		10,482.86	9,830.93
Other non-current assets	15	11,717.91	19,761.60
		9,11,793.42	**8,89,822.64**
Current assets			
Current investments	16	12,573.25	7,356.05
Trade receivables	17	334.80	674.93
Cash and bank balances	18	41,791.58	35,330.96
Short-term loans and advances	19		
- Assets on finance		3,84,319.46	4,07,372.09
- Others		7,818.62	9,305.61
Other current assets	20	11,495.51	12,360.59
		4,58,333.22	**4,72,400.23**
Total		**13,70,126.64**	**13,62,222.87**
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

Manoj Kumar Vijai
Partner
Membership No. 046882
London, 09 May 2018

For and on behalf of the Board of Directors

Narayan K Seshadri
Chairman
[DIN: 00053563]

Kailash Baheti
Chief Financial Officer

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

Shabnum Zaman
Company Secretary

Mumbai, 09 May 2018

Consolidated Statement of Profit and Loss

(₹ in Lacs)

	Note No.	Year ended 31 March 2018	Year ended 31 March 2017
REVENUE			
Revenue from operations	21	2,24,146.00	2,35,147.72
Operating result from general insurance business	22	59.29	(114.48)
Other income	23	5,653.36	5,497.69
Total revenue		**2,29,858.65**	**2,40,530.93**
EXPENSE			
Employee benefits expense	24	36,852.32	29,332.04
Finance costs	25	90,546.05	1,13,130.24
Depreciation and amortisation expense	11	4,922.45	4,850.13
Provisions and bad debts written-off	26	37,386.54	60,685.95
Other expenses	27	28,345.67	27,853.45
Total expense		**1,98,053.03**	**2,35,851.81**
Profit before tax		**31,805.62**	**4,679.12**
Tax expense:			
Current tax - current year		9,975.41	1,638.25
- earlier year		(254.00)	(138.46)
Share of current tax of joint venture		47.76	0.29
Net current tax		9,769.17	1,500.08
Deferred tax		(1,005.96)	1,905.81
Share of deferred tax of joint venture		-	-
Profit after tax		**23,042.41**	**1,273.23**
Minority Interest		-	(772.04)
Profit after tax and minority interest		**23,042.41**	**2,045.27**
Earnings per equity share (Nominal value of ₹ 2/- each fully paid up):	30		
Basic (in ₹)		9.72	0.86
Diluted (in ₹)		9.70	0.86
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

Manoj Kumar Vijai
Partner
Membership No. 046882

London, 09 May 2018

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, 09 May 2018

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 Housing Finance Limited (MHFL)	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 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

Notes to the consolidated financial statements (continued)

Note: 2 (A) Significant Accounting Policies (Contd.)

the same reporting date as that of the Company i.e. 31 March 2018.

(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 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. Estimates and underlying assumptions are reviewed on an ongoing basis and 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 principle 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.

Notes to the consolidated financial statements (Continued)

Note: 2 (A) Significant Accounting Policies (Contd.)

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.

(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

Notes to the consolidated financial statements (Continued)

Note: 2 (A) Significant Accounting Policies (Contd.)

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 or fully provided for. 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) Property, plant and equipment

Property, plant and equipment are carried at cost of acquisition less accumulated depreciation. The cost of tangible fixed assets comprises the purchase price, taxes, duties, freight (net of rebates and discounts) and any other directly attributable costs of bringing the assets to their working condition for their intended use. Borrowing costs directly attributable to acquisition of those tangible fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

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 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.

Notes to the consolidated financial statements (Continued)

Note: 2 (A) Significant Accounting Policies (Contd.)

(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 Government administered provident fund scheme, 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.

(xiii) Income Taxes

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.

Notes to the consolidated financial statements (Continued)

Note: 2 (A) Significant Accounting Policies (Contd.)

(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. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and deferred taxes relate to same taxable entity and same taxation authority.

(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 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

Notes to the consolidated financial statements (Continued)

Note: 2 (A) Significant Accounting Policies (Contd.)

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) Foreign currency transactions

Foreign currency transactions are accounted for at the rates prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the Statement of Profit and Loss. Monetary assets and liabilities denoted in foreign currencies as at the Balance Sheet date are translated at the closing exchange rates. Resultant exchange differences, if any, are recognised in the Statement of Profit and Loss and related assets and liabilities are accordingly restated in the Balance Sheet. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency at the Balance Sheet date are reported using exchange rates at the date of the transaction.

(xxi) 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

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.)

net of brokerage and taxes, if any, and excludes interest received on sales.

(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 Apppointed 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.

(xvi) 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 2018	As at 31 March 2017
Authorised			
1,26,50,00,000	(2017: 265,000,000) Equity shares of ₹ 2/- each	25,300.00	5,300.00
5,83,00,000	(2017: 54,300,000) Preference shares of ₹ 100/- each	58,300.00	54,300.00
-	(2017: 40,000,000) Preference shares of ₹ 10/- each	-	4,000.00
		83,600.00	**63,600.00**
Issued, subscribed and paid-up			
Equity share capital			
23,70,28,672	(2017: 236,959,672) Equity shares of ₹ 2/- each, fully paid up	4,740.57	4,739.19
		4,740.57	**4,739.19**

Reconciliation of the number of shares outstanding and the amount of share capital

(₹ in Lacs)

	As at 31 March 2018		As at 31 March 2017	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
Opening balance	23,69,59,672	4,739.19	23,68,28,672	4,736.57
Equity shares issued on exercise of ESOPs during the year	69,000	1.38	1,31,000	2.62
Closing balance	**23,70,28,672**	**4,740.57**	**23,69,59,672**	**4,739.19**
Preference shares				
Opening balance	-	-	65,00,999	1,300.20
6 months US Dollar Libor plus 3.25% preference shares redeemed during the year (20% annually)	-	-	(65,00,999)	(1,300.20)
Closing balance	**-**	**-**	**-**	**-**

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.

During the year, the Company has allotted on 10 May 2017 and 31 January 2018, 14,000 equity shares and 55,000 equity shares respectively of the face value of ₹ 2/- each to the eligible employees 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.

On 12 April 2018, the Company has allotted 3,22,58,064 equity shares of face value of ₹ 2/- each to Qualified Institutional Buyers, aggregating to approximately ₹ 50,000 lacs, including premium of ₹ 153/- per share under Chapter VIII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended and Companies Act, 2013 read with relevant rules thereunder and other applicable provisions. Consequent to the said allotment, the total paid-up equity share capital of the Company stands increased to 26,92,86,736 equity shares of ₹ 2/- each aggregating to ₹ 5,385.73 lacs. The equity shares issued and allotted as aforesaid rank pari passu with the existing equity shares of the Company in all respect.

During the year ended 31 March 2018, 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 including shares alloted post 31 March 2018, pursuant to Qualified Institutional Placement (QIP) and ESOP scheme. Total dividend on 26,92,86,736 equity shares for the year ended 31 March 2018 would amount to ₹ 2,597.11 lacs including corporate dividend tax of ₹ 442.82 lacs, subject to approval of shareholders.

Notes to the consolidated financial statements (Continued)

Note 3 : Share Capital (Contd.)

Preference shares

The Company declares and pays dividend on preference shares in both Indian rupees and foreign currencies.

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.

For the financial year ended 31 March 2017, the Company has recommended dividend based on the 6 months US Dollar Libor applicable as on 30 December 2016 and closing exchange rate applicable as on 31 March 2017 and which was liable to vary depending on the actual date of payment of the dividend. Accordingly, the excess dividend and tax thereon of ₹ 0.90 lacs (2017: ₹ 2.50 lacs) has been provided with respect to above preference shares for the previous financial year ended 31 March 2017 in the current financial year.

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 2018		As at 31 March 2017	
	%	No. of shares	%	No. of shares
Equity shares				
Zend Mauritius VC Investments Limited	14.46	3,42,76,629	14.47	3,42,76,629
Microfirm Capital Private Limited	14.35	3,40,15,928	14.36	3,40,15,928
Celica Developers Private Limited	12.42	2,94,34,455	12.42	2,94,34,455
True North Fund V LLP (formerly known as India Value Fund V LLP)	11.92	2,82,55,524	11.92	2,82,55,524
International Finance Corporation	9.70	2,30,00,000	9.71	2,30,00,000
Lavender Investments Limited	7.95	1,88,51,431	7.96	1,88,51,431
LeapFrog Financial Inclusion India Holdings Limited	5.58	1,32,18,519	7.82	1,85,18,519

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 1,000,000 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. The options will get settled by issue of equity shares at the exercise price. 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 1,000,000 to 5,000,000.

