

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



10 July 2017

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

Dear Sir,

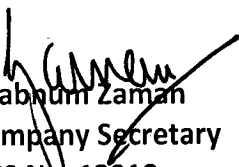
**Sub: Annual Report for the Financial Year ended 31 March 2017**

Please find enclosed herewith the Annual Report of the Company for the Financial Year ended 31 March 2017.

This is for your information and record.

Thanking You

Yours faithfully,  
For Magma Fincorp Limited

  
Shabnum Zaman  
Company Secretary  
ACS No. 13918

Encl: as above



## MAGMA FINCORP LIMITED

Registered Office: "Magma House", 24, Park Street, Kolkata – 700 016

Phone: +91 33-4401 7200/350 • Fax: 033-4402 7731

CIN: L51504WB1978PLC031813 • Website: www.magma.co.in

Email: shabnum.zaman@magma.co.in

## NOTICE

To,

### The Members of the Company

Notice is hereby given that the Thirty Seventh (37th) Annual General Meeting (AGM) of the shareholders of Magma Fincorp Limited shall be held at Sitaram Seksaria Auditorium, Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, Kolkata - 700 017 on Wednesday, 02 August, 2017 at 3:00 P.M to transact the following business:

### ORDINARY BUSINESS

1. To consider and adopt:
  - a. the Audited Standalone Financial Statements of the Company for the financial year ended 31 March 2017 and the Reports of the Board of Directors and Auditors thereon; and
  - b. the Audited Consolidated Financial Statements of the Company for the financial year ended 31 March 2017 and the Report of Auditors thereon.
2. To declare Dividend on Equity and Preference Shares for the year ended 31 March 2017.
3. To appoint a Director in place of Mr. Sanjay Chamria (holding DIN: 00009894) who retires by rotation and, being eligible, offers himself for re-appointment.
4. To ratify the appointment of M/s. B S R & Co. LLP, Chartered Accountants having Registration No. 101248W/W-100022 of Bangalore, as Statutory Auditors of the Company from the conclusion of the 37th Annual General Meeting (2016-17) till the conclusion of the 38th Annual General Meeting (2017-18) of the Company and to authorize the Board of Directors to fix their remuneration on yearly basis and in this regard to consider and, if thought fit, to pass, with or without modification(s) the following Resolution as an **Ordinary Resolution:-**

**"RESOLVED THAT** pursuant to the provisions of Section 139, 141, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time, appointment of M/s. B S R & Co. LLP, Chartered Accountants having Registration No. 101248W/W-100022 of Bangalore, as Statutory Auditors of the Company from the conclusion of the 37th Annual General Meeting (2016-17) till the conclusion of the 38th Annual General Meeting (2017-18) of the Company, be and is hereby ratified for the financial year 2017-18, at such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, based on the recommendation of the Audit Committee, plus applicable service tax and reimbursement of travelling and other incidental expenses to be incurred by them in the course of their audit."

### SPECIAL BUSINESS

5. To determine the fees to be charged from the shareholders of the Company for service of document through specified mode and in this regard to consider and, if thought fit, to pass, with or without modification(s) the following resolution as an **Ordinary Resolution:-**

**"RESOLVED THAT** pursuant to provisions of Section 20 and other applicable provisions, if any, of the Companies Act, 2013 and relevant rules prescribed thereunder and Article 281 of the Articles of Association of the Company, consent of the shareholders, be and is hereby accorded, to charge from a member in advance, a sum equivalent to the estimated actual expenses of delivery of the

documents through a particular mode, if any request has been made by any such member for delivery of such document to him through such mode of service provided such request along with the requisite fee has been duly received by the Company at least one week in advance of the dispatch of the document by the Company.

**RESOLVED FURTHER THAT** the Board of Directors or the Company Secretary of the Company be and are hereby severally authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

6. To approve the Scheme of Merger of Wholly Owned Subsidiary Company i.e. Magma Advisory Services Limited with the Company and in this regard to consider and, if thought fit, to pass, with or without modification(s) the following resolution as a **Special Resolution:-**

**"RESOLVED THAT** pursuant to the provisions of Sections 230 read with section 233 and other applicable provisions of the Companies Act, 2013 ('Act') and rules thereunder, as amended from time to time and other applicable provisions (including any statutory modification(s) or re-enactment(s) thereof) , if any, Regulation 11 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the "SEBI Regulations, 2015") and all other applicable laws and regulations, Object Clause of Memorandum of Association of Company ("MoA"), the provisions provided in the Articles of Association of the Company ("AoA"), and other applicable provisions, if any, recommendation of the Audit Committee and the Board and subject to the approvals, sanctions, consents and/or permissions of the Competent Authority (s), as the case may be, and further subject to such terms, conditions, modifications as may be prescribed or imposed while granting such approvals, permissions and/or sanctions and as may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board"), consent of the members be and is hereby accorded for the proposed Scheme of Merger (the "Scheme"), a copy of which has been circulated to the Members along with the Notice of the Meeting and also placed before the Meeting providing for merger of the Wholly Owned Subsidiary of the Company i.e. Magma Advisory Services Limited (MASL) with the Company, by way of transfer of the Undertaking (as defined in the Scheme) of MASL as provided in the Scheme;

**RESOLVED FURTHER THAT** any of the Directors or Company Secretary or the Chief Financial Officer of the Company be and is hereby severally and/ or jointly authorized, on behalf of the Company to-

1. make such alterations, modifications and amendments, and to do all such acts, deeds and things, and take necessary actions and to comply with all formalities as may be required in connection with and incidental to the aforesaid Scheme of Merger as may be expedient to do or necessary for complying with requirements or conditions imposed by the Competent Authority (s), and/or any other statutory authorities as may be applicable to give effect to the above resolution;
2. take all such steps as may be required, including without limitation to obtaining approvals and/or consents of shareholders, creditors, banks, financial institutions, all relevant regulatory, governmental and judicial authorities and all relevant third parties, as may be required from time to time in that behalf;

3. give such directions as they may consider necessary to settle any question or resolve any difficulty or matter arising under the Scheme or in regard to the meaning or interpretation of the Scheme or the implementation thereof and to review the position relating to the satisfaction of various conditions as stipulated in the said Scheme and if necessary, subject to the consent of the Board of the Company, to waive any of those conditions (to the extent permissible under law);
4. appoint solicitors, advocates, attorneys, company secretaries, advisors, valuer's, auditors, accountants, registrars, or such other persons or agencies, as may be required in relation to or in connection with the Scheme, on such terms and conditions including as regards their fees or remuneration as they may deem fit and issue letters of appointment or vakalatnamas or authority letters in this regard;
5. sign and execute any application, petition, affidavit, undertaking or any other documents or deeds or pleadings, as may be required to be filed for this purpose and to agree and to make such modifications/ alterations as may be required by

any Authority, whether judicial or governmental, in connection with the Scheme including but not limited to submission of the same before the Competent Authority and to do all such things, deeds and acts as may be deemed necessary and expedient in connection with the Scheme and to give effect of the same;

**RESOLVED FURTHER THAT** MASL being the wholly owned subsidiary of the Company, in terms of the Scheme, the entire issued capital held by the Company in MASL shall stand cancelled upon the Scheme becoming effective."

By Order of the Board of Directors  
For **Magma Fincorp Limited**

**Registered Office:**  
**Magma House,**  
**24 Park Street,**  
**Kolkata-700016**  
**Date : 20 June 2017**

**Shabnum Zaman**  
**Company Secretary**  
**ACS: 13918**

#### NOTES:

1. Statement pursuant to Section 102 and other applicable provisions of the Companies Act, 2013 and rules made thereunder, with respect to Special Business set out in the Notice is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY/ PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** THE INSTRUMENT APPOINTING THE PROXY IN ORDER TO BE EFFECTIVE SHOULD BE DULY STAMPED, COMPLETED, SIGNED AND DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. THE PROXY FORM IS ATTACHED HERewith.  
  
Proxy/Proxies submitted on behalf of limited companies, societies, etc. must be supported by appropriate resolutions/authority, as applicable. A person can act as proxy on behalf of members not exceeding 50 members and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.
3. The proxy holder shall prove his identity at the time of attending the meeting.
4. When a member appoints a proxy and both the member and proxy attend the meeting, the proxy stands automatically revoked.
5. Requisition for inspection of proxies shall have to be made in writing by members entitled to vote on any resolution three days before the commencement of the meeting.
6. Proxies shall be made available for inspection during 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting.
7. Only registered members of the Company or any proxy appointed by such registered member may attend and vote at the meeting as provided under the provisions of the Companies Act, 2013. In case any shareholder has voted electronically, then he/she can participate in the meeting but not vote.
8. Corporate members are requested to send a duly certified copy of the Board Resolution pursuant to Section 113 of the Companies Act, 2013/Power of Attorney authorizing their representative(s) to attend and vote on their behalf at the meeting.
9. In terms of Sections 124 and 125 of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules'), as amended from time to time, dividends which remain unpaid/unclaimed over a period of 7 years will have to be transferred by the Company to Investor Education and Protection Fund of the Central Government. Accordingly, all unpaid / unclaimed amounts in respect of dividends paid by the Company for the year ended 31 March 2010 have to be transferred to the said fund by 20 August 2017. Shareholders are requested to encash the dividend before the due date of

transfer i.e. 20 August 2017. Shareholders are advised to encash the unpaid Dividend Warrants for the year ended 31 March 2010 or any subsequent year, before transfer to the above referred fund by writing a request to the Company Secretary, Magma Fincorp Limited, Secretarial Department, "Magma House", 7th Floor, 24, Park Street, Kolkata – 700 016. No claim will be entertained thereafter by the Company. The details of the dates on which dividend should be transferred to the aforesaid fund is given below :-

| Financial Year | Date of Declaration | Due for Transfer  |
|----------------|---------------------|-------------------|
| 2009-2010      | 15 July 2010        | 20 August 2017    |
| 2010-2011      | 21 June 2011        | 27 July 2018      |
| 2011-2012      | 12 July 2012        | 17 August 2019    |
| 2012-2013      | 18 July 2013        | 23 August 2020    |
| 2013-2014      | 31 July 2014        | 05 September 2021 |
| 2014-2015      | 01 August 2015      | 06 September 2022 |
| 2015-2016      | 19 September 2016   | 25 October 2023   |

The Company has uploaded the information in respect of the unpaid / unclaimed dividend amounts lying with the Company, as on the date of the last meeting held on 19th September 2016, on the website of the IEPF viz., [www.iepf.gov.in](http://www.iepf.gov.in) and under "Investors Section" on the website of the Company viz., [www.magma.co.in](http://www.magma.co.in).

Members are requested to note that pursuant to the provisions of the Companies Act, 2013, SEBI Listing Regulations and the IEPF Rules, all such shares in respect of which dividend has not been paid or claimed for seven consecutive years or more are also required to be transferred to IEPF. In this regard the Company is taking steps for sending individual notices to the concerned shareholders for whom the dividend remains unclaimed and unpaid with the Company from FY 2009-10 onwards and for publishing of a public notice to said shareholders under the IEPF Rules.

Members are informed that once the unpaid/unclaimed dividend or the shares are transferred to IEPF, the same may be claimed by the Members from the IEPF Authority by making an application in prescribed Form IEPF-5 online and sending the physical copy of the same duly signed (as per the specimen signature recorded with the Company) along with requisite documents to the Registered Office of the Company for verification of the claim.

The IEPF Rules and the application form (Form IEPF – 5), as prescribed by the MCA for claiming back of the shares/ dividend, are available on the website of the Company [www.magma.co.in](http://www.magma.co.in) at its weblink i.e. <https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/> as well as website of IEPF at [www.iepf.gov.in](http://www.iepf.gov.in).