During the year, the Nomination and Remuneration Committee of the Board of Directors has granted 5,15,000 options (2017: 1,25,000) under MESOP 2007) to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹ 2/- each).

Notes to the consolidated financial statements (Continued)

Note 3 : Share Capital (Contd.)

	Year ended 31 March 2018		Year ended 31 March 2017	
	No. of options	Wtd. avg. exercise price (₹)	No. of options	Wtd. avg.exercise price (₹)
Outstanding options at the beginning of the year	2,14,000	60.00	2,87,500	60.00
Granted during the year	5,15,000	96.70	1,25,000	60.00
Exercised during the year	69,000	60.00	1,31,000	60.00
Lapsed during the year	-	-	67,500	60.00
Forfeited during the year	-	-	-	-
Outstanding options at the end of the year	**6,60,000**	**88.64**	**2,14,000**	**60.00**
Options vested and exercisable at the end of the year	10,000	60.00	59,000	60.00

MRSOP, 2014

Under MRSOP, the Company provided for the creation and issue of 5,000,000 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. The options will get settled by issue of equity shares at the exercise price.

During the year, the Nomination and Remuneration Committee of the Board of Directors has granted 3,00,000 options (2017: Nil) under MRSOP 2014 to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹ 2/- each).

	Year ended 31 March 2018		Year ended 31 March 2017	
	No. of options	Wtd. avg. exercise price (₹)	No. of options	Wtd. avg.exercise price (₹)
Outstanding options at the beginning of the year	3,20,000	2.00	6,70,000	2.00
Granted during the year	3,00,000	100.00	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	1,10,000	2.00	3,50,000	2.00
Forfeited during the year	-	-	-	-
Outstanding options at the end of the year	**5,10,000**	**59.65**	**3,20,000**	**2.00**
Options vested and exercisable at the end of the year	-	-	-	-

The weighted average fair value of each option is ₹ 78.84 (2017: ₹ 71.93) using the Black-Scholes model with the following assumptions:

	Units	As at 31 March 2018	As at 31 March 2017
Grant date share price	₹	79.80 - 165.30	56.85 - 108.00
Exercise price	₹	2.00 - 120.00	2.00 - 60.00
Dividend yield	%	0.48 - 1.02	0.61 - 1.06
Expected life	years	3.84 - 5.21	4.42 - 4.80
Risk free interest rate	%	6.80 - 7.82	6.92 - 8.35
Volatility	%	42.00 - 49.99	42.00 - 58.13

Notes to the consolidated financial statements (Continued)

Note 3 : Share Capital (Contd.)

Equity shares reserved for issue under options

(₹ in Lacs)

	No. of options granted	Exercise price (₹)	As at 31 March 2018		As at 31 March 2017	
			No. of options	Amount	No. of options	Amount
Under MESOP 2007:						
Tranche II	2,50,000	60.00	-	-	40,000	0.80
Tranche V	1,50,000	60.00	-	-	14,000	0.28
Tranche VI	50,000	60.00	20,000	0.40	35,000	0.70
Tranche XI	1,25,000	60.00	1,25,000	2.50	1,25,000	2.50
Tranche XII	1,25,000	60.00	1,25,000	2.50	-	-
Tranche XIII	2,25,000	100.00	2,25,000	4.50	-	-
Tranche XIV	90,000	120.00	90,000	1.80	-	-
Tranche XV	75,000	120.00	75,000	1.50	-	-
Under MRSOP 2014:						
Tranche I (A)	6,50,000	2.00	2,10,000	4.20	3,20,000	6.40
Tranche I (C)	3,00,000	100.00	3,00,000	6.00	-	-

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 2018	Year ended 31 March 2017
Net profit for equity shareholders	₹ in Lacs	23,042.40	2,041.88
Stock-based employee compensation expense (intrinsic value method)	₹ in Lacs	50.08	(37.60)
Stock-based employee compensation expense (fair value method)	₹ in Lacs	81.42	16.75
Proforma net profit	₹ in Lacs	23,011.06	2,021.03
Basic earnings per share (Face value: ₹ 2/-) as reported	₹	9.72	0.86
Proforma basic earnings per share (Face value: ₹ 2/-)	₹	9.71	0.85
Diluted earnings per share (Face value: ₹ 2/-) as reported	₹	9.70	0.86
Proforma diluted earnings per share (Face value: ₹ 2/-)	₹	9.68	0.85

Notes to the consolidated financial statements (Continued)

Note 4 : Reserves and Surplus

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Capital reserve	**480.22**	**480.22**
Capital reserve on consolidation	**2,768.87**	**-**
Capital redemption reserve	**1,421.84**	**1,421.84**
Securities premium reserve		
Opening balance	1,15,839.98	1,15,755.70
Add: Adjusted on account of amalgamation of Magma Advisory Services Limited (MASL) (Refer note 37)	16,333.33	-
Add: On equity shares issued on exercise of ESOPs during the year	48.59	84.28
	1,32,221.90	**1,15,839.98**
Employee share option outstanding		
Gross employee share compensation cost for options granted in earlier years	237.49	283.40
Less: Transferred to securities premium reserve on allotment of shares	8.57	8.31
Add: Deferred employee compensation cost	50.08	(37.60)
	279.00	**237.49**
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	24,340.00	24,210.00
Add: Transfer from surplus in the statement of profit and loss	4,110.00	130.00
	28,450.00	**24,340.00**
Statutory reserve (created pursuant to Section 29C of the National Housing Bank Act, 1987)		
Opening balance	2,253.12	1,583.07
Add: Transfer from surplus in the statement of profit and loss	479.95	670.05
	2,733.07	**2,253.12**
General reserve		
Opening balance	11,390.00	11,390.00
Less: Adjusted on account of amalgamation of MASL (Refer note 37)	25,222.22	-
Add: Transfer from surplus in the statement of profit and loss	13,832.22	-
	-	**11,390.00**
Surplus (balance in the statement of profit and loss)		
Opening balance	56,403.47	55,160.75
Profit for the year	23,042.41	2,045.27
Amount available for appropriations	**79,445.88**	**57,206.02**
Appropriations		
Dividend on preference shares*	0.75	2.08
Tax on preference dividend as above*	0.15	0.42
Dividend on equity shares*	1,895.79	-
Tax on equity dividend as above*	385.94	-
Transfer to statutory reserve (as per Reserve Bank of India Act, 1934)	4,110.00	130.00
Transfer to statutory reserve (as per National Housing Bank Act, 1987)	479.95	670.05
Transfer to general reserve	13,832.22	-
	58,741.08	**56,403.47**
	2,27,202.46	**2,12,472.60**

* 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 in the financial year ended 31 March 2018 and same will been shown in the financial year ended 31 March 2019 post approval by shareholders in Annual General Meeting.

Notes to the consolidated financial statements (Continued)

Note 5 : Long-Term Borrowings

(₹ in Lacs)

	Security as per	As at 31 March 2018	As at 31 March 2017
Debentures			
Secured			
Redeemable non-convertible debentures	(a)	26,000.00	16,000.00
		26,000.00	**16,000.00**
Unsecured			
Subordinated non-convertible perpetual debentures		13,410.00	13,310.00
Subordinated redeemable non-convertible debentures		59,000.00	78,030.00
Subordinated debts from banks		10,000.00	10,000.00
		82,410.00	**1,01,340.00**
Term loan			
Secured *			
from banks	(b) and (c)	1,47,889.04	1,92,740.23
from others (financial institutions)	(b) and (c)	30.55	836.89
		1,47,919.59	**1,93,577.12**
Share of borrowings of joint venture		9.53	12.31
		2,56,339.12	**3,10,929.43**
* Aggregate of loans guaranteed by Director (including current maturities)		263.60	796.50

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. The total asset cover is hundred percent or above of the principal amount of the said debentures.

(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 2018		As at 31 March 2017	
	31 March 2018	31 March 2017	Long-term	Current maturities	Long-term	Current maturities
>5 Years	9.00%	9.00% - 10.10%	10,000.00	-	6,000.00	-
3 - 5 Years	9.55%-10.10%	9.55% - 10.00%	3,500.00	-	6,000.00	-
1 - 3 Years	8.99%-10.00%	10.33%	12,500.00	-	4,000.00	-
0 - 1 Years	8.74% - 10.33%	9.63 % - 10.80%	-	9,000.00	-	48,500.00
			26,000.00	**9,000.00**	**16,000.00**	**48,500.00**

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 2018		As at 31 March 2017	
	31 March 2018	31 March 2017	Long-term	Current maturities	Long-term	Current maturities
> 5 Years	11.00% - 12.10%	11.50% - 12.10%	7,910.00	-	7,810.00	-
3 - 5 Years	-	12.50%	-	-	2,500.00	-
1 - 3 Years	12.50% - 13.75%	13.50% - 13.75%	5,500.00	-	3,000.00	-
			13,410.00	**-**	**13,310.00**	**-**

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 2018		As at 31 March 2017	
	31 March 2018	31 March 2017	Long-term	Current maturities	Long-term	Current maturities
> 5 Years	10.00% - 10.90%	10.25% - 11.50%	17,200.00	-	21,000.00	-
3 - 5 Years	10.30% - 11.50%	11.00% - 11.45%	28,800.00	-	23,000.00	-
1 - 3 Years	11.00%	11.00% - 11.75%	13,000.00	-	34,030.00	-
0 - 1 Years	11.20% - 11.75%	11.75% - 12.00%	-	21,030.00	-	10,700.00
			59,000.00	**21,030.00**	**78,030.00**	**10,700.00**

Above current maturities has been disclosed under "Other current liabilities" [Note 9]

Terms of repayment of subordinated term loans (unsecured)

(₹ in Lacs)

Maturity schedule	Interest rate range (p.a.)		As at 31 March 2018		As at 31 March 2017	
	31 March 2018	31 March 2017	Long-term	Current maturities	Long-term	Current maturities
Monthly installments						
> 5 Years	10.10%	11.00%	1,666.67	-	10,000.00	-
3 - 5 Years	10.10%	-	8,333.33	-	-	-
			10,000.00	**-**	**10,000.00**	**-**

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 2018		As at 31 March 2017	
	31 March 2018	31 March 2017	Long-term	Current maturities	Long-term	Current maturities
Half yearly installments						
1 - 3 Years	10.50%	10.45% - 10.50%	1,249.95	-	3,928.57	-
0 - 1 Years	8.90% - 10.50%	10.45% - 10.50%	-	2,677.20	-	4,105.75
			1,249.95	**2,677.20**	**3,928.57**	**4,105.75**
Quarterly installments						
> 5 Years	9.30% - 9.70%	9.30% - 9.70%	2,321.44	-	3,750.00	-
3 - 5 Years	8.30% - 10.45%	9.30% - 10.50%	27,204.57	-	47,290.69	-
1 - 3 Years	8.30% - 10.70%	9.30% - 12.25%	1,17,062.71	-	1,38,556.78	-
0 - 1 Years	8.30% - 11.10%	9.70% - 12.25%	-	74,379.32	-	82,500.78
			1,46,588.72	**74,379.32**	**1,89,597.47**	**82,500.78**

Notes to the consolidated financial statements (Continued)

Note 5 : Long-Term Borrowings (Contd.)

(₹ in Lacs)

Maturity schedule	Interest rate range (p.a.)		As at 31 March 2018		As at 31 March 2017	
	31 March 2018	31 March 2017	Long-term	Current maturities	Long-term	Current maturities
Monthly installments						
> 5 Years	-	8.90% - 9.10%	-	-	12.31	-
3 - 5 Years	8.90% - 12.00%	12.00%	21.68	-	11.11	-
1 - 3 Years	8.90% - 12.00%	12.00%	68.77	-	39.97	-
0 - 1 Years	8.90% - 12.00%	10.75% - 12.00%	-	44.73	-	2,772.76
			90.45	**44.73**	**63.39**	**2,772.76**
			1,47,929.12	**77,101.25**	**1,93,589.43**	**89,379.29**

Above current maturities has been disclosed under "Other current liabilities" [Note 9]

Note 6 : Long-Term Provisions

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Provision for employee benefits		
Provision for gratuity	-	45.07
Provision for compensated absences	687.33	876.41
Other provisions		
Provision for non-performing assets	29,683.98	19,086.02
Contingent provision against standard assets	2,890.00	2,580.00
	33,261.31	**22,587.50**

Note 7 : Short-Term Borrowings

(₹ in Lacs)

	Security as per	As at 31 March 2018	As at 31 March 2017
Term loan			
Secured			
from banks	(a)	2,500.00	5,000.00
		2,500.00	**5,000.00**
Commercial papers			
Unsecured			
Face value		60,000.00	61,000.00
Less: Unmatured discounting charges		865.60	924.93
		59,134.40	**60,075.07**
Loans from banks			
Secured			
Cash credit facilities	(b)	2,24,871.54	1,25,447.93
Working capital demand loans	(b)	3,27,000.00	3,57,499.99
		5,51,871.54	**4,82,947.92**
		6,13,505.94	**5,48,022.99**
Aggregate of loans guaranteed by Director		**-**	**-**

Notes to the consolidated financial statements (Continued)

Note 7 : Short-Term Borrowings (Contd.)

Terms of repayment of term loans (secured)

(₹ in Lacs)

Repayment schedule	Interest rate range (p.a.)		As at 31 March 2018	As at 31 March 2017
	31 March 2018	31 March 2017		
Half yearly installments				
0 - 1 Years	9.85%	9.85%	2,500.00	5,000.00
			2,500.00	**5,000.00**

Details of unsecured commercial papers

Number of units	Face value (₹ in lacs)	Interest terms	As at 31 March 2018	As at 31 March 2017
12,000	5	Fixed	59,134.40	-
12,200	5	Fixed	-	60,075.07
			59,134.40	**60,075.07**

The above commercial papers carry interest rates ranging from 7.90 % p.a. to 8.50 % p.a. with maturity ranging from 1 months to 3 months (2017: from 7.61 % p.a. to 8.95 % p.a.. with maturity ranging from 1 months to 3 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 8.70 % p.a. to 12.10 % p.a. (2017: from 9.00 % p.a. to 12.00 % p.a). Working capital demand loans are repayable on demand and carry interest rates ranging from 8.15 % p.a. to 9.25 % p.a.(2017: from 8.15% p.a. to 10.30% 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. The Company has entered into a forward buy contract of US $ 78.13 lacs (INR ₹ 5,000.00 lacs). The said loan including the interest payable thereon has been fully hedged to INR liability. There is no un-hedged foreign currency exposure as on 31 March 2018.

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 way of hypothecation of the Company's finance/loan assets, tangible movable assets, plant and machinery, equipments, etc and future rental income therefrom and other current assets (expressly excluding those equipments, plant, machinery, spare parts, tangible movable assets 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 financial organisation). These are collaterally secured by way of equitable mortgage over immovable property.

Note 8 : Trade Payables

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Due to micro and small enterprises*	-	-
Due to others	32,238.06	21,887.60
	32,238.06	**21,887.60**
Share of joint venture	539.80	1.91
	32,777.86	**21,889.51**

* 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 2018 and 31 March 2017. 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.

Notes to the consolidated financial statements (Continued)

Note 9 : Other Current Liabilities

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Current maturities of long-term borrowings [Note 5]	1,07,128.47	1,48,579.29
Interest accrued but not due on borrowings	6,413.58	9,665.87
Interest accrued and due on borrowings	422.41	-
Unpaid dividend #	34.56	32.28
Other liabilities		
Temporary book overdraft	5,893.25	2,090.45
Advances and deposits from customers	6,927.69	8,202.82
Statutory liabilities	795.97	714.36
Director's commission [Note 31]	200.00	-
Pending remittance on assignment	20,892.64	25,566.04
Other payables ##	9,748.44	8,126.70
	1,58,457.01	**2,02,977.81**
Share of joint venture	32,986.32	26,278.94
	1,91,443.33	**2,29,256.75**

There has been no delay in transfer of amounts required to be transferred to Investor Education and Protection Fund and balance would be credited as and when due.

Includes provision for commission payable to executive director of ₹ 230.00 lacs (2017: ₹ Nil), refer Note 36.