10. The members of the Company at their 30th Annual General Meeting held on Thursday, 15 July 2010 approved the sub-division of the Equity Shares of the face value of ₹10/- each fully paid-up into 5 Equity Shares of the face value of ₹2/- each fully paid-up. Accordingly, the Company had fixed Monday, 16 August 2010 as the Record Date to determine the shareholders eligible to receive the sub-divided Equity Shares and the holders of physical shares were advised through several shareholders communications to surrender / exchange the old share certificate of the face value of

₹10/- to receive the new share certificate of the face value of ₹2/- . The shareholders who have not yet surrendered / exchanged the old share certificate of the face value of ₹10/- are again requested to take new sub-divided share certificate of the face value of ₹2/- by surrendering / exchanging the old Equity Shares of the face value of ₹10/- each immediately at the Registered Office of the Company or Company's Registrar & Transfer Agent ('RTA'), M/s. Niche Technologies Private Limited, D-511, Bagree Market, 5th Floor, 71, B. R. B. Basu Road, Kolkata – 700 001.

11. Pursuant to Regulation 12 along with Schedule I of the Listing Regulations, all Companies shall mandatorily use any of the electronic mode of payment facility approved by the Reserve Bank of India for making payments such as dividend to the members (where core banking details are available) or to print the bank account details of the members (as per the Company's records) on the physical payment instruments (in case where the core banking details are not available or electronic payment instructions have failed or rejected by the Bank) or to print the address of the member on such payment instructions (in case where the bank details of investors are not available).

Hence, the members are requested to furnish/update their bank account name & branch, bank account number and account type along with other core banking details such as MICR (Magnetic Ink Character Recognition), IFSC (Indian Financial System Code) etc. at the earliest with:

- i. the respective Depository Participants (DP) (in case of the shares held in electronic mode) or;
  - ii. the RTA i.e. M/s. Niche Technologies Private Limited, D-511, Bagree Market, 5th Floor, 71, B. R. B. Basu Road, Kolkata – 700001 at nichetechpl@nicetechpl.com (in case of the shares held in physical form).
12. Members holding shares in physical form are requested to intimate change in their registered address or bank particulars, mentioning full address in block letters with Pin code of the Post Office, mandate, bank particulars and Permanent Account Number (PAN) to the Company's RTA and in case of members holding their shares in electronic form, this information should be given to their Depository Participants immediately.
  13. Members holding shares in physical form and wishing to make / change a nomination in respect of their shareholding in the Company, as permitted under Section 72 of the Companies Act, 2013 may submit the prescribed particulars in Form No. SH-13 (Nomination Form) or SH-14 (Cancellation or Variation of Nomination) to the Company.
  14. The Company has entered into necessary arrangement with NSDL and CDSL to enable the shareholders to dematerialize their shareholding in the Company for which they may contact the Depository Participant of either of the above Depositories.
  15. The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, 27 July 2017 to Wednesday, 2 August 2017 (both days inclusive) for determining the name of members eligible for dividend on equity shares, if declared at the meeting.
  16. Dividend on Equity Shares, if declared at the meeting will be credited / dispatched between 2 August 2017 and 1 September 2017 respectively and paid to those members, whose names appear in the Company's Register of Members after giving effect to all valid share transfers in physical form lodged with the Company on or before the close of working hours of the Company as on Wednesday, 26 July 2017 ('Record Date'). In respect of the shares held in Electronic Form, the Dividend will be paid to those persons whose names appear as beneficial owners as at the end of the business hours on Wednesday, 26 July 2017 as per details furnished by National Securities Depository Limited ('NSDL') and Central Depository Services (India) Limited ('CDSL').
  17. Electronic copy of the Annual Report, Notice of the meeting of the Company inter-alia indicating the process and manner of remote e-voting along with Attendance Slip, Proxy Form and Route Map is being sent to all the members whose email IDs are registered with the Company / Depository Participants for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the notice of the meeting of the Company inter-alia indicating the process and manner of remote e-voting along with Attendance Slip and Proxy Form is being sent by the permitted mode.

18. In view of Go Green initiative being undertaken by the Company, members who have not yet registered their e-mail address so far are requested to register/update their e-mail addresses with the Company's RTA or with the Company at ukundu@magma.co.in. Shareholders holding shares in dematerialized form are requested to register their e-mail addresses and changes therein with the concerned Depositories through their Depository Participant.
19. Members are requested to bring their copy of Annual Report to the meeting. A member desirous of getting any information with regard to Accounts of the Company is requested to send the queries to the Company at least 10 days before the meeting to the Company Secretary at the Registered Office of the Company.
20. Members are requested to mention their Folio Number/Client ID/DP ID Number (in case of shares held in dematerialized form) in all their correspondence with the Company / Depository Participant in order to facilitate response to their queries promptly.
21. Members are requested to produce the enclosed attendance slip duly signed as per the specimen signature recorded with the Company/Depository Participant for admission at the entrance to the place of the meeting.
22. Members who are holding shares of the Company in physical form through multiple folios in identical order of names are requested to write to the RTA, enclosing their share certificates, to enable the RTA to consolidate their holdings into one folio.
23. In case of joint holders attending the meeting, the member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote.
24. Members are requested to contact the Company's RTA for reply to their queries/redressal of complaints, if any, or contact Ms. Shabnum Zaman, Company Secretary at the Registered Office of the Company (Phone:+91 33 44027736; Email: shabnum.zaman@magma.co.in).
25. Members may note that the notice of the meeting will be available on the Company's website www.magma.co.in. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, and the Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013 read with rules issued thereunder will be available for inspection by the members at the meeting.
26. The relevant documents referred to in this Notice and Statement are open for inspection at the meeting and such documents will also be available for inspection in physical or in electronic form at the registered office and copies thereof shall also be available for inspection in physical or electronic form at the registered office from the date of dispatch of the notice till the date of the meeting on all working days, except Saturdays, from 10:00 A.M to 12:00 Noon.
27. Voting through electronic means:
  - i. In compliance with provisions of Section 108 of the Companies Act, 2013 read with rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules and as per Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 ('Listing Regulations'), the Company is pleased to provide members with the facility of voting through electronic means in respect of business to be transacted at the meeting and the business may be transacted through e-voting services provided by NSDL.
  - ii. The facility of voting through ballot or polling paper shall also be made available for the members at the meeting who have not been able to vote electronically and who are attending the meeting. The members who have cast their vote electronically would be entitled to attend the meeting but would not be permitted to cast their vote again at the meeting. The facility to vote by electronic voting system will not be provided at the meeting.
  - iii. The remote e-voting period commences on Sunday, 30 July 2017 (9.00 A.M. IST) and ends on Tuesday, 01 August 2017 (5.00 P.M. IST). During this period, members of the Company, holding shares either in physical form or in dematerialized form, as on the close of working hours on Wednesday, 26 July 2017 ('Cut-off date') may cast their vote electronically. The remote e-voting module shall be disabled by NSDL for voting on Tuesday, 01 August 2017 after 5.00 P.M. IST. Once the vote on a resolution is cast by the member, he/she shall not be allowed to change it subsequently.

### Process and Manner for Members Opting for Remote E-Voting

The instructions for remote e-voting are as under:

- A. In case a member receives an e-mail from NSDL [for members whose e-mail addresses are registered with the Company/ Depository Participants(s)]:—
  - i. Open e-mail and open PDF file viz. "Magma e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for remote e-voting. Please note that the password is an initial password.
  - ii. Launch internet browser and type the following URL: <https://www.evoting.nsdl.com>.
  - iii. Click on Shareholder – Login.
  - iv. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password.
  - v. If you are logging in for the first time, please enter the user ID and password provided in the PDF file attached with the e-mail as initial password.
  - vi. The Password Change Menu will appear on your screen. Change to a new password of your choice, making sure that it contains a minimum of 8 digits or characters or a combination of both. Please take utmost care to keep your password confidential.
  - vii. Once the remote e-voting home page opens, click on remote e-voting> Active Voting Cycles.
  - viii. Select "EVEN" (Remote E-voting Event Number) of Magma Fincorp Limited. Now you are ready for remote e-voting as Cast Vote page opens.
  - ix. Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
  - x. Upon confirmation, the message "Vote cast successfully" will be displayed.
  - xi. Once you have voted on the resolution, you will not be allowed to modify your vote.
  - xii. Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF / JPG format) of the relevant Board Resolution/Authority letter etc., together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to [girishbhatia1956@gmail.com](mailto:girishbhatia1956@gmail.com) or [shabnum.zaman@magma.co.in](mailto:shabnum.zaman@magma.co.in) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
  - xiii. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and remote e-voting user manual for shareholders available at the "Downloads" section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  - xiv. Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 26 July 2017, may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or RTA. A person who is not a member as on the cut-off date should treat this notice for information purposes only.

However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or contact NSDL at the following toll free no.: 1800-222-990.
- B. In case a member receives physical copy of the notice of AGM (for members whose email addresses are not registered with the Company/Depositories):
  - i. Initial password is provided in the enclosed attendance slip: EVEN (Remote E-voting Event Number), user ID and password.
  - ii. Please follow all steps from Sl. No. (ii) to Sl. No. (xiii) above, to cast vote.

### C. Other Instructions:

- i. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on Cut-off Date.

Since the Company is required to provide members the facility to cast their vote by electronic means, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the closing working hours of Cut-off Date and not casting their vote electronically, may cast their vote at the meeting.

- ii. Mr. Girish Bhatia, Practicing Company Secretary (CP No. 13792), who have consented to act as the scrutinizer and are available for the purpose of ascertaining the requisite majority, have been appointed as the scrutinizer to scrutinize the remote e-voting process/ ballot/poll in a fair and transparent manner.
- iii. The Chairman shall at the meeting, at the end of discussion on the resolutions on which voting is to be done, allow voting with the assistance of scrutinizer, by use of ballot or polling paper for all those members who are present at the meeting but have not cast their votes by availing the remote e-voting facility.
- iv. Scrutinizer shall immediately after the conclusion of the meeting will first count the votes cast at the meeting and thereafter unblock the votes in the presence of at least two witnesses not in the employment of the Company and within a period not exceeding 48 hours from the conclusion of the meeting make a consolidated Scrutinizer's Report of the votes cast in favour or against, if any, to the Chairman of the Company or any other person authorized by him in writing, who shall counter sign the same and declare the result of the voting forthwith.
- v. The results declared along with the Scrutinizer's Report will be posted on the Company's website [www.magma.co.in](http://www.magma.co.in) at its weblink i.e. <https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/> and shall also be displayed on the Notice Board of the Company at its Registered Office. The result shall be communicated to all the Stock Exchanges where the equity shares of the Company are listed and NSDL.

### EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

As required under Section 102 of the Companies Act, 2013 (as amended) (the "Act") the following Explanatory Statement sets out all material facts relating to the Special Business set out in Item No. 5 and Item No. 6 of the accompanying Notice dated 20 June 2017.

#### ITEM NO. 5

As per the provisions of Section 20 of the Companies Act, 2013 a document may be served on any member by sending it to him by Post or by Registered post or by Speed post or by Courier or by delivering at his office or address or by such electronic or other mode as may be prescribed. It further provides that a member can request for delivery of any document to him through a particular mode for which he shall pay such fees as may be determined by the company in its Annual General Meeting. Therefore, to enable the members to avail of this facility, it is necessary for the Company to determine the fees to be charged for delivery of a document in a particular mode, as mentioned in the resolution. Since the Companies Act, 2013 requires the fees to be determined in the Annual General Meeting, the Board accordingly recommends the Ordinary Resolution at item no. 5 of the accompanying notice, for the approval of the members of the Company.

None of the Directors and/or Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at item no.5 of the accompanying Notice.

#### ITEM NO. 6

Magma Fincorp Limited ("Transferee Company") has a wholly owned subsidiary, Magma Advisory Services Limited ("MASL") ("Transferor Company"). MASL currently holds the entire issued, subscribed and paid up capital of Magma Housing Finance Limited [Formerly Magma Housing Finance (A Public Company with Unlimited Liability)] (hereinafter Magma Housing Finance), therefore, Magma Housing Finance is, indirectly a step

down subsidiary of MFL. In addition to the above, MASL was also engaged in the business of providing services with respect to manpower management, however, MASL is not carrying out business of manpower management since the last quarter.