Note 10 : Short-Term Provisions

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Provision for employee benefits		
Provision for gratuity	-	0.28
Provision for compensated absences	21.76	90.59
Other provisions		
Contingent provision against standard assets	1,570.00	1,460.00
Provision for taxation	280.00	84.13
	1,871.76	**1,635.00**
Share of joint venture	8,977.47	7,268.73
	10,849.23	**8,903.73**

Note 11 : Fixed Assets

Following are the changes in the carrying value of the fixed assets for the year ended 31 March 2018

(₹ in Lacs)

Description of assets	Gross block				Depreciation and amortisation				Net block
	As at 1 April 2017	Additions	Deletions	As at 31 March 2018	As at 1 April 2017	For the year	Deletions	As at 31 March 2018	As at 31 March 2018
Property, plant and equipment									
Fixed assets for own use									
Land ^	30.26	-	-	30.26	-	-	-	-	30.26
Buildings *^	2,186.83	-	-	2,186.83	657.21	38.37	-	695.58	1,491.25
Wind mills ^	9,701.29	-	-	9,701.29	4,588.95	410.39	-	4,999.34	4,701.95
Furniture and fixtures	2,758.05	117.40	36.96	2,838.49	1,805.76	247.28	34.22	2,018.82	819.67
Vehicles	274.16	163.12	23.66	413.62	114.81	37.38	6.20	145.99	267.63
Office equipments	8,812.06	793.55	536.74	9,068.87	6,250.41	1,150.10	428.64	6,971.87	2,097.00
Leasehold improvements	3,514.35	258.93	32.87	3,740.41	2,249.01	303.96	26.31	2,526.66	1,213.75
Sub-total	**27,277.00**	**1,333.00**	**630.23**	**27,979.77**	**15,666.15**	**2,187.48**	**495.37**	**17,358.26**	**10,621.51**
Fixed assets on operating lease									
Buildings	11.00	-	-	11.00	2.40	0.18	-	2.58	8.42
Vehicles	9,510.04	3,159.95	3,796.18	8,873.81	2,766.97	1,948.31	1,599.67	3,115.61	5,758.20
Sub-total	**9,521.04**	**3,159.95**	**3,796.18**	**8,884.81**	**2,769.37**	**1,948.49**	**1,599.67**	**3,118.19**	**5,766.62**
Total	**36,798.04**	**4,492.95**	**4,426.41**	**36,864.58**	**18,435.52**	**4,135.97**	**2,095.04**	**20,476.45**	**16,388.13**
Intangible assets									
Fixed assets for own use									
Computer software	5,409.77	747.73	-	6,157.50	2,530.73	786.48	-	3,317.21	2,840.29
Business and commercial rights	800.00	-	-	800.00	800.00	-	-	800.00	-
Total	**6,209.77**	**747.73**	**-**	**6,957.50**	**3,330.73**	**786.48**	**-**	**4,117.21**	**2,840.29**
Total	**43,007.81**	**5,240.68**	**4,426.41**	**43,822.08**	**21,766.25**	**4,922.45**	**2,095.04**	**24,593.66**	**19,228.42**
Share of joint venture	**597.50**	**364.87**	**0.25**	**962.12**	**186.63**	**134.45**	**0.24**	**320.84**	**641.28**
Grand total	**43,605.31**	**5,605.55**	**4,426.66**	**44,784.20**	**21,952.88**	**5,056.90**	**2,095.28**	**24,914.50**	**19,869.70**

* Registration of title for 3 buildings is pending.

^ For details of movable / immovable property, plant and equipment hypothecated against borrowings, refer Note 5.

Note 11 : Fixed Assets (Contd.)

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
Property, plant and equipment									
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.

^ For details of movable / immovable property, plant and equipment hypothecated against borrowings, refer Note 5.

Notes to the consolidated financial statements (Continued)

Note 12 : Non-Current Investments

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Other investment (at cost)		
Investment in equity shares (Trade investment)		
Quoted (Fully paid-up of ₹ 10/- each)	-	1.12
Unquoted (Fully paid-up of ₹ 10/- each)		
In others	422.04	422.04
Investment in government securities (Non-trade investment)		
Unquoted (pledged with sales tax authorities)	0.16	0.16
Others (Non-trade investment)		
In pass through certificates *	6,028.54	5,241.20
In security receipts (of ₹ 1,000/- each)	7,049.18	8,641.93
	13,499.92	**14,306.45**
Aggregate provision for diminution in value of investments	-	(1.05)
	13,499.92	**14,305.40**
Share of joint venture	38,778.62	32,987.50
	52,278.54	**47,292.90**
Aggregate book value of quoted investments	-	1.12
Aggregate market value of quoted investments	-	0.28
Aggregate book value of unquoted investments	13,499.92	14,305.33

* 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 ₹ 6,504.06 lacs (2017: ₹ 5,148.61 lacs).

Note 13 : Deferred Tax Assets / Liabilities (net)

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Deferred tax assets		
Contingent provision against standard assets	1,558.50	1,342.79
Provision for non-performing assets	10,549.33	6,055.68
Unabsorbed depreciation and amortisation	-	3,585.25
Others	353.32	379.78
	12,461.15	**11,363.50**
Deferred tax liabilities		
Fixed assets	3,241.54	3,172.35
Unamortised expenses (net)	5,713.84	5,822.69
Others	934.45	803.10
	9,889.83	**9,798.14**
Share of deferred tax assets of joint venture	408.98	408.98
Deferred tax assets (net)	**2,980.30**	**1,974.34**

Notes to the consolidated financial statements (Continued)

Note 14 : Long-Term Loans and Advances

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Assets on finance#		
Secured, considered good*	6,77,298.61	6,78,671.93
Secured, considered doubtful*	49,395.77	22,931.81
Unsecured, considered good	87,602.79	80,833.20
	8,14,297.17	**7,82,436.94**
Others		
Unsecured, considered good		
Capital advances	16.87	118.78
Loans to staff	11.98	103.54
Loans and advances to related parties [Note 31]	163.05	163.05
Tax advances and deduction at source (net of provision for taxes)	9,158.60	8,322.35
Security deposits	1,016.59	1,026.45
	10,367.09	**9,734.17**
Unsecured, considered doubtful		
Other loans and advances		
Advances recoverable in cash or kind or for value to be received	505.27	500.00
Less: Provision against loans and advances##	505.27	500.00
	-	**-**
Share of joint venture	115.77	96.76
	8,24,780.03	**7,92,267.87**

Assets on finance is net of amounts securitised/assigned aggregating to ₹ 3,51,090.64 lacs (2017: ₹ 4,13,253.04 lacs).

During the year, the Company has created a provision of ₹ 5.27 lacs (2017: ₹ 168.00 lacs) towards other loans and advances. Accordingly, the balance of provision against other loans and advances as at 31 March 2018 is ₹ 505.27 lacs (2017: ₹ 500.00 lacs).

* Secured by underlying assets financed.

Note 15 : Other Non-Current Assets

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Others		
Non-current bank balances *	2,312.37	9,518.09
Unamortised borrowings costs	1,388.47	1,843.32
Unamortised loan origination costs (net)	7,017.58	7,399.87
Gratuity (excess of plan assets over obligation)	158.35	178.09
	10,876.77	**18,939.37**
Share of joint venture	841.14	822.23
	11,717.91	**19,761.60**

* Balances with banks held as security against borrowings, guarantees amounts to ₹ 331.94 lacs (2017: ₹ 475.17 lacs) and as cash collateral for securitisation / direct assignments of receivables amounts to ₹ 1,980.43 lacs (2017: ₹ 9,042.92 lacs).

Notes to the consolidated financial statements (Continued)

Note 16 : Current Investments

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Other investment		
Investment in mutual funds (valued at lower of cost and fair value) (Non-trade investment)		
Quoted	-	10.79
Others (at cost) (Non-trade investment)		
In Pass through certificates * [Note 12]	6,504.06	5,148.61
	6,504.06	**5,159.40**
Share of joint venture	6,069.19	2,196.65
	12,573.25	**7,356.05**
Aggregate book value of quoted investments	-	10.79
Aggregate market value of quoted investments	-	2.72
Aggregate book value of unquoted investments	6,504.06	5,148.61

* 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.

Note 17 : Trade Receivables

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Unsecured, considered good		
Debts outstanding for a period exceeding six months from the date they became due for payment	-	-
Other debts	334.80	674.93
	334.80	**674.93**

Note 18 : Cash and Bank Balances

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Cash and cash equivalents		
Cash in hand	4,026.16	5,433.66
Balances with banks		
In current and cash credit accounts	4,436.16	6,411.06
In deposits with original maturity of three months or less	1,697.69	1,624.27
Share of joint venture of cash and cash equivalents	1,084.79	700.64
	11,244.80	**14,169.63**
Other bank balances *		
In unpaid dividend account	34.56	32.28
In deposits with original maturity of three months or less	232.65	522.00
In deposits with original maturity of more than three months to twelve months	14,362.73	11,116.63
Current maturities of deposits with original maturity of more than twelve months	13,567.33	7,208.74
Share of joint venture of other bank balances	2,349.51	2,281.68
	30,546.78	**21,161.33**
	41,791.58	**35,330.96**

* Balances with banks held as security against borrowings, guarantees amounts to ₹ 2,287.55 lacs (2017: ₹ 2,058.83 lacs) and as cash collateral for securitisation / direct assignment of receivables amounts to ₹ 25,791.18 lacs (2017: ₹ 16,347.65 lacs). Fixed deposits accounts with more than twelve months maturity amounting to ₹ 2,312.37 lacs (2017: ₹ 9,518.09 lacs) included under 'Other non-current assets' [Note 15].

Notes to the consolidated financial statements (Continued)

Note 19 : Short-Term Loans and Advances

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Asset on finance		
Secured, considered good*	2,75,826.27	2,97,445.97
Unsecured, considered good	1,08,493.19	1,09,926.12
	3,84,319.46	**4,07,372.09**
Others		
Unsecured, considered good		
Loan and advances to related parties [Note 31]	331.76	391.69
Other loans and advances		
Loans to staff	133.25	452.03
Advances recoverable in cash or kind or for value to be received	4,018.78	4,550.97
Prepaid expenses	834.73	717.91
Balances with statutory / government authorities	1,140.03	1,226.31
	6,458.55	**7,338.91**
Share of joint venture	1,360.07	1,966.70
	3,92,138.08	**4,16,677.70**

* Secured by underlying assets financed.

Note 20 : Other Current Assets

(₹ in Lacs)

	As at 31 March 2018	As at 31 March 2017
Others		
Accrued interest / financial charges	1,666.47	1,806.63
Unamortised borrowings costs	1,205.31	1,286.97
Unamortised loan origination costs (net)	6,740.05	6,842.40
Others	29.44	66.14
	9,641.27	**10,002.14**
Share of joint venture	1,854.24	2,358.45
	11,495.51	**12,360.59**

Notes to the consolidated financial statements (Continued)

Note 21 : Revenue From Operations

(₹ in Lacs)

	Year ended 31 March 2018	Year Ended 31 March 2017
Interest / finance income		
On assets on finance	1,89,529.92	2,10,963.21
On securitisation	13,366.11	9,184.13
On pass through certificates	967.96	679.68
On fixed deposits	2,253.28	1,887.98
On loans and margins	665.38	874.23
	2,06,782.65	**2,23,589.23**
Other financial income		
Lease rentals	2,728.96	2,438.63
Collection and support services	1,762.90	2,106.55
Foreclosure charges	3,760.85	3,810.09
Management fees/Documentation charges	6,804.90	1,222.09
Others	1,561.87	1,232.81
	16,619.48	**10,810.17**
Share of joint venture	743.87	748.32
	2,24,146.00	**2,35,147.72**

Note 22 : Operating Result from General Insurance Business

(₹ in Lacs)

	Year ended 31 March 2018	Year Ended 31 March 2017
Premium income		
Premiums earned (net)	13,749.28	13,442.58
Interest, dividend and rent (gross)	2,721.06	2,368.85
Profit / (loss) on sale / redemption of investments (net)	208.08	272.45
Others	26.50	33.22
	16,704.92	**16,117.10**
Operating expense		
Claims incurred (net)	11,405.11	10,636.96
Commission (net)	(1,017.36)	(178.07)
Contribution to solatium fund	10.82	7.84
Operating expenses related to insurance business	6,239.80	5,820.13
Premium deficiency	7.26	(55.28)
	16,645.63	**16,231.58**
	59.29	**(114.48)**

Notes to the consolidated financial statements (Continued)

Note 23 : Other Income

(₹ in Lacs)

	Year ended 31 March 2018	Year Ended 31 March 2017
Sale of power	1,015.74	1,108.90
Insurance commission	759.29	480.87
Commission income	163.89	673.49
Gain on sale of fixed assets (net)	190.35	9.70
Gain on sale of investments (net)	1.50	-
Rental income	2.56	2.61
Delinquency fund	919.06	1,108.30
Bad debt recoveries	2,044.30	1,485.59
Miscellaneous income	501.15	545.01
	5,597.84	**5,414.47**
Share of joint venture	55.52	83.22
	5,653.36	**5,497.69**

Note 24 : Employee Benefits Expense

(₹ in Lacs)

	Year ended 31 March 2018	Year Ended 31 March 2017
Salaries and wages	33,788.23	26,757.98
Contribution to provident and other funds	1,546.58	1,574.08
Employee share based compensation expense	50.08	(37.91)
Staff welfare expenses	1,406.74	977.21
	36,791.63	**29,271.36**
Share of joint venture	60.69	60.68
	36,852.32	**29,332.04**

Note 25 : Finance Costs

(₹ in Lacs)

	Year ended 31 March 2018	Year Ended 31 March 2017
Interest expense		
On debentures	14,811.91	19,948.81
On term loans	26,185.59	30,902.80
On cash credit and working capital facilities	34,114.39	45,059.47
On others	10.93	109.08
Discount on commercial papers	11,220.69	12,387.35
Other borrowing costs	4,202.54	4,745.83
Mark-to-market (profit) / loss on derivative contracts	-	(23.10)
	90,546.05	**1,13,130.24**

Notes to the consolidated financial statements (Continued)

Note 26 : Provisions and Bad Debts Written-Off

(₹ in Lacs)

	Year ended 31 March 2018	Year Ended 31 March 2017
Bad debts written-off	28,273.34	21,130.03
Net loss / (gain) on sale of non-performing assets *	(1,904.75)	21,146.71
Provision for non-performing assets	10,597.95	18,469.21
Contingent provision against standard assets	420.00	(60.00)
	37,386.54	**60,685.95**

* Net of reversals of provision on sale of non-performing assets ₹ Nil (2017: ₹ 30,688.97 lacs) and share of loss on sale of NPA received.

Note 27 : Other Expenses

(₹ in Lacs)

	Year ended 31 March 2018	Year Ended 31 March 2017
Rent	1,980.16	1,688.86
Brokerage and commission	9,584.17	11,178.34
Rates and taxes	44.11	73.76
Insurance	46.17	113.06
Advertisement and publicity	277.12	303.70
Travelling and conveyance	2,277.87	2,216.66
Repairs and maintenance		
- machinery	362.29	371.92
- others	1,459.28	1,259.45
Payment to Directors		
- fees	103.88	20.01
- commission	200.00	12.40
Professional fees *	2,970.63	2,083.31
Legal charges	1,707.20	1,986.47
Outsourced collection charges	2,248.15	697.82
Printing and stationery	557.37	534.91
Communication	1,203.18	1,434.95
Electricity charges	717.31	696.42
Corporate social responsibility expenditure [Note 41]	384.68	384.64
Capital work in progress written-off	597.69	690.13
Miscellaneous expenses	1,600.93	2,077.17
	28,322.19	**27,823.98**
Share of joint venture	23.48	29.47
	28,345.67	**27,853.45**

* Includes payment to auditors amounting to ₹ 82.12 lacs (2017: ₹ 76.68 lacs), comprising following services: statutory audit ₹ 36.00 lacs (2017: ₹ 36.00 lacs); limited review of quarterly results ₹ 30.00 lacs (2017: ₹ 30.00 lacs); other services ₹ 7.90 lacs (2017: ₹ 2.45 lacs) and re-imbursement of out of pocket expenses ₹ 8.22 lacs (2017: ₹ 8.23 lacs).