The Board of Directors of the Company opines that the Scheme of Merger ('the Scheme') will generate operational synergies and will benefit the Company, inter alia, in the following ways-

- (i). To achieve greater integration and greater financial strength and flexibility, to maximise overall shareholder value.
- (ii). To achieve cost savings benefits with more focused operational efforts, rationalisation, standardisation and simplification of business processes, productivity improvements and rationalization of administrative expenses.
- (iii). The consolidation of activities of the Transferor Company and the Transferee Company by way of merger will lead to operational synergies, greater productivity and economical operations for future growth of the Transferee Company.
- (iv). Magma Housing Finance, currently a step-down subsidiary of the Transferee Company, will become direct subsidiary, leading to improvement in corporate governance and control over the said Company.
- (v). The merger will provide for pooling of the managerial, technical and financial resources of the Transferor Company and the Transferee Company which will help in increasing the competitiveness of the Transferee Company.

(vi). The merger will result in economies of scale, reduction in overheads including administrative, managerial and other expenditure, operational rationalisation, organisational efficiency and optimal utilisation of resources.

(vii). The merger will result in a significant reduction in the multiplicity of legal and regulatory compliances required at present to be carried out by both the Transferor Company and the Transferee Company.

(viii). The banks, creditors and financial institutions, if any, are not adversely affected by the proposed merger as their security and asset cover will be maintained.

The Scheme has been drafted after discussions with various experts and in accordance with the applicable provisions of the applicable laws. The Scheme and declaration of solvency of the Transferee Company is enclosed with the Notice for the perusal of the members. The Board is of the opinion that the Scheme is in the best interest of the stakeholders.

The proposed merger will not cause any prejudice to the creditors or any other stakeholders of the Company since it does not involve any financial outlay/outgo on the part of the Company. Further, the proposed merger would not in any way adversely affect the ordinary operations of the Company or the ability of the Company to honour its commitments or to pay its debt in the ordinary course of business.

The Board recommends the adoption and approval of the aforesaid resolution no. 6 as a Special resolution.

None of the Directors and/or Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution set out at item no. 6 of the accompanying Notice.

As per the requirement of Companies Act, 2013, Regulation 36 of Listing Regulations on Corporate Governance and Secretarial Standards for appointment/re-appointment of the Director, a statement containing details of the concerned Director is given below:

#### Details of Director seeking re-appointment at the Annual General Meeting

|                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name                                                                                                           | Mr. Sanjay Chamria                                                                                                                                                                                                                                                                                                                                                                                          |
| DIN:                                                                                                           | 00009894                                                                                                                                                                                                                                                                                                                                                                                                    |
| Age:                                                                                                           | 52 yrs                                                                                                                                                                                                                                                                                                                                                                                                      |
| Date of first appointment on the Board                                                                         | 28.09.1993                                                                                                                                                                                                                                                                                                                                                                                                  |
| Qualification                                                                                                  | - Bachelor of Commerce<br>- Fellow Chartered Accountant                                                                                                                                                                                                                                                                                                                                                     |
| Expertise in specific functional area                                                                          | Having nearly three decades of experience in NBFC. He anchors policy, strategy planning and execution. He leads the management team in the achievement of ambitious goals year after year.                                                                                                                                                                                                                  |
| Terms and conditions of appointment or re-appointment along with details of remuneration sought to be paid     | Mr. Chamria retires by rotation at the ensuing AGM and being eligible, seeks re-appointment.                                                                                                                                                                                                                                                                                                                |
| Remuneration last drawn by such person, if applicable, (As per last audited balance sheet dated 31 March 2017) | ₹ 150 lacs                                                                                                                                                                                                                                                                                                                                                                                                  |
| *List of outside Directorships held                                                                            | - Magma HDI General Insurance Company Limited<br>- Magma ITL Finance Limited<br>- Magma Housing Finance Limited (Formerly Magma Housing Finance (A Public Company with Unlimited Liability))<br>- Fluence Advisory Services Limited<br>- Magma Consumer Finance Private Limited<br>- Microfirm Capital Private Limited<br>- Jaguar Advisory Services Private Limited<br>- Celica Developers Private Limited |
| **Chairman/Member of the Committee of the Board of Directors of other Companies in which he/she is a Director  | Chairman of the Audit Committee of:<br>- Magma ITL Finance Limited<br>- Magma Housing Finance Limited (Formerly Magma Housing Finance (A Public Company with Unlimited Liability))<br>Member of the Audit Committee of:<br>- Magma HDI General Insurance Company Limited                                                                                                                                    |
| Shareholding in the Company                                                                                    | Nil                                                                                                                                                                                                                                                                                                                                                                                                         |
| No. of Meetings of the Board attended during the year                                                          | No. of meeting held : 4<br>No. of meeting attended: 4                                                                                                                                                                                                                                                                                                                                                       |
| Relationship with other Directors, Manager and other Key Managerial Personnel of the Company                   | No                                                                                                                                                                                                                                                                                                                                                                                                          |

\*Excludes Directorships in Foreign Companies and Companies under Section 8 of the Companies Act, 2013.

\*\* Includes only Audit Committee and Stakeholders' Relationship Committee.

#### Explanatory Statement as per Section 230 (3) read with sub-rule (3) of Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016

The following statement includes the requisite information as per the aforesaid provisions except for the information which is already included in the draft Scheme of Merger which is being circulated along with the Notice.

- (i) Details of the Transferee Company;  
Magma Fincorp Limited (MFL) is a listed public limited company incorporated on December, 1978, under the provisions of the Companies Act, 1956 having CIN: L51504WB1978PLC031813 and having its registered office at Magma House, 24 Park Street, Kolkata-700016, West Bengal. The Company is registered with the Reserve Bank of India as a systemically important non-deposit

taking Non-Banking Financial Company under section 45-IA of the Reserve Bank of India Act, 1934. The Company is listed on National Stock Exchange of India Limited and BSE Limited. The website of the Company is [www.magma.co.in](http://www.magma.co.in). The email address of the Company is [secretary@magma.co.in](mailto:secretary@magma.co.in) and Permanent Account Number (PAN) is AABCM9445K.

- (ii) Names of the present promoters and directors of the Transferee Company along with their addresses;

| Name of the promoters / directors                | Address                                                  |
|--------------------------------------------------|----------------------------------------------------------|
| <b>Promoters</b>                                 |                                                          |
| Celica Developers Private Limited                | 24, Park Street, Kolkata – 700016                        |
| Microfirm Capital Private Limited                | 24, Park Street, Kolkata – 700016                        |
| Columbine Decorative & Marketing Private Limited | 24, Park Street, Kolkata – 700016                        |
| Ashita Poddar                                    | 24, Park Street, Kolkata – 700016                        |
| Kalpana Poddar                                   | 24, Park Street, Kolkata – 700016                        |
| Mansi Poddar                                     | 24, Park Street, Kolkata – 700016                        |
| Shaili Poddar                                    | 24, Park Street, Kolkata – 700016                        |
| <b>Directors</b>                                 |                                                          |
| Mr. Narayan K Seshadri                           | Little Gibbs Road, Malabar Hill, Mumbai – 400006         |
| Mr. Mayank Poddar                                | 24, Park Street, Kolkata – 700016                        |
| Mr. Sanjay Chamria                               | 22/1 Belvedere Road, Kolkata – 700027                    |
| Mr. Nabankur Gupta                               | 11 Jayshree, 75 Worli Seaface, Mumbai – 400025           |
| Mr. Satya Brata Ganguly                          | 16B Minto Park, 13 D L Khan Road, Kolkata – 700027       |
| Mr. Sanjay Nayar                                 | 17/C Carmichael Road, Mumbai – 400026                    |
| Mr. V K Viswanathan                              | #56, SRT Road, Cunningham Cross Road, Bangalore – 560052 |

- (iii) the date of the board meeting at which the scheme was approved by the board of directors including the name of the directors who voted in favour of the resolution, who voted against the resolution and who did not vote or participate on such resolution;

The scheme was approved by the Board of Directors of the Company at its meeting held on 20 June 2017 based on the recommendations of the Audit Committee of the Board of Directors. All the directors present at the meeting i.e. Mr. Sanjay Chamria, Mr. Nabankur Gupta, Mr. Satya Brata Ganguly and Mr. V K Viswanathan voted in favour of the resolution.

- (iv) amount due to unsecured creditors\*;  
₹ 2,58,487.73 lacs
- (v) disclosure about the effect of the compromise or arrangement on;
- key managerial personnel;
  - directors;
  - promoters;
  - non-promoter members;
  - depositors;
  - creditors;
  - debenture holders;
  - deposit trustee and debenture trustee;
  - employees of the company.

The Scheme does not have a prejudicial effect on the key managerial personnel; directors; promoters; non-promoter members; depositors, if any; creditors; debenture holders; deposit trustee and debenture trustee; employees of the company of the Transferor and Transferee Companies, as no sacrifice or waiver is, at all, called from them nor are their rights sought to be modified in any manner whatsoever.

- (vi) Disclosure about effect of compromise or arrangement on material interests of directors, Key Managerial Personnel (KMP) and Debenture Trustee;

None of the Directors, Promoters, Key Managerial Personnel, Creditors, Debenture Trustees and Employees of the Transferor Company and Transferee Company respectively have any material personal interest in the Scheme, save to the extent of their shareholding in the Transferor and the Transferee Companies, if any.

- (vii) Investigation or proceedings, if any, pending against the company under the Act;

No investigation proceedings have been instituted or are pending in relation to the Transferor Company and Transferee Company under the Companies Act, 1956/ Companies Act, 2013.

- (viii) Details of the availability of the following documents for obtaining extract from or for making or obtaining copies of or for inspection by the members and creditors, namely;

Following documents are also available for obtaining extract from or for making or obtaining copies of or for inspection by the members and creditors of the Transferee Company at the registered office from the date of dispatch of the notice till the date of the meeting on all working days, except Saturdays, from 10:00 A.M to 12:00 Noon.

- Copy of Order of National Company Law Tribunal: Not Applicable
- Latest audited financial statements including the consolidated financial statements as on 31st March, 2017 subject to approval of shareholders
- Copy of the Scheme of Merger
- Declaration of solvency dated 20 June 2017
- Certificate issued by the Statutory Auditors, M/s. B S R & Co. LLP, Chartered Accountants of the Transferee Company to the effect that the accounting treatment proposed in the Scheme is in conformity with the Accounting Standards prescribed under section 133 of the Companies Act, 2013.
- Memorandum and Articles of Association
- Report of the Audit Committee dated 20 June 2017 recommending the draft Scheme of merger

The aforesaid documents are also available on the website of the Company [www.magma.co.in](http://www.magma.co.in) at its weblink i.e. <https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/>

- (ix) Details of approvals, sanctions or no-objection(s), if any, from regulatory or any other governmental authorities required, received or pending for the proposed scheme of compromise or arrangement;

Pursuant to SEBI Circular No. CFD/DIL3/CIR/2017/21 dated 10 March 2017 approval of Stock Exchanges is not required for the said merger. However, disclosure w.r.t. proposed merger was given to Stock Exchanges on 20 June 2017.

Disclosure pertaining to proposed merger is also being given to Reserve Bank of India (RBI) for information purpose.

Notice under Section 233(1) for inviting objections or suggestions has been given to Official Liquidator and Registrar of Companies, West Bengal.