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	**2,27,983.25**	**840.53**	**1,034.87**	**2,29,858.65**
	(2,38,608.94)	(692.27)	(1,229.72)	(2,40,530.93)
(ii) Inter-segment	**524.51**	**(524.51)**	**-**	**-**
	(331.21)	(-331.21)	(-)	(-)
Total revenue	**2,28,507.76**	**316.02**	**1,034.87**	**2,29,858.65**
	(2,38,940.15)	(361.06)	(1,229.72)	(2,40,530.93)
Result - Profit / (loss) before tax	**31,337.47**	**249.34**	**218.81**	**31,805.62**
	(4,106.74)	(294.76)	(277.62)	(4,679.12)
Other information				
Segment assets	**13,11,661.09**	**52,282.94**	**6,182.61**	**13,70,126.64**
	(13,12,375.32)	(43,154.01)	(6,693.54)	(13,62,222.87)
Segment liabilities	**10,95,082.78**	**42,801.57**	**292.44**	**11,38,176.79**
	(11,06,899.26)	(33,879.61)	(811.04)	(11,41,589.91)
Capital expenditure	**5,240.68**	**364.87**	**-**	**5,605.55**
	(6,268.38)	(327.36)	(-)	(6,595.74)
Depreciation and amortisation	**4,512.06**	**134.45**	**410.39**	**5,056.90**
	(4,439.74)	(53.62)	(410.39)	(4,903.75)
Non-cash expenses (other than depreciation)	**11,068.03**	**-**	**-**	**11,068.03**
	(18,348.20)	(-)	(-)	(18,348.20)

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, SME 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 ₹ 421.44 lacs (2017: ₹ 65.19 lacs) [share of joint venture ₹ 30.43 lacs (2017: ₹ 21.85 lacs)]. Future minimum lease payments under non-cancellable operating lease is as below:

(₹ in Lacs)

Particulars	As at 31 March 2018	As at 31 March 2017
Not later than one year	442.02	84.18
Later than one year but not later than five years	422.31	87.16
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 amounts to ₹ 1,894.76 lacs (2017: ₹ 2,095.33 lacs) [share of joint venture ₹ 119.62 lacs (2017: ₹ 101.67 lacs)].

Notes to the consolidated financial statements (Continued)

Note 30 : Earnings per share (EPS)

The computation of EPS is set out below:

(₹ in Lacs)

Particulars			Units	Year ended 31 March 2018	Year ended 31 March 2017
		Basic & Diluted			
a)	(i)	Weighted average number of equity shares (Face value of ₹ 2/- per share) for basic EPS	Nos.	23,69,81,217	23,69,03,308
	(ii)	Weighted average number of equity shares for diluted EPS [after considering 6.36 lacs shares (2017: 4.03 lacs) resulting from assumed exercise of employee stock options and equity warrants]	Nos.	23,76,16,802	23,73,06,305
b)		Net profit after tax	₹ in Lacs	23,042.41	2,045.27
c)		Less : Preference dividend including tax thereon	₹ in Lacs	0.01	3.39
d)	(i)	Net profit for equity shareholders for basic EPS	₹ in Lacs	23,042.40	2,041.88
	(ii)	Net profit for equity shareholders for diluted EPS	₹ in Lacs	23,042.40	2,041.88
e)	(i)	Earnings per share (Face value of ₹ 2/- per share) – basic	₹	9.72	0.86
	(ii)	Earnings per share (Face value of ₹ 2/- per share) – diluted	₹	9.70	0.86

Note 31 : Related party disclosures

Related party disclosures as at and for the year ended 31 March 2018.

(A)	**Names of the related parties where control exists**	**Nature of relationship**
i.	Mr. Narayan K Seshadri	Chairman & Independent Director
ii.	Mr. Sanjay Chamaria	Vice Chairman & Managing Director
iii.	Mr. Mayank Poddar	Whole Time Director
iv.	Mr. Sanjay Nayar	Director
v.	Mrs. Ritva Kaarina Laukkanen (upto 14 May 2017)	Director
(B)	**Key managerial personnel**	**Nature of Relationship**
i.	Mr. Mayank Poddar	Whole Time Director
ii.	Mr. Sanjay Chamria	Vice Chairman & Managing Director
iii.	Mr. Kailash Baheti	Chief Financial Officer (w.e.f. 04 November 2016)
iv.	Mrs. Shabnum Zaman	Company Secretary
v.	Mr. Atul Avadh Bansal	Chief Financial Officer (upto 03 November 2016)
(C)	**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.	Finance Industry Development Council	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.	Experian Credit Information Company of India Private Limited	Private Company in which Director or his relative is Member or Director
v.	Magma Consumer Finance Private Limited	Private Company in which Director or his relative is Member or Director
vi.	Devsar Vyapaar Pvt. Ltd	Private Company in which Director or his relative is Member or Director
vii.	Columbine Decorative & Marketing Private Limited	Private Company in which Director or his relative is Member or Director
viii.	CLP Business LLP	Firm in which Director or his relative is Partner
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.	Mr. Kailash Baheti	Chief Financial Officer (w.e.f. 04 November 2016)
xiii.	Mrs. Shabnum Zaman	Company Secretary
xiv.	Mrs. Madhumita Dutta Sen (w.e.f. 29 August 2017)	Nominee Director
xv.	Mr. Atul Avadh Bansal	Chief Financial Officer (upto 03 November 2016)
xvi.	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 2018	Outstanding amount as at 31 March 2018	Transaction value for the year ended 31 March 2017	Outstanding amount as at 31 March 2017
A) Private company in which Director is Member or Director					
1. Celica Developers Private Limited	Long-term loans and advances given	-	163.05	24.19	163.05
	Refund of long-term loans and advances given	-	-	30.48	-
	Rent expense	251.69	-	411.43	-
	Equity dividend paid	235.48	-	-	-
	Corporate policy issued	1.74	-	2.11	-
2 Finance Industry Development Council	Annual subscription	-	-	1.15	-
3. Microfirm Capital	Equity dividend paid	272.13	-	-	-
	Investment in cumulative preference share	-	1,271.14	-	1,271.14
	Dividend income	0.01	-	0.01	-
4. Columbine Decorative & Marketing Pvt Ltd.	Corporate policy issued	0.12	-	-	-
5. Magma Consumer Finance Private Limited	Corporate policy issued	0.23	-	-	-
	Sale of assets	-	-	14.44	-
	Claims payment	1.22	-	-	-
6. Devsar Vyapaar	Corporate policy issued	0.06	-	-	-
7. Experian Credit Information Company of India Private Limited	Annual subscription	0.06	-	-	-
	Professional fees	39.49	-	-	-
	Capital work-in-progress (Credit engine)	69.00	-	-	-
8. CLP Business LLP	Payment of rent	8.66	-	-	-
	Long-term loans and advance given	6.45	6.45	-	-

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 2018	Outstanding amount as at 31 March 2018	Transaction value for the year ended 31 March 2017	Outstanding amount as at 31 March 2017
B) Key management personnel					
1. Mayank Poddar	Rent expense	-	-	2.03	-
	Directors' remuneration	150.00	-	150.00	-
	Corporate policy issued	0.05	-	0.06	-
2. Sanjay Chamria	Directors' remuneration	200.00	-	150.00	-
	Provision for commission	230.00	230.00	-	-
3. Mr. Kailash Baheti	Salary	246.82	-	97.48	-
	Amount received against exercise of ESOP	18.00	-	-	-
4. Mrs. Shabnum Zaman	Salary	22.33	-	19.13	-
5. Mr. Atul Avadh Bansal	Salary	-	-	84.34	
C) Directors					
1. Mr. Narayan K Seshadri	Sitting fees	17.30	-	2.90	-
	Commission	65.00	65.00	-	-
2. Mr. Nabankur Gupta	Sitting fees	16.20	-	2.60	-
	Commission	45.00	45.00	-	-
3. Mr. Satya Brata Ganguly	Sitting fees	24.50	-	7.80	-
	Commission	45.00	45.00	-	-
4. Mr. V K Viswanathan	Sitting fees	21.83	-	3.52	-
	Commission	45.00	45.00	-	-
5 Mr. Sanjay Nayar	Sitting fees	3.00	-	0.80	-
6 Mrs Madhumita Dutta Sen	Sitting Fees	2.00	-	-	-
7. Mrs. Ritva Kaarina Laukkanen	Sitting fees	2.00	-	0.80	-
D) Relatives of Directors					
1. Mr. Harshvardhan Chamria	Salary	90.66	-	77.92	-

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.

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)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Opening defined benefit obligation	1,838.21	1,497.07
Current service cost	274.63	272.54
Interest cost	118.95	108.27
Actuarial losses /(gains)	2.47	203.41
Benefits paid	(409.87)	(243.08)
Closing defined benefit obligation	**1,824.39**	**1,838.21**
Share of joint venture	**92.42**	**61.87**

(b) Changes in the fair value of the plan assets are as follows

(₹ in Lacs)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Opening fair value of the plan assets	1,970.95	1,667.07
Expected return on plan assets	141.14	137.74
Contributions by employer	333.01	382.42
Actuarial (losses) / gains	(64.80)	-
Benefits paid	(397.56)	(216.28)
Closing fair value of the plan assets	**1,982.74**	**1,970.95**
Share of joint venture	**111.33**	**56.95**

(c) Net asset / (liability) recognised in the balance sheet

(₹ in Lacs)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Defined benefit obligation	(1,824.39)	(1,838.21)
Fair value of plan assets	1,982.74	1,970.95
Net asset	**158.35**	**132.74**
Share of joint venture	**18.91**	**(4.92)**

(d) Expenses recognised in the statement of profit and loss account

(₹ in Lacs)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Current service cost	274.63	272.54
Interest on defined benefit obligation	118.95	108.27
Net actuarial losses / (gains) recognised	67.27	203.41
Expected return on plan assets	(141.14)	(137.74)
Net expense included in "Employee benefits expenses"	**319.71**	**446.48**
Share of joint venture	**11.80**	**35.40**

Notes to the consolidated financial statements (Continued)

Note 32 : Employee benefits (Contd.)

(e) Summary of actuarial assumptions*

(₹ in Lacs)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Discount rate	7.71%	7.28%
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) Expected contribution for next year: The expected contributions by employer for the next year is ₹ 333.01 lacs.

(j) Mortality: It is assumed that active members of the Scheme will experience in service mortality in accordance with the standard table Indian Assured Lives Mortality (2006-08) ultimate.

Experience adjustments

(₹ in Lacs)

Particulars	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
Present value of defined benefit obligation	(1,824.39)	(1,838.21)	(1,497.07)	(1,405.47)	(1,011.18)
Fair value of plan assets	1,982.74	1,970.95	1,667.07	1,590.33	1,346.06
Funded status [surplus/(deficit)]	158.35	132.74	170.00	184.86	334.88
Experience (gain)/loss adjustment on plan liabilities	98.16	71.95	3.88	73.50	66.05
Experience gain/(loss) adjustment on plan assets	(64.80)	-	-	(5.53)	-
Experience (gain)/loss adjustment on plan liabilities due to change in assumption	(95.69)	131.46	4.46	202.02	(93.20)

Share of joint venture

(₹ in Lacs)

Particulars	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
Present value of defined benefit obligation	(92.42)	(61.87)	(45.84)	(31.61)	(17.75)
Fair value of plan assets	111.33	56.95	58.80	33.78	26.37
Funded status [surplus/(deficit)]	18.91	(4.92)	12.96	2.17	8.63
Experience (gain)/loss adjustment on plan liabilities	7.86	(0.02)	(3.20)	2.36	(0.53)
Experience gain/(loss) adjustment on plan assets	14.75	(13.98)	-	-	-
Experience (gain)/loss adjustment on plan liabilities due to change in assumption	(5.25)	4.61	0.17	3.95	(1.53)

Notes to the consolidated financial statements (Continued)

Note 32 : Employee benefits (Contd.)

Defined benefit plan

The contribution made to various statutory funds is recognized as expenses and included in Note 23 'Employee benefits expense' under 'Contribution to provident and other funds' in Statement of Profit and Loss. The detail is as follows:

(₹ in Lacs)

Particulars	As at 31 March 2018	As at 31 March 2017
Provident and Pension Fund	1,214.44	1,126.03
Gratuity Fund	319.71	446.48
Other Funds	12.43	1.57
Contribution to provident and other funds	1,546.58	1,574.08

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 2018	Year ended 31 March 2017
From operating activities	1,44,645.50	2,94,864.53
From investing activities	(11,128.91)	(18,565.15)
From financing activities	(1,36,441.42)	(2,84,431.82)
Net increase / (decrease) in cash and cash equivalents	(2,924.83)	(8,132.44)
Cash and cash equivalents as at the beginning of the year	14,169.63	22,302.07
Cash and cash equivalents as at the end of the year	11,244.80	14,169.63

Note 34 : Contingent liabilities and commitments (to the extent not provided for)

(a) Contingent liabilities

(₹ in Lacs)

Particulars	As at 31 March 2018	As at 31 March 2017
1 Claims against the Company not acknowledged as debt		
(i) Income tax matters under dispute	265.52	295.12
(ii) VAT matters under dispute	321.46	240.49
(iii) Service tax matters under dispute	471.65	464.50
(iv) Legal cases against the company *	123.96	116.32
2 Guarantees		
(i) Unexpired bank guarantee	35,763.88	30,524.06

* 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.

Notes to the consolidated financial statements (Continued)

Note 34 : Contingent liabilities and commitments (to the extent not provided for) (Contd.)

(b) Commitments

(₹ in Lacs)

Particulars		As at 31 March 2018	As at 31 March 2017
1	Estimated amount of contracts remaining to be executed on capital account and not provided for [share of joint venture ₹ 89.53 lacs (2017: ₹ 202.10 lacs)]	999.68	1,074.81
2	Undisbursed housing / other loans	1,257.86	3,747.15

(c) The amount included above represents best possible estimate arrived at on the basis of available information. The Management believes that it has a reasonable case in its defense of the proceedings and accordingly no further provision has been created.

(d) 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)

Particulars	As at 31 March 2018	As at 31 March 2017
Provision for non-performing assets		
Balance as per last financial statements	19,086.02	31,305.78
Add: Provision made during the year (net)	10,597.96	18,469.21
Less: Reversals of provision on sale of non-performing assets	-	30,688.97
	29,683.98	**19,086.02**

The Company classifies non-performing assets (NPAs) at 3 months overdue and is compliant with the requirement for the financial year ending 31 March 2018 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. For the financial year 2016-17, the Company classified non-performing assets (NPAs) at 4 months overdue. Therefore, the above figures are not comparable to that extent.

Notes to the consolidated financial statements (Continued)

Note 36 : Amalgamation of Magma ITL Finance Limited

a) Pursuant to the Scheme of Amalgamation sanctioned by the Honourable National Company Law Tribunal (NCLT), Kolkata Bench on 08 May, 2018, the entire business and all assets and liabilities of erstwhile Magma ITL Finance Limited (MITL), a wholly owned subsidiary company engaged in the business of providing finance, has with effect from 1 October, 2017, been transferred to and vested in the Company. Accordingly, the said assets, liabilities, and transactions have been incorporated in these financial statements.

b) The appointed date of the amalgamation is 1 October, 2017.

c) The Amalgamation has been accounted for under "Pooling of Interest" method as prescribed by the Accounting Standard 14 "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India, in accordance with which:

(i) The assets and liabilities as at 1 October, 2017 have been incorporated in the financial statements of the Company at their carrying amounts in the books of erstwhile MITL subject to necessary adjustments made to ensure uniformity in the accounting policies between the two companies in accordance with Para 11 of Accounting Standard-14 "Accounting for Amalgamations."

(ii) In terms of the Scheme of Amalgamation

Consequent upon and simultaneously with the transfer and recording of assets and liabilities of the MITL in the books of the Company, entire shareholding that the Company held in MITL has been cancelled and MITL stands dissolved without winding-up on the effective date and therefore ceases to be wholly owned subsidiary of the Company. The difference in the value of Net Assets transferred and the carrying amount of Investments has been adjusted in the reserves.

To the extent that there are intercompany loans, deposits, balances as between the MITL and the Company or vice versa, the obligation in respect thereof has come to an end and there is no liability in that behalf and corresponding effect has been given in the books of account and records of the Company for the reduction of any assets and liabilities as the case may be.

(iii) The impact on revenue and profit before tax is ₹ 5,138.71 lacs and ₹ 1,732.53 lacs, respectively for the year ended 31 March 2018.

(iv) The value of net identifiable assets of the MITL acquired is ₹ 13,422.76 lacs and the difference between the value of investment and the share capital of the MITL of ₹ 2,249.51 lacs has been adjusted with retained earnings.

Note 37 : Amalgamation of Magma Advisory Services Limited

a) Pursuant to the Scheme of Amalgamation sanctioned by the Hon'ble Regional Director, Eastern Region, Ministry of Corporate Affairs, on 15 January, 2018, the entire business and all assets and liabilities of erstwhile Magma Advisory Services Limited (MASL), a wholly owned subsidiary company engaged in the business of manpower outsourcing and providing advisory & consultancy services, has with effect from 1 April, 2017, been to transferred and vested in the Company. Accordingly, the said assets, liabilities, and transactions have been incorporated in these financial statements.

b) The appointed date of the amalgamation is 1 April, 2017.

c) The Amalgamation has been accounted for under "Pooling of Interest" method as prescribed by the Accounting Standard 14 "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India, in accordance with which:

(i) The assets and liabilities as at 1 April, 2017 have been incorporated in the financial statements of the Company at their carrying amounts in the books of erstwhile MASL subject to necessary adjustments made to ensure uniformity in the accounting policies between the two companies in accordance with in Para 11 of Accounting Standard-14 "Accounting for Amalgamations."