By Order of the Board of Directors  
For **Magma Fincorp Limited**

**Registered Office:**  
**Magma House,**  
**24 Park Street,**  
**Kolkata-700016**  
**Date : 20 June 2017**

**Shabnum Zaman**  
**Company Secretary**  
**ACS: 13918**

## SCHEME OF MERGER

### UNDER SECTION 230 READ WITH SECTION 233 OF THE COMPANIES ACT, 2013 BETWEEN MAGMA ADVISORY SERVICES LIMITED (TRANSFEROR COMPANY) WITH MAGMA FINCORP LIMITED (TRANSFeree COMPANY)

#### PREAMBLE

1. The Scheme of Merger (hereinafter referred to as the "Scheme") is presented under section 230, read with section 233 of the Companies Act, 2013 ("Act"), and such other provisions of law as may be applicable, and the Companies (Compromise, Arrangements and Amalgamation) Rules, 2016 or other applicable rules, and provides for the merger of Magma Advisory Services Limited ("MASL") hereinafter referred to as 'Transferor Company' into Magma Fincorp Limited ("MFL" or "the Transferee Company").
2. MASL is a public limited company incorporated on 21 May, 2012, under the provisions of the Companies Act, 1956 having CIN: U74999WB2012PLC181922 and having its registered office at Magma House, 24 Park Street, Kolkata-700016, West Bengal.
3. MASL was incorporated as a wholly owned subsidiary of MFL. The main objects as stated in its Memorandum of Association are as follows:
  - a. To act as service provider of all kinds of services either by its own resources or by outsourcing including but not limited to providing manpower services, advisory services, annual maintenance contracts, marketing, market research and analysis, marketing support, market planning services to other organizations, training, customer forecasting & statistical analysis, tracking of customers spending pattern, understanding customer needs, compiling customer database etc;
  - b. To carry on business as advisers and /or consultants on matters relating to the industries, administration, management, organization, accountancy, costing, financial, marketing, import, export, commercial or economic activities, labour, statistical organization, methods, quality control and data processing, technical know-how, operations, manufacture, production, storage, distribution, sale and purchase of goods, property and other activities of and in relation to any business, trade, commerce, industry, mine and agriculture upon the means, methods and procedures for the establishment, construction, development, improvement and expansion of business, trade, commerce, industry, agriculture, building, plant or machineries and or systems, methods, techniques process, principles in relation to the forgoing and to carry on business of rendering services on any one or more of aforesaid and allied matters aforesaid.
4. MFL is a listed public limited company incorporated on December, 1978, under the provisions of the Companies Act, 1956 having CIN: L51504WB1978PLC031813 and having its registered office at Magma House, 24 Park Street, Kolkata-700016, West Bengal. The Company is registered with the Reserve Bank of India as a systemically important non-deposit taking Non-Banking Financial Company under section 45-IA of the Reserve Bank of India Act, 1934.
5. MFL considers its total experience in financing business to be more than 25 years i.e. from 1988 onwards. Over the past 25 years, MFL has grown from a lease financing company to one of the leading retail financing NBFCs in India with diversified portfolio of products which currently include vehicle finance, construction equipment finance, MSME finance and loan against property serving predominantly the underserved and the under-banked sections of the population. The main object of the Company as stated in its Memorandum of Association are as follows:
  - a. To carry on business as agents, importers, exporters, dealers, traders, stockists, brokers, buyers, sellers, manufacturers, repairers, assemblers or hirers of \*(all movables, immovables, items articles, commodities including industrial consumable, domestic and agricultural products etc.) plants, machinery, equipments, accessories or raw materials required by industries, workshops, transporters, railways or for agricultural, plantations, handling, excavation, domestic, fabrication, or irrigation purposes and to acquire, construct, hire, decorate, maintain or own land, workshops, factories, shops, show rooms, office, rights or agencies required for or in connection with any such business.
  - b. To acquire by purchase, lease, exchange, hire or otherwise develop or operate land, buildings and hereditament of any tenure or description including agricultural land, mines, quarries, tea or coffee gardens, farms, gardens, orchards, groves, plantations and any estate or interest therein, and any right over of connected with land and buildings so situated and develop or to turn the same to account as may seem expedient and in particular by preparing building sites and by constructing, reconstructing, altering, improving, decorating, furnishing and maintaining hotels, rooms, flats, houses, restaurants, markets, shops, workshops, mills, factories, warehouses, cold storages, wharves, godowns, offices, hostels, gardens, swimming pools, play-grounds, buildings works and conveniences of all kinds and by leasing, hiring or disposing of the same, and to manage land, building and other properties, whether belonging to the Company or not, and to collect rents and income, and to supply tenants and occupiers and others refreshments, attendance, light, waiting rooms, reading rooms, meeting rooms, electric conveniences and other advantages.
  - c. Subject to i.e. provisions of Sections 58A or the Act, to act as investors, guarantors, underwriters, financiers and, to lend (whether on security or otherwise), invest or deal with the money either with or without interest or security, including in current or deposit account with any Bank or Banks, other person or persons upon such terms, conditions and manner as may from time to time be determined and to receive money on deposit or loans upon such terms and conditions as the Company may approve subject to the provisions of the Companies Act, provided the Company shall not do any banking business as defined under the Banking Regulation Act, 1949.
  - d. To carry on business as timber saw mill proprietors and timber growers, and to buy, sell, grow, prepare for market, manipulate, import, export and deal in timber, teak, ply-wood, fire wood and wood at all kinds and to manufacture and deal in articles of all kinds in the manufacture of which timber, ply-wood or other wood is used and to buy, clear, plant and work timber estates.
  - e. To carry on business as manufacturers, producers, dealers, traders, importers, stockists, distributors, or agents of GLS lamps, electric bulbs, miniature bulbs, tube lights, flood lights, flash lights, mercury vapour bulbs, and other type or types of bulbs, lamps or tubes required or used for lighting or for industrial, domestic, electronics, transport vehicles or commercial purposes and glass, shells, fittings, tubes, filaments, tungsten and molybdenum wires, caps and other materials, machineries, accessories and spares required or used for manufacture of bulbs, lamps or tubes.
  - f. To undertake and carry on the business of equipment leasing, hiring/ hire purchase, asset based finance of all kinds including granting of loans to various persons, including to individuals, Hindu Undivided Families, partnership firms, bodies corporate, co-operative societies, associations or persons, trusts and unincorporated associations for the purchase of equipment, machinery, vehicles and other assets and import leasing and to give on lease or on leave and licence basis or in any other manner all types of equipments, property and assets including land and building, all kinds of goods, articles or things including vehicles to transport human beings, livestock, cargo on land, sea and air whether experimental or otherwise, all electrical and electronic equipment, office-equipment, furniture, computers, satellites or any other capital equipment whether

moveable or immovable, to act as lease brokers, managers of lease portfolios and to act as general financiers whether on security or otherwise, and to undertake / participate in / share in the risks associated with such activity, if any.

- g. To carry on the business of merchant banking in all its aspects, to act as managers to the issues and offers, whether by way of public offer or otherwise, of shares, stocks, debentures, bonds, units, participation certificates, deposit certificates, notes, bills, warrants, or any other instruments whether or not transferable or negotiable, commercial or other paper or scrips (hereinafter collectively referred to as the 'securities'), to act as agents of and or dealers in the securities in the course of merchant banking business, to act as discount house for any of the securities, to act as financial consultants, advisers and counsellors in investment and capital markets, to underwrite, sub-underwrite or to provide stand by or procurement arrangements, to issue guarantees or to give any other commitments for subscription for the securities to manage portfolio investments, to provide financial and investment assistance for the Purposes herein, to act as an issue house, registrars to issue, transfer agents, for the securities, to manage and administer computer centres and clearing houses for the securities, to form syndicates or consortia of managers, agents and purchasers for or of any of the securities, to act as brokers, dealers and agents of or in connection with the securities, bullions and precious metals, to syndicate any financial arrangements whether in domestic market or on international market and whether by way of loan, guarantees and export credits; to undertake the work of factoring of bills and other commercial papers, and to, arrange and/or co-ordinate documentation and negotiation in this regard.
- h. To give advice on or to offer, give, take, circulate and/or otherwise organise, accept or implement any takeover bids, amalgamations, acquisitions, diversification, rehabilitation or restructuring of any business, concern, undertaking, company, body corporate, partnership firm or any other association of persons whether incorporated or not, by acquisitions of shares or assets and liabilities, and whether as a going concern or as a part of the concern or otherwise as may be required having regard to the business exigencies, and to promote, procure, incorporate, form or set up concerns and undertakings whether as company, body corporate, partnership or any other association of persons for engaging in any industrial, commercial or business activities.
- i. To carry on the business of portfolio investment and managing the funds of the investors by investment in various avenues like Growth Fund, Income Fund, Risk Fund, Tax Exempt Funds, Pension/Superannuation Funds and to pass on the benefits of portfolio investment to the investors as dividend, bonus, interest and to provide a complete range of personal financial services like investment planning, estate planning, tax planning, portfolio investment, consultancy/counselling services and facilities of every description capable of being provided by investment fund manager and to act as managers to the Issue of any securities and to promote form and mobilise capital.
- j. To setup, incorporate, manage, provide and/or participate in providing venture capital, technology fund, underwriting fund, or any other fund for seed capital, risk capital foundation, including giving guarantee or such other financial assistance as may be conducive for development of new enterprises, innovative methods of production and development of existing and new technology, to identify projects, project ideas, to prepare project profiles, project reports, market research, feasibility studies and reports, pre-investment studies and investigation of industries on micro and macro level, to undertake appropriate service to identify scope or potential for economic and industrial development in any particular geographical area of location whether in India or abroad, to act as Lead Managers in respect of project assignments by undertaking follow up, supervision, and coordination work at the instance, behest or on behalf, of banks, financial institutions, companies, bodies corporate and to monitor the

same to the satisfaction, of the management, to act as advisor in the management of the undertakings, business enterprises, offices, trade occupations and professions by introducing modern techniques and systems and render all assistance as may be considered necessary including with regard to foreign collaboration, economic size, sources of plant and machinery and other utilities for business entrepreneurs, to undertake the services of project monitoring, project counselling and all allied activities.

- k. To carry on the business of power generation through conventional, non-conventional, and renewable sources including the establishment of thermal power plant, hydro - electric power plant, nuclear power plant, wind power plant, solar power plant and such other power plants based on any conventional, non-conventional and renewable source of energy as may be developed or invented, or by the installation / purchase or hiring or financing of Wind Turbine Generator, Wind Electric Generator or any other type of Generators, equipments, plants and machineries and to generate, receive, transmit, sell, use, distribute, produce and supply power and all forms of energy including in all of its' derivative forms and to act as agents, representatives, consultants, collaborators, producers, distributors, sellers, buyers, financiers and dealers in all forms of power and energy including in all its' derivative forms.
  - l. To undertake and carry on the business of servicers of loans and other facilities, purchasing or acquiring and or assigning, selling, conveying, transferring and disposing of, by any means including securitization, the receivables arising out of loans (whether secured or unsecured), standard or non-performing assets and / or the lease rentals and hire charges from the leasing or hire of equipment, machinery, vehicles and other assets (whether standard or non performing) including any underlying securities (where applicable) therewith and to undertake / participate in / share in the risks associated with such activity, if any.
  - m. To set up a securitization or an asset reconstruction company and undertake and carry on the business of servicers of non-performing assets, purchasing or acquiring and or assigning, selling, conveying, transferring and disposing of, by any means including by issuing or acquiring security receipts, the receivables arising out of such assets (whether secured or unsecured), including any underlying securities (where applicable) therewith, disposing off the underlying security (where applicable) and to undertake / participate in/ share in the risks associated with such activity, if any.
  - n. To carry on the business of a corporate agent, for an Indian insurance company or an insurance co-operative society [as defined under the Insurance Regulatory and Development Authority Act, 1999, (as amended from time to time)] whether carrying on general insurance business and / or life insurance business, including companies owned by the Central Government or State Governments or Government Corporations, by soliciting and procuring insurance business including business relating to procuring, continuance, renewal or revival of policies of insurance or by providing any other facilities including infrastructure facilities as may be required by such Indian insurance companies or insurance co-operative societies, subject to receiving of requisite approvals from the Insurance Regulation & Development Authority under the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations 2002, as amended from time to time.
6. This Scheme provides for the merger of the Transferor Company with the Transferee Company and the consequent treatment of assets and liabilities of respective Companies in the manner provided for in the Scheme.
  7. As on 31st March, 2017, the entire issued, subscribed and paid up share capital of the Transferor Company is held by the Transferee Company and its nominees.
  8. The Transferor Company is currently holding the entire issued, subscribed and paid up capital of Magma Housing Finance Limited [Formerly Magma Housing Finance (A Public Company with Unlimited

Liability)] (hereinafter Magma Housing Finance), therefore, Magma Housing Finance is, indirectly the wholly owned subsidiary of the Transferee Company. In addition to the above, the Transferor Company was also engaged in the business of providing services with respect to manpower management, however, the Company is not carrying out business of manpower management since the last quarter.

9. The Transferee Company as the parent would like to integrate and consolidate its subsidiary. The circumstances that justify the proposed Scheme and its main benefits are, inter-alia, summarised as under:
  - (i). To achieve greater integration and greater financial strength and flexibility, to maximise overall shareholder value.
  - (ii). To achieve cost savings from more focused operational efforts, rationalisation, standardisation and simplification of business processes, productivity improvements and rationalization of administrative expenses.
  - (iii). The consolidation of activities of the Transferor Company and the Transferee Company by way of merger will lead to operational synergies, greater productivity and economical operations for future growth of the Transferee Company.
  - (iv). Magma Housing Finance, currently a step-down subsidiary of the Transferee Company, will become direct subsidiary, leading to improvement in corporate governance and control over the said Company.
  - (v). The merger will provide for pooling of the managerial, technical and financial resources of the Transferor Company and the Transferee Company which will help in increasing the competitiveness of the Transferee Company.
  - (vi). The merger will result in economies of scale, reduction in overheads including administrative, managerial and other expenditure, operational rationalisation, organisational efficiency and optimal utilisation of resources.
  - (vii). The merger will result in a significant reduction in the multiplicity of legal and regulatory compliances required at present to be carried out by both the Transferor Company and the Transferee Company.
  - (viii). The banks, creditors and financial institutions, if any, are not adversely affected by the proposed merger as their security and asset cover will be maintained.
10. The merger of the Transferor Company with the Transferee Company, pursuant to and in accordance with this Scheme, shall take place with effect from the Appointed Date (as defined herein below).
11. The Scheme is divided into the following parts:
  - (a) Part I which contains the definitions;
  - (b) Part II, which deals with the share capital of the Transferee Company and the Transferor Company;
  - (c) Part III, which deals with Transfer and vesting of undertakings of the Transferor Company with the Transferee Company; and
  - (d) Part IV, which deals with Accounting treatment of merger in the books of the Transferee Company
  - (e) Part V, which deals with the dissolution of the Transferor Company and the general terms and conditions that would be applicable to the Scheme.

The Scheme also provides for various other matters consequential or otherwise integrally connected herewith.

## PART I

### 1. DEFINITION

In this Scheme, unless inconsistent with the subject or context, the following shall have the meanings as provided herein:

- 1.1. **"Act"** means the Companies Act, 2013, including any statutory modification or re-enactment thereof for the time being in force; the terms "Act" and "Section" shall be construed accordingly.

1.2. **"Appointed Date"** means the date from which this Scheme shall become operative viz., 1st April, 2017 or such other date as the Central Government or such other authority having powers to sanction the Scheme under the Applicable law, may direct.

1.3. **"Board of Directors"** in relation to the Transferor Company and/or the Transferee Company, as the case may be, shall, unless it is repugnant to the context or otherwise, include a Committee of Directors or any person authorized by the Board of Directors or such Committee of Directors.

1.4. **"Bench"** means the Hon'ble National Company Law Tribunal (NCLT) Bench of Kolkata or such other authority empowered to sanction the Scheme as per the provisions of the Act.

1.5. **"Central Government"** means the Regional Director, Eastern Region.

1.6. **"Closing Date"** means the date or last of the dates on which the certified copy of the order of the Central Government sanctioning this Scheme is filed with the Registrar of Companies by the Transferee and the Transferor Company.

1.7. **"Scheme of Merger"** or "Scheme" or "The Scheme" or "This Scheme" means this Scheme of Merger in its present form or with any modification(s) approved, imposed, or directed by the Central Government.

1.8. **"Transferee Company"** means Magma Fincorp Limited, a company incorporated under the Companies Act, 1956 and having its registered office at Magma House, 24 Park Street, Kolkata-700016, West Bengal.

1.9. **"Transferor"** means Magma Advisory Services Limited, a company incorporated under the Companies Act, 1956, and having its registered office at Magma House, 24 Park Street, Kolkata-700016, West Bengal.

1.10. **"Undertaking"** shall mean and include the whole of the undertaking of the Transferor Company, as a going concern, including their businesses, all secured and unsecured debts, liabilities, duties and obligations and all the assets, properties, rights, titles and benefits, whether movable or immovable, real or personal, in possession or reversion, corporeal or incorporeal, tangible or intangible, present or contingent and including but without being limited to land and building (whether owned, leased, licensed), all fixed and movable plant and machinery, vehicles, fixed assets, work in progress, current assets, investments, reserves, provisions, funds, licenses, registrations, copyrights, patents, trade names, trademarks and other rights and licenses in respect thereof, applications for copyrights, patents, trade names, trademarks, leases, licenses, tenancy rights, premises, ownership, flats, hire purchase and lease arrangements, lending arrangements, benefits of security arrangements, computers, office equipment, telephones, telexes, facsimile connections, internet connections, communication facilities, equipment and installations and utilities, electricity, water and other service connections, benefits of agreements, contracts and arrangements, powers, authorities, permits, allotments, approvals, consents, privileges, liberties, advantages, easements and all the right, title, interest, goodwill, benefit and advantage, deposits, reserves, provisions, advances, receivables, deposits, funds, cash, bank balances, accounts and all other rights, benefits of all agreements, subsidies, grants, tax credits (including but not limited to credits in respect of income tax, sales tax, value added tax, turnover tax, service tax, etc.), Software License, Domain / Websites etc. in connection / relating to the Transferor Company and other claims and powers, of whatsoever nature and where so ever situated belonging to or in the possession of or granted in favour of or enjoyed by the Transferor Company, as on the Appointed Date.

1.11. All terms and words not defined in this Scheme shall, unless repugnant or contrary to the context or meaning thereof, have the same meaning as ascribed to them under the Act and other applicable laws, rules, regulations and byelaws as the case may be, including any statutory modification or re-enactment thereof from time to time.

## PART II

### 2. (a) SHARE CAPITAL OF THE TRANSFEROR AND TRANSFEE COMPANY

- 2.1. The share capital of the Transferee Company as on 31st March 2017 was as under:

| (₹ in Lacs)                                            |                  |
|--------------------------------------------------------|------------------|
| Authorized Capital                                     | Amount           |
| 26,50,00,000 Equity shares of ₹ 2/- each               | 5,300.00         |
| 5,43,00,000 Preference shares of ₹ 100/- each          | 54,300.00        |
| <b>Total</b>                                           | <b>59,600.00</b> |
| Issued, Subscribed and Paid-Up Capital                 | Amount           |
| 23,69,59,672 Equity shares of ₹ 2/- each fully paid up | 4,739.19         |
| <b>Total</b>                                           | <b>4739.19</b>   |

- 2.2. The share capital of the Transferor as on 31st of March 2017 was as under:

| (₹ in Lacs)                                                                                                                                |                 |
|--------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Authorized Capital                                                                                                                         | Amount          |
| 2,50,00,000 Equity shares of ₹ 10/- each                                                                                                   | 2,500.00        |
| 4,00,00,000 Preference shares of ₹ 10/- each                                                                                               | 4,000.00        |
| <b>Total</b>                                                                                                                               | <b>6,500.00</b> |
| Issued, Subscribed and Paid-Up Capital                                                                                                     | Amount          |
| 2,11,11,112 Equity shares of ₹ 10/- each fully paid-up                                                                                     | 2111.11         |
| 3,55,55,556 0.01% Non-redeemable non-cumulative non-participating compulsorily convertible preference shares of ₹ 10/- each fully paid up. | 3,555.56        |
| <b>Total</b>                                                                                                                               | <b>5,666.67</b> |

- 2.3. Since Transferor Company is a wholly owned subsidiary of the Transferee Company, the entire issued share capital of the Transferor Company held by the Transferee Company and/or its nominees shall stand cancelled on the Scheme being effective, that is, on the Closing Date, however, with effect from the Appointed Date.

## 2. (b) DATE OF TAKING EFFECT AND OPERATIVE DATE

The Scheme set out herein in its present form or with any modification(s) approved or imposed or directed by the Central Government or any other appropriate authority shall be operative and fully effective from the Appointed Date

### PART III

## TRANSFER AND VESTING OF UNDERTAKING OF THE TRANSFEROR COMPANY WITH THE TRANSFEE COMPANY

### 3. TRANSFER AND VESTING OF UNDERTAKING

- 3.1. Subject to the provisions of this Scheme as specified hereinafter and with effect from the Appointed Date, the entire business and undertaking(s) of the Transferor Company including all the debts, liabilities, duties and obligations, including those arising on account of taxation laws and other allied laws, of the Transferor Company of every description and also including, without limitation, all the movable and immovable properties and assets (whether tangible or intangible) of the Transferor Company comprising, amongst others, all furniture and fixtures, computers / data processing, office equipment, testing equipment, electrical installations, telephones, telex, facsimile and other communication facilities and business licenses, permits, authorisations, approvals, lease, tenancy rights, permissions, incentives, if any, and all other rights, patents, know-how, trademark, service mark, trade secret or other intellectual property rights, proprietary right, title, interest, contracts, consent, approvals and rights and powers of every kind, nature and description whatsoever, privileges, liberties, easements, advantages, benefits and approvals, shall, under the provisions of Sections 230 read with section 233, as may be applicable, of the Act, and pursuant to the orders of the Central Government or any other appropriate authority sanctioning this Scheme and without further act, instrument or deed, be transferred and/or deemed to be transferred to and vested in the Transferee Company so as to become the properties, assets, rights, business and undertaking(s) of the Transferee Company.
- 3.2. With effect from the Appointed Date all debts, liabilities, duties and obligations of the Transferor Company as on the Appointed Date whether provided for or not in the books of account of the Transferor Company and all other liabilities which may accrue or arise after the Appointed Date but which relate to the period on or up to the

day of the Appointed Date shall be the debts, liabilities, duties and obligations of the Transferee Company including any encumbrance on the assets of the Transferor Company or on any income earned from those assets.

- 3.3. With effect from the Appointed Date, all inter-party transactions between the Transferor Company and the Transferee Company shall be considered as intra-party transactions for all purposes.
- 3.4. With effect from the Appointed Date, all the Loans, advances and other obligations (including any guarantees, letters of credit, letters of comfort or any other instrument or arrangement which may give rise to a contingent liability in whatever form), if any, due or which may at any time in future become due between the Transferor Company and the Transferee Company shall, ipso facto, stand discharged and come to an end and there shall be no liability in that behalf on any party and appropriate effect shall be given in the books of accounts and records of the Transferee Company. It is hereby clarified that there will be no accrual of interest or other charges in respect of any inter-company loans, advances and other obligations with effect from the Appointed Date.
- 3.5. All the existing securities, mortgages, charges, encumbrances or liens, if any, as on the Appointed Date and created by the Transferor Company after the Appointed Date, over the assets comprised in the undertaking or any part thereof transferred to the Transferee Company by virtue of this Scheme and in so far as such securities, mortgages, charges, encumbrances or liens secure or relate to liabilities of the Transferor Company, the same shall, continue to relate and attach to such assets or any part thereof to which they are related or attached prior to the Appointed Date and as are transferred to the Transferee Company, and such securities, mortgages, charges, encumbrances or liens shall not relate or attach to any of the other assets of the Transferee Company, provided however that no encumbrances shall have been created by any of the Transferor Company over its assets after the date of filing of the Scheme without the prior written consent of the Board of Directors of the Transferee Company.
- 3.6. All the existing encumbrances over the assets and properties of the Transferee Company or any part thereof which relate to the liabilities and obligations of the Transferee Company prior to the Appointed Date shall continue to relate only to such assets and properties and shall not extend or attach to any of the assets and properties of the Transferor Company transferred to and vested in the Transferee Company by virtue of this Scheme.
- 3.7. It is expressly provided that, save as herein provided, no other term or condition of the liabilities transferred to the Transferee Company is modified by virtue of this Scheme except to the extent that such amendment is required statutorily or by necessary implication.
- 3.8. With effect from the Appointed Date all statutory licences, permissions, approvals or consents to carry on the operations of the Transferor Company shall stand vested in or transferred to the Transferee Company without any further act or deed and shall be appropriately mutated by the statutory authorities concerned in favour of the Transferee Company upon the vesting and transfer of the undertaking of the Transferor Company pursuant to this Scheme. The benefit of all statutory and regulatory permissions, factory licences, environmental approvals and consents, sales tax registrations or other licences and consents shall vest in and become available to the Transferee Company pursuant to this Scheme.
- 3.9. The merger of the Transferor Company with the Transferee Company, pursuant to and in accordance with this Scheme, shall take place with effect from the Appointed Date and shall be in accordance with Section 2(1B) of the Income- tax Act, 1961.
- ### 4. CONSIDERATION
- 4.1. The entire Equity Share and Preference Share capital of the Transferor Company is held by the Transferee Company and its nominees. In other words the Transferor Company is wholly owned subsidiary of the Transferee Company. Accordingly, pursuant to this merger, no shares of the Transferee Company shall be allotted in respect of its holding in the Transferor Company. Upon the Scheme becoming effective, the entire share capital of the Transferor Company shall be cancelled and extinguished.