(ii) In terms of the Scheme of Amalgamation

Consequent upon and simultaneously with the transfer and recording of assets and liabilities of the MASL in the books of the Company, entire shareholding that the Company held in MASL has been cancelled and MASL stands dissolved without winding-up on the

Notes to the consolidated financial statements (Continued)

Note 37 : Amalgamation of Magma Advisory Services Limited (Contd.)

effective date and therefore ceases to be wholly owned subsidiary of the Company. The difference in the value of Net Assets transferred and the carrying amount of Investments has been adjusted in the reserves.

To the extent that there are intercompany loans, deposits, balances between MASL and the Company or vice versa, the obligation in respect thereof has come to an end and there is no liability in that behalf and corresponding effect has been given in the books of account and records of the Company for the reduction of any assets and liabilities as the case may be.

(iii) Magma Housing Finance Limited, previously a step-down subsidiary of the Company, has become direct subsidiary of the Company.

(iv) The impact on revenue and profit before tax is ₹ 0.91 lacs and ₹ (1.72) lacs, respectively for the year ended 31 March 2018.

(v) The value of net identifiable assets of the MASL acquired is ₹ 22,008.84 lacs and the difference between the value of investment and the share capital of the MASL of ₹ 25,222.22 lacs has been adjusted with retained earnings.

Note 38 : 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 for the year ended 31 March 2018:

(₹ in Lacs)

Particulars	Magma Housing Finance	Magma ITL Finance Limited*
Share capital	14,810.25	-
Reserves and surplus	15,011.56	-
Total assets	1,49,889.83	-
Total liabilities	2,26,794.51	-
Investments	1,047.02	-
Turnover / total income	22,165.24	4,723.81
Profit before taxation	3,560.02	1,021.24
Provision for taxation	1,240.03	750.00
Profit after taxation	2,319.99	271.24
Dividend (including tax thereon)	-	-
% of shareholding	100%	100%

* Above figures reflects transactions upto 30 September 2017 post which the said Company got amalgamated Refer note 36.

(b) Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to joint ventures as at 31 March 2018:

(₹ in Lacs)

	Name of joint ventures		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
	Extend 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	Net worth attributable to shareholding as per latest audited balance sheet	₹ in lacs	9,481.37	2,379.48
4	Profit for the year			
	i. Considered in consolidation	₹ in lacs	201.74	0.50
	ii. Not considered in consolidation	₹ in lacs	288.94	0.53

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 39 : 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)

Particulars	As at 31 March 2018	As at 31 March 2017
Equity and Liabilities		
Shareholders' funds		
Share capital	4,626.12	4,626.12
Reserves and surplus	7,227.91	7,025.68
Fair value change account	6.82	1.58
Non-current liabilities		
Long-term borrowings	9.53	12.31
Current liabilities		
Trade payables	539.80	1.91
Other current liabilities	33,275.06	26,598.74
Short-term provisions	8,977.47	7,268.73
Assets		
Non-current assets		
Fixed assets	700.37	615.45
Non-current investment	39,878.65	34,087.53
Deferred tax assets (net)	408.98	408.98
Long-term loans and advances	115.77	96.76
Other non-current assets	841.14	822.23
Current assets		
Current investment	6,069.19	2,196.65
Cash and bank balances	3,434.30	2,982.32
Short-term loans and advances	1,360.07	1,966.70
Other current assets	1,854.24	2,358.45

(₹ in Lacs)

Particulars	Year Ended 31 March 2018	Year Ended 31 March 2017
Revenue		
Revenue from operations	743.87	748.32
Operating result from general insurance business	(465.22)	(445.69)
Other income	55.52	83.22
Expense		
Employee benefits expense	60.69	60.68
Other expenses	23.48	29.47

Notes to the consolidated financial statements (Continued)

Note 40 : Disclosure required under Schedule III of Companies Act, 2013

(₹ in Lacs)

Name of the entity in the Group		Net Asset		Share in profit or loss	
		As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
A)	**Parent**				
	1 Magma Fincorp Limited	94.69 %	2,19,640.36	87.88 %	20,248.94
B)	**Subsidiaries**				
	Indian				
	1 Magma Housing Finance Limited (MHFL)	3.38 %	7,850.87	10.07 %	2,319.99
	2 Magma ITL Finance Limited (MITL) (upto 30 September 2017)	-	-	1.18%	271.24
	Foreign		Not Applicable		Not Applicable
	Minority interests in all subsidiaries	-	-	-	-
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)	1.03 %	2,377.28	0.00 %	0.50
	2 Magma HDI General Insurance Company Limited (MHDI)	0.90 %	2,081.34	0.87 %	201.74
	Foreign		Not Applicable		Not Applicable
Total		**100.00 %**	**2,31,949.85**	**100.00 %**	**23,042.41**

Note 41 : 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 ₹ 381.77 lacs.

b) Amount spent during the year on CSR activities

Particulars	In cash	Yet to be paid in cash	Total
(i) Construction/ acquisition of any asset	-	-	-
(ii) On purposes other than (i) above	384.68	-	384.68

Note 42 : Additional disclosure on subsidiary

The 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 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 43 : Derivative transaction

The Company does not have any gain/loss (2017: ₹ gain 23.10 lacs) relating to derivative financial instrument. The Company does not have any unhedged foreign currency exposure.

Notes to the consolidated financial statements (Continued)

Note 44 : Previous year's figure

Previous year's figure including those in brackets have been regrouped and / or rearranged wherever necessary.

Note 45 : 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 #	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.

*** Includes SBN of ₹ 5.29 lacs as part of petty cash at 127 branches which was exchanged across the counter at banks.

The above note is not applicable for the current financial year.

As per our report of even date attached.

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

Manoj Kumar Vijai
Partner
Membership No. 046882

London, 09 May 2018

For and on behalf of the Board of Directors

Narayan K Seshadri
Chairman
[DIN: 00053563]

Kailash Baheti
Chief Financial Officer

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

Shabnum Zaman
Company Secretary

Mumbai, 09 May 2018

Business and Industry Related Terms

Term	Description
ALM	Assets and liability management
AUM	Assets under management
Capital Adequacy Ratio/ CRAR	Minimum Capital Ratio to be maintained by a NBFC as required under the Non-Banking Financial Company – Systematically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016
CESTAT	Customs, Excise and Service Tax Appellate Tribunal
Collection Efficiency	Collections during the period/Billings during the period
CSR	Corporate Social Responsibility
DSA	Direct selling agents
DTL	Deferred tax liability
ED	Early delinquency
ESOS	Employee Stock Option Scheme
ESPS	Employee Stock purchase Scheme
EWI	Early warning indicators
GDP	Gross domestic product
GST	Goods and services tax
HCVs	Heavy commercial vehicles
HFC	Housing financing company
ICAI	Institute of Chartered Accountants of India
ID	Infant delinquency
Ind-AS	Indian accounting standards as notified by the MCA vide Companies (Indian Accounting Standards) Rule 2015
GAAP / Indian GAAP	Generally accepted accounting principles in India
IRDAI	The Insurance Regulatory and Development Authority of India
IT Act / Income Tax Act	The Income Tax Act, 1961, as amended
ITAT	Income Tax Appellate Tribunal
KYC	Know your customer
LAP	Loans against property
LCVs	Light commercial vehicles
LTV	Loan to value
NBFC	Non-Banking Financial Company
NCDs	Non Convertible Debentures
Net Income	Total Income less Finance Cost
Net NPAs	Net non-performing assets as per RBI regulations for banks or NBFCs
NHB	National Housing Board
NPAs	Non-performing assets
NSDL	National Securities Depository Limited
PAN	Permanent account number
PAT	Profit after tax
RBI	Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934, as amended
RoC	Registrar of Companies, West Bengal
RSO	Restricted stock options
SEBI	Securities and Exchange Board of India
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended
SME	Small and Medium Enterprise
Stock Exchanges	BSE and NSE
Tier I Capital	As defined under RBI regulations for NBFCs
Tier II Capital	As defined under RBI regulations for NBFCs
Total Assets	Total assets of the Company



MAGMA FINCORP LIMITED

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