- 4.2. The investments in the shares of the Transferor Company, appearing in the books of account of Transferee Company shall, without any further act or deed, stand cancelled. Further details of the accounting treatment is provided for in Para 10 of the Scheme.

## 5. LEGAL PROCEEDINGS

- 5.1. Any suit, appeal or other proceedings of whatever nature by or against the Transferor Company is pending as on the Appointed Date, the same shall not abate or be discontinued or in any way be prejudicially affected by reason of or by anything contained in this Scheme, but the said suit, appeal or other legal proceedings may be continued, prosecuted and enforced by or against the Transferee Company, as the case may be, in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against the Transferor Company as if this Scheme had not been made.

- 5.2. In case of any litigation, suits, recovery proceedings which are to be initiated or may be initiated against the Transferor Company after the Appointed Date, the Transferee Company shall be made party thereto and any payment and expenses made thereto shall be the liability of the Transferee Company.

## 6. CONTRACTS, DEEDS AND OTHER INSTRUMENTS

- 6.1. Subject to the other provisions of this Scheme, all contracts, deeds, bonds, insurance, Letters of Intent, undertakings, arrangements, policies, agreements and other instruments, if any, of whatsoever nature pertaining to the Transferor Company and to which the Transferor Company is a party and subsisting or having effect on the Appointed Date, shall be in full force and effect against or in favour of the Transferee Company, as the case may be, and may be enforced by or against the Transferee Company as fully and effectually as if, instead of the Transferor Company, the Transferee Company had been a party thereto.
- 6.2. The Transferee Company shall enter into and/or issue and/or execute deeds, writings or confirmations or enter into any tripartite arrangements, confirmations or novations, to which the Transferor Company will, if necessary, also be party in order to give formal effect to the provisions of this Scheme, if so required or becomes necessary. The Transferee Company shall be deemed to be authorized to execute any such deeds, writings or confirmations on behalf of the Transferor Company and to implement or carry out all formalities required on the part of the Transferor Company to give effect to the provisions of this Scheme.

## 7. STAFF AND EMPLOYEES OF THE TRANSFEROR COMPANY

- 7.1. On the Scheme taking effect as aforesaid, the employees, if any, of the Transferor Company on the Appointed Date shall be deemed to have become the employees of the Transferee Company and their employment with the Transferee Company shall be on the following terms and conditions:
- The terms and conditions of service applicable to the employees shall not be less favourable than those applicable to them as on the Appointed Date;
  - The services of such employees shall not be treated as having been broken or interrupted for the purpose of provident fund or gratuity or otherwise and for all purposes will be reckoned from the date of their appointment with the Transferor Company; and
  - The Transferee Company undertakes to continue to abide by the agreement/settlement if any entered into by the Transferor Company with any of its employees, which is in force as on the Appointed Date,
  - It is expressly provided that, on the Scheme becoming effective, the provident fund, gratuity fund, superannuation fund or any other special fund or trusts, if any, created or existing for the benefit of the staff, workmen and employees of the Transferor Company shall become trusts / funds of the Transferee Company for all purposes whatsoever in relation to the administration or operation of such fund or funds or in relation to the obligation to make contributions to the

said fund or funds in accordance with the provisions thereof as per the terms provided in the respective trust deeds, if any, to the end and intent that all rights, duties, powers and obligations of the Transferor Company in relation to such fund or funds shall become those of the Transferee Company. The Trustees including Board of Directors of the Transferee Company shall be entitled to adopt such course in this regard as may be advised provided however that there shall be no discontinuation or breakage in the service of the employee of the Transferor Company.

## 8. PAYMENT OF TAX

All taxes paid or payable by the Transferor Company in respect of the operations and/or the profits before the Appointed Date under Applicable Law, shall be on account of the Transferee Company and, in so far it relates to the tax payment (whether by way of deduction at source, advance tax or otherwise howsoever) by the Transferor Company in respect of the profits made from and after the Appointed Date, the same shall be deemed to be the tax paid by the Transferee Company, and shall, in all proceedings, be dealt with accordingly.

## 9. BANK OPERATION

Upon the Scheme being sanctioned and taking effect, all cheques, drafts, pay orders, direct and indirect tax balances and/or payment advices of any kind or description issued in favour of the Transferor Company, either before or after the Appointed Date, or in future, may be deposited with the Bank of the Transferee Company and credit of all receipts thereunder will be given in the accounts of the Transferee Company.

## PART IV

### ACCOUNTING TREATMENT FOR THE MERGER IN THE BOOKS OF THE TRANSFEE COMPANY

#### 10. ACCOUNTING TREATMENT

On the Scheme becoming effective, the accounting of the same shall be carried out by the Transferee Company, in the following manner which shall be in compliance with provisions of Accounting Standard 14 and other Accounting Standards as applicable, issued by the Institute of Chartered Accountants of India and notified by the National Advisory Committee on Accounting Standards, Ministry of Corporate Affairs vide Notification No GSR. 739(E) dated 07.12.2006, as amended from time to time.

- 10.1 In case of merger of the Transferor with the Transferee Company, accounting will be done as per pooling of interest method, because the existing Investment business of the Transferor Company shall be carried out by the Transferee Company after the Scheme is put to effect.
- 10.2 However, all the assets and all the liabilities of the Transferor Company, except the transactions with Transferee that get cancelled by virtue of this Scheme, shall be recorded in the books of the Transferee at their respective book values as appearing in the books of the Transferor.
- 10.3 The difference between the amount recorded as share capital issued (plus any additional consideration in the form of cash or other assets) and the amount of share capital of the Transferor Company shall be adjusted in reserves.

#### 11. AUTHORIZED SHARE CAPITAL

- 11.1. Upon the Scheme becoming effective, the authorized share capital of the Transferor Company shall stand combined with the authorized share capital of the Transferee Company. Filing fees and stamp duty, if any, paid by the Transferor Company on its authorized share capital, shall be deemed to have been so paid by the Transferee Company on the combined authorized Share capital and accordingly, the Transferee Company shall not be required to pay any fee/ stamp duty for its increased authorized share capital.
- 11.2. 'Clause V' of the Memorandum of Association of the Transferee Company shall, without any further act, instrument or deed, be and stand altered, modified and amended pursuant to the applicable provisions of the Act accordingly by deleting the existing Clause.
- 11.3. 'Clause 2' of the Articles of Association of the Transferee Company shall, without any further act, instrument or deed, be and stand altered, modified and amended pursuant to the applicable provisions of the Act accordingly by deleting the existing Clause.

## 12. TRANSACTIONS BETWEEN APPOINTED DATE AND CLOSING DATE

With effect from the Appointed Date and up to the Closing Date:

- 12.1. The Transferor Company shall carry on and be deemed to have carried on their business and activities and shall be deemed to have held and stood possessed of and shall hold and stand possessed of their entire businesses and undertakings for and on account of and in trust for the Transferee Company;
- 12.2. Transferor Company shall carry on its business and activities in the ordinary course of business with reasonable diligence and business prudence;
- 12.3. All the profits or income accruing or arising to the Transferor Company or expenditure or losses arising or incurred by the Transferor Company shall for all purposes be treated and deemed to be and accrue as the profits or income or expenditure or losses (as the case may be) of the Transferee Company; and
- 12.4. The Transferee Company shall be entitled, pending the sanction of the Scheme, to apply to the Central Government and all other agencies, departments and authorities concerned as are necessary under any law for such consents, approvals and sanctions which the Transferee Company may require to carry on the business of the Transferor Company.

## 13. SAVING OF CONCLUDED TRANSACTIONS

The transfer of properties and liabilities under clause 3 above and the continuance of proceedings by or against Transferor Company under clause 5 above shall not affect any transaction or proceedings already concluded by Transferor Company on or after the Appointed Date till the Closing Date, to the end and intent that Transferee Company accepts and adopts all acts, deeds and things done and executed by Transferor Company in respect thereto as done and executed on behalf of itself.

## PART V

## DISSOLUTION OF THE TRANSFEROR COMPANY AND THE GENERAL TERMS AND CONDITIONS APPLICABLE TO THIS SCHEME

### 14. DISSOLUTION OF TRANSFEROR COMPANY WITHOUT WINDING UP

On the Scheme coming into effect, the Transferor Company shall, without any further act or deed, stand dissolved without winding up in accordance with the provisions of the Act and the Rules made thereunder.

### 15. APPLICATION TO THE CENTRAL GOVERNMENT, OR SUCH OTHER APPROPRIATE AUTHORITY

The Transferee Company shall with all the necessary annexure, as may be required, make Applications/petitions to the Central Government under Section 230 read with Section 233, as may be applicable, of the Act, for sanctioning this Scheme of Merger. Since the Transferor Company is a wholly owned subsidiary of the Transferee Company, there is no need for filing application/petition by the Transferor Company for sanctioning the Scheme of Merger.

### 16. MODIFICATIONS / AMENDMENTS TO THE SCHEME

- 16.1. The Transferor Company (by its Board of Directors) and the Transferee Company (by its Board of Directors) in their full and absolute discretion may assent to any modification(s) or amendment(s) in this Scheme which the Central Government or such other appropriate authority and/or any other authorities may deem fit to direct or impose or which may otherwise be considered necessary or desirable for settling any question or doubt or difficulty that may arise for implementing and/or carrying out the Scheme. Further, the Transferor Company (by its Board of Directors), the Transferee Company (by its Board of Directors) and after the dissolution of the Transferor Company, the Transferee Company (by its Board of Directors) be and are hereby authorized to take such steps and do all acts, deeds and things as may be necessary, desirable or proper to give effect to this Scheme and to resolve any doubts, difficulties or questions whether by reason of any orders of the Central Government or such other appropriate authority or of any directive or orders of any other authorities or otherwise howsoever arising out of, under or by virtue of this Scheme and/or any matters concerning or connected therewith.
- 16.2. The Board of Directors of the Transferor Company hereby authorise the Board of Directors of the Transferee Company or any committee thereof to give assent to any modification(s) or amendment(s) in the Scheme which may be considered necessary or desirable for any reason whatsoever and without prejudice to the generality of

the foregoing, any modification to the Scheme involving withdrawal of any of the parties to the Scheme at any time and for any reason whatsoever, the implementation of the Scheme shall not get adversely affected as a result of acceptance of any such modification by the Board of Directors of the Transferee Company and the Board of Directors of the Transferor Company be and is hereby authorised by the Board of Directors of the Transferor Company to take such steps and to do all acts, deeds and things as may be necessary, desirable or proper to give effect to this Scheme and to resolve any doubt, difficulties or questions howsoever arising out of, under or by virtue of this Scheme and/or any matters concerning or connected therewith.

### 17. CONDITIONALITY OF SCHEME

The Scheme is conditional upon and subject to –

- 17.1. Approval of the Scheme by the requisite majority of the respective members and creditors of the Transferee Company as may be directed by the Central Government or such other appropriate authorities;
- 17.2. Sanctions and Orders under the provisions of Section 230 read with section 233, as may be applicable, of the Act being obtained by the Transferee Company from the Central Government or such other appropriate authority;
- 17.3. This Scheme shall be effective from the Appointed date as per Sections 230 read with section 233, as may be applicable, of the Act and shall be duly filed with the Registrar of Companies Kolkata, by the Transferor Company and the Transferee Company.

### 18. REVOCATION AND SEVERABILITY

- 18.1. In the event of any of the said sanctions and approvals referred to in Clause 16 and 17 above not being obtained and/or complied with and/or satisfied and/or this Scheme not being sanctioned by the Central Government or such other appropriate authority and/or order or orders not being passed as aforesaid before 28 February 2018 or such other date as may be mutually agreed upon by the respective Board of Directors of the Transferor Company and the Transferee Company who are hereby empowered and authorised to agree to and extend the aforesaid period from time to time without any limitations in exercise of their powers through and by their respective delegate(s), this Scheme shall stand revoked, cancelled and be of no effect and in that event, no rights and liabilities whatsoever shall accrue to or be incurred inter se the Transferor Company and the Transferee Company or their respective shareholders or creditors or employees or any other person save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any right, liability or obligation which has arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out in accordance with the applicable law and in such case, each Company shall bear its own costs unless otherwise mutually agreed. Further, the Board of Directors of the Transferor Company and the Transferee Company shall be entitled to revoke, cancel and declare the Scheme of no effect if such Board of Directors are of the view that the coming into effect of the Scheme in terms of the provisions of this Scheme or filing of the drawn up orders with any authority could have adverse implication on all/any of the company;
- 18.2. If any part of this Scheme hereof is invalid, ruled illegal by any tribunal of competent jurisdiction, or unenforceable under present or future laws, then it is the intention of the parties that such part shall be severable from the remainder of the Scheme, and the Scheme shall not be affected thereby, unless the deletion of such part shall cause this Scheme to become materially adverse to any party, in which case the parties shall attempt to bring about a modification in the Scheme, as will best preserve for the parties the benefits and obligations of the Scheme, including but not limited to such part.
- 18.3. The Scheme may be withdrawn by the Board of Directors of Transferor Company and Transferee Company only by mutual consent and only if such Boards of Directors jointly agree that the coming into effect of the Scheme could have adverse implication on both the Transferor Company and Transferee Company.

### 19. EXPENSES CONNECTED WITH THE SCHEME

- 19.1. All costs, charges, taxes including duties (including the stamp duty, if any, applicable in relation to this Scheme), levies and all other expenses, if any (save as expressly otherwise agreed) of the Transferor Company and the Transferee Company arising out of or incurred in carrying out and implementing this Scheme and matters incidental thereto shall be borne and paid by the Transferee Company.

**FORM NO. CAA.10**  
**[Pursuant to section 233(1)(c) and rule 25(2)]**  
**Declaration of solvency**

1. (a) Corporate identity number (CIN) of company : L51504WB1978PLC031813  
(b) Global location number (GLN) of company: Not Applicable
2. (a) Name of the company: **MAGMA FINCORP LIMITED**  
(b) Address of the registered office of the company: Magma House, 24, Park Street, Kolkata, West Bengal – 700016 India  
(c) E-mail ID of the company: shabnum.zaman@magma.co.in
3. (a) Whether the company is listed: Yes  
(b) If listed, please specify the name(s) of the stock exchange(s) where listed:  
National Stock Exchange of India Limited  
BSE Limited
4. Date of Board of Directors' resolution approving the scheme: 20 June 2017

**Declaration of solvency**

We, the directors of M/s MAGMA FINCORP LIMITED do solemnly affirm and declare that we have made a full enquiry into the affairs of the company and have formed the opinion that the company is capable of meeting its liabilities as and when they fall due and that the company will not be rendered insolvent within a period of one year from the date of making this declaration.

We append an audited statement of company's assets and liabilities as at 31/03/2017 being the latest date of making this declaration.

We further declare that the company's audited annual accounts including the Balance Sheet have been filed upto date with the Registrar of Companies, Kolkata.

Signed for and behalf of the board of directors

|                                     |                                                                     |                                                  |                                              |
|-------------------------------------|---------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------|
| Date: 20 June 2017<br>Place: Mumbai | Sanjay Chamria<br>Vice Chairman & Managing Director<br>DIN:00009894 | Satya Brata Ganguly<br>Director<br>DIN: 00012220 | V K Viswanathan<br>Director<br>DIN: 01782934 |
|-------------------------------------|---------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------|

**Verification**

We solemnly declare that we have made a full enquiry into the affairs of the company including the assets and liabilities of this company and that having done so and having noted that the scheme of merger or amalgamation between MAGMA FINCORP LIMITED and MAGMA ADVISORY SERVICES LIMITED (Wholly Owned Subsidiary) is proposed to be placed before the shareholders and creditors of the company for approval as per the provisions of sub-section of (1) of section 233 of the Companies Act, 2013, we make this solemn declaration believing the same to be true.

Verified this day the 20 day of June 2017

|                                     |                                                                     |                                                  |                                              |
|-------------------------------------|---------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------|
| Date: 20 June 2017<br>Place: Mumbai | Sanjay Chamria<br>Vice Chairman & Managing Director<br>DIN:00009894 | Satya Brata Ganguly<br>Director<br>DIN: 00012220 | V K Viswanathan<br>Director<br>DIN: 01782934 |
|-------------------------------------|---------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------|

Solemnly affirmed and declared at ..... the ..... day of ....., 2017 before me.

Commissioner of Oaths and Notary Public

Attachments:

- a) Copy of board resolution
- b) Statement of assets and liabilities
- c) Auditor's report on the statement of assets and liabilities

**BOARD RESOLUTION PASSED AT THE MEETING OF THE BOARD OF DIRECTORS OF MAGMA FINCORP LIMITED HELD AT THE CORPORATE OFFICE OF THE COMPANY AT BOARD ROOM, EQUINOX BUSINESS PARK, 2ND FLOOR, TOWER 3, OFF BKC, AMBEDKAR NAGAR, LBS MARG, KURLA WEST, MUMBAI – 400070 ON TUESDAY, 20 JUNE 2017**

**Approval of the Scheme of Merger of Wholly Owned Subsidiary Company i.e. Magma Advisory Services Limited (MASL) with the Company**

**"RESOLVED THAT**

- a) pursuant to the provisions of Sections 230 read with section 233, other applicable provisions of the Companies Act, 2013 ('Act') and rules thereunder, as amended from time to time and other applicable provisions (including any statutory modification(s) or

re-enactment(s) thereof), if any, Regulation 11 of the SEBI (Listing Obligations and disclosure Requirements) Regulations 2015 and all other applicable laws and regulations, Object Clause of Memorandum of Association of Company, the provisions provided in the Articles of Association of the Company, approval of the shareholders of the Company and subject to receipt of all relevant corporate, regulatory, governmental, judicial approvals and third party consents, the Scheme of Merger (the 'Scheme') providing for the merger of wholly owned subsidiary of the Company i.e. Magma Advisory Services Limited ("MASL") with the Company by transferring the Undertaking (as defined in the Scheme) of such subsidiary to the Company, the draft of which was placed before this Meeting and duly initialed by the Company Secretary for the purpose of identification, be and is hereby considered and approved with effect from 1 April 2017, being the Appointed date and/ or Closing Date as provided in the Scheme;

- b) The Report of the Audit Committee dated 20 June 2017, recommending the Scheme, as placed before the Board duly initiated by the Company Secretary for the purpose of identification, be and is hereby considered, accepted and approved;
- c) The declaration of solvency in Form CAA 10 from the directors of the Company as placed before the Board be and is hereby considered, accepted and approved;
- d) MASL being the wholly owned subsidiary of the Company, in terms of the Scheme, the Shares held by the Company in MASL shall stand cancelled upon the Scheme becoming effective.

**RESOLVED FURTHER THAT** any of the Directors of the Company or Chief Financial Officer or Company Secretary of the Company, be and is hereby severally authorised on behalf of the Company, to sign and execute any application, petitions, affidavits, undertakings or any other documents or deeds or pleadings, as may be required to be filed for this purpose and to agree and to make such modifications/ alterations as may be required by any Authority, whether judicial or governmental, in connection with the Scheme including but not limited to submission of the same before the Competent Authority and to do all such things, deeds and acts as may be deemed necessary and expedient in connection with the Scheme and to give effect of the same.

**RESOLVED FURTHER THAT** the Common Seal of the Company, if required, be affixed on the aforesaid documents in the presence of any one of the Directors or the Company Secretary of the Company as provided in the Articles of the Company.

**RESOLVED FURTHER THAT** any one of the Directors, Chief Financial Officer or Company Secretary of the Company, be and is hereby severally authorized on behalf of the Company to:

- a) take all steps as may be required, including without limitation to obtaining approvals and/or consents of shareholders, creditors,

banks, financial institutions, all relevant regulatory, governmental and judicial authorities and all relevant third parties, as may be required from time to time in that behalf;

- b) give such directions as they may consider necessary to settle any question or resolve any difficulty or matter arising under the Scheme or in regard to the meaning or interpretation of the Scheme or the implementation thereof and/or to review the position relating to the satisfaction of various conditions as stipulated in the said Scheme and if necessary, subject to the consent of the Board of the Company, to waive any of those conditions (to the extent permissible under law);
- c) appoint solicitors, advocates, attorneys, company secretaries, advisors, valuers, auditors, accountants, registrars, or such other persons or agencies, as may be required in relation to do or in connection with the Scheme, on such terms and conditions including as regards their fees or remuneration as they may deem fit and issue letters of appointment or vakalatnamas or authority letters in this regard;
- d) take all such actions and steps in the above matter, as may be required from time to time to give effect to the above resolution;

**RESOLVED FURTHER THAT** authority and approval of the Board of Directors be and is hereby accorded to the Management Committee of the Board of Directors to deal with the matters with respect to the proposed aforesaid merger including but not limited to obtaining of the approval from the shareholders of the Company either through convening General Meeting of the shareholders or through the Postal Ballot route and take decision in this regard.

**RESOLVED FURTHER THAT** the copies of the foregoing resolutions certified to be true copies of any one of the above mentioned authorized persons to be furnished to all concerned as may be necessary and they be requested to act thereon."

## Statement I

Name of the company: MAGMA FINCORP LIMITED

### ANNEXURE

Statement of assets and liabilities as at 31/03/2017

| Sl No | Assets*                                                                                                     | ₹ in lacs           |
|-------|-------------------------------------------------------------------------------------------------------------|---------------------|
| 1     | Balance at Bank                                                                                             | 30,445.27           |
| 2     | Cash in hand                                                                                                | 5,433.09            |
| 3     | Marketable securities                                                                                       | 1.12                |
| 4     | Bills receivables                                                                                           | -                   |
| 5     | Trade debtors                                                                                               | 643.21              |
| 6     | Loans & advances                                                                                            | 10,04,786.43        |
| 7     | Unpaid calls                                                                                                | -                   |
| 8     | Stock-in-trade                                                                                              | -                   |
| 9     | Capital Work in progress                                                                                    | 548.90              |
| 10    | Freehold property                                                                                           | 1,539.80            |
| 11    | Leasehold property                                                                                          | 8.60                |
| 12    | Plant and machinery                                                                                         | 14,571.44           |
| 13    | Furniture, fittings, utensils, etc.                                                                         | 2,195.47            |
| 14    | Patents, trademarks, etc.                                                                                   | 2,779.78            |
| 15    | Investments other than marketable securities                                                                | 58,021.63           |
| 16    | Other property (Other assets)                                                                               | 444.65              |
|       | <b>Total (A)</b>                                                                                            | <b>11,21,419.39</b> |
|       | (Excludes Deferred tax assets and Deferred revenue expenditure)                                             |                     |
|       | <b>Liabilities*</b>                                                                                         |                     |
| 1     | Secured on specific assets                                                                                  | 6,86,859.03         |
| 2     | Secured by floating charge(s)                                                                               | -                   |
| 3     | Estimated cost of liquidation and other expense including interest accruing until payment of debts in full. | -                   |
| 4     | Unsecured creditors (amounts estimated to rank for payment)                                                 | -                   |
| a     | Trade accounts                                                                                              | 18,307.40           |
| b     | Bills payable                                                                                               | -                   |
| c     | Accrued expense                                                                                             | 8,706.11            |
| d     | Other liabilities                                                                                           | 2,02,433.62         |
| e     | Contingent liabilities                                                                                      | 29,040.60           |
|       | <b>Total (B)</b>                                                                                            | <b>9,45,346.76</b>  |
|       | (Excludes contingent provision against standard assets and provision for non-performing assets)             |                     |
|       | <b>Total assets (A)</b>                                                                                     | <b>11,21,419.39</b> |
|       | <b>Total liabilities (B)</b>                                                                                | <b>9,45,346.76</b>  |
|       | <b>Net Assets (A-B)</b>                                                                                     | <b>1,76,072.63</b>  |

\*All the numbers have been extracted from the audited financial statements for the year ended 31 March 2017.

Date: 20 June 2017  
Place: Mumbai

Sanjay Chamria  
Vice Chairman & Managing Director  
DIN:00009894

Satya Brata Ganguly  
Director  
DIN: 00012220

V K Viswanathan  
Director  
DIN: 01782934

To  
**The Board of Directors**  
 Magma Fincorp Limited  
 24 Park Street,  
 Kolkata 700 016,

20 June 2017

Dear Sirs,

Independent Auditors' Report on Statement of Assets and Liabilities of Magma Fincorp Limited ('the Company') as provided in Form CAA.10 pursuant to section 233(1)(c) and rule 25 (2) of Companies Act 2013 ("the Act") for onward submission to Registrar of Companies (RoC).

1. This report is issued in accordance with the terms of our engagement letter dated 16 June 2017.
2. The accompanying Statement of Assets and Liabilities of the Company as at 31 March 2017 (hereinafter referred to as the "Statement I") contains the details as required in Form CAA.10 pursuant to section 233(1)(c) and rule 25 (2) of the Act which we have initialed for identification purposes only.

#### Management's Responsibility

3. The preparation of the accompanying Statement I is the responsibility of the Company's Management including the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the designing, implementing and maintaining internal control relevant to the preparation and presentation of Statement I, and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.
4. The Company's Management is also responsible for ensuring that the Company complies with the requirements of the Act as amended from time to time and provides all the relevant information to RoC.

#### Auditor's Responsibility

5. Pursuant to the requirements of the Act, it is our responsibility to obtain reasonable assurance and form an opinion as to whether the amounts in Statement I have been accurately extracted from the audited financial statements for the years ended 31 March 2017 and the computation is arithmetically correct.
6. The audited financial statements referred to in paragraph 5 above, has been audited by B S R & Co. LLP, on which we have issued an unmodified audit opinion for the years ended 31 March 2017 vide our report dated 11 May 2017. Our audit of these financial

statements were conducted in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

7. We conducted our examination of Statement I in accordance with the Guidance Note on Reports or Certificates for Special Purpose (Revised 2016) issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by ICAI.
8. 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

9. Based on our examination as above, and the information and explanations given to us in this regard, in our opinion, the amounts in the Statement I have been accurately extracted from the audited financial statement for the year ended 31 March 2017 and the computation in the Statement I is mathematically accurate.

#### Restriction on Use

10. This report is addressed to and provided to the Board of Directors of the Company solely for the purpose to enable comply with the requirement of the Act and to submit the accompanying Statement to RoC and it is not to be used by any other person or used for any other purpose without our prior written consent. 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 report is shown or into whose hands it may come without our prior consent in writing.

#### For B S R & Co. LLP

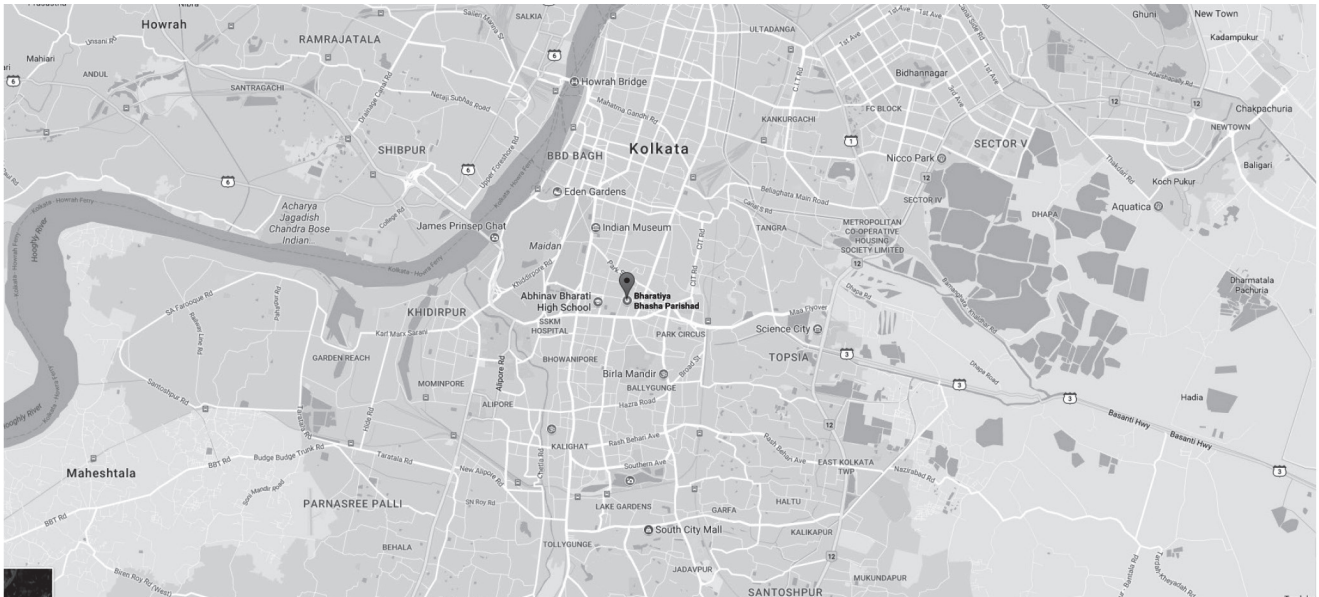
Chartered Accountants  
 Firm's Registration No: 101248W/W-100022

#### Jayanta Mukhopadhyay

Partner  
 Membership No: 055757

Enclosure: Statement I of the Company as at 31 March 2017 for onward submission to RoC in connection with the submission of solvency report as per Section 233 of the Act.

## Route Map for the 37th Annual General Meeting of the Company scheduled at 2 August 2017



### Venue

Sitaram Seksaria Auditorium, Bharatiya Bhasha Parishad,  
36A, Shakespeare Sarani, Kolkata - 700 017



## MAGMA FINCORP LIMITED

Registered Office: "Magma House", 24, Park Street, Kolkata – 700 016

Phone: +91 33-4401 7200/350 • Fax: 033-4402 7731

CIN: L51504WB1978PLC031813 • Website: www.magma.co.in

Email: shabnum.zaman@magma.co.in

### Form No. MGT-11

## PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN : L51504WB1978PLC031813  
Name of the Company : Magma Fincorp Limited  
Registered office : "Magma House", 24, Park Street, Kolkata-700 016  
Name of the member(s) :  
Registered address :  
E-mail ID :  
Folio No. / DP ID & Client ID\* :

I / We, being the member(s) of ..... shares of Magma Fincorp Limited, hereby appoint

1. Name : .....  
Address : .....  
E-mail ID : .....  
Signature : .....or failing him/her .....
2. Name : .....  
Address : .....  
E-mail ID : .....  
Signature : .....or failing him/her .....
3. Name : .....  
Address : .....  
E-mail ID : .....  
Signature : .....or failing him/her .....

as my/our proxy to attend and vote (on a ballot or polling paper) for me/us and on my/our behalf at the Annual General Meeting of the members of the Company to be held on Wednesday, 2 August 2017 at 3.00 P.M. at Sitaram Seksaria Auditorium, Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, Kolkata - 700 017 and at any adjournment thereof in respect of such resolutions as are indicated below:

| Resolution Number | Resolution                                                                                                                                                                                                                                                                                                                                                           | Vote (Please mention No. of shares) |         |         |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|---------|---------|
|                   |                                                                                                                                                                                                                                                                                                                                                                      | For                                 | Against | Abstain |
| Ordinary Business |                                                                                                                                                                                                                                                                                                                                                                      |                                     |         |         |
| 1.                | To consider and adopt the Audited Standalone Financial Statements of the Company for the financial year ended 31 March 2017 and the Reports of the Board of Directors and Auditors thereon.<br><br>To consider and adopt the Audited Consolidated Financial Statements of the Company for the financial year ended 31 March 2017 and the Report of Auditors thereon. |                                     |         |         |
| 2.                | To declare Dividend on Equity and Preference Shares for the financial year ended 31 March 2017.                                                                                                                                                                                                                                                                      |                                     |         |         |
| 3.                | To appoint a Director in place of Mr. Sanjay Chamria (holding DIN: 00009894) who retires by rotation and being eligible, offers himself for re-appointment.                                                                                                                                                                                                          |                                     |         |         |
| 4.                | To ratify appointment of M/s. B S R & Co. LLP, Chartered Accountants having Registration No. 101248W/W-100022 of Bangalore, as Statutory Auditors of the Company from the conclusion of the 36th AGM (2016-17) till the conclusion of the 37th AGM (2017-18) of the Company and to authorize the Board of Directors to fix their remuneration on yearly basis.       |                                     |         |         |
| Special Business  |                                                                                                                                                                                                                                                                                                                                                                      |                                     |         |         |
| 5.                | To determine the fees to be charged from the shareholders of the company for service of document through specified mode.                                                                                                                                                                                                                                             |                                     |         |         |
| 6.                | To approve of the Scheme of Merger of Wholly Owned Subsidiary Company i.e. Magma Advisory Services Limited with the Company.                                                                                                                                                                                                                                         |                                     |         |         |

Signed this .....day of.....2017

Signature of Shareholder .....

Signature of Proxy holder(s) .....

Affix  
Revenue  
Stamp

Note : This form of Proxy in order to be effective should be duly submitted and deposited at the Registered Office of the Company, not less than (48) forty-eight hours before the commencement of the meeting.

\* Applicable for members holding shares in Electronic Form



20 June 2017

Dear Shareholders,

### Submission of PAN details

We request you to submit details of your Income Tax **Permanent Account Number (PAN)** as in terms of directive of Securities and Exchange Board of India, submission of these details by every participant in the Securities / Capital Market has become mandatory.

**Kindly return the slip appended below, duly filled in and signed with self-attested copies of PAN cards of all holders including joint holders, to the Company or the RTA. If you are holding shares in electronic form, please furnish these details to your Depository Participant.**

In case you have already submitted the PAN details, kindly ignore this letter.

For MAGMA FINCORP LIMITED

**Shabnum Zaman**

Company Secretary

ACS: 13918



Name : .....

Address : .....

To

**Niche Technologies Private Limited**

Unit : Magma Fincorp Limited

D-511, Bagree Market, 5th Floor

71, B. R. B. Basu Road

Kolkata – 700 001.

We give below the PAN details together with self-attested photocopies of the PAN card. Kindly record the same against my/our names.

Folio No. .... Tel No. : .....

E-mail : .....

| Name of the Shareholder | PAN | * Signature |
|-------------------------|-----|-------------|
|                         |     |             |
|                         |     |             |

\* In case of account holder(s) other than individuals, kindly submit an attested copy of the required authorization alongwith the specimen signatures of the authorized signatories.



Niche Technologies Private Limited

Unit : **Magma Fincorp Limited**

D-511, Bagree Market, 5th Floor

71, B. R. B. Basu Road

Kolkata – 700 001.

### Re. : Payment of Dividend through NECS

# I wish to participate in the National Electronic Clearing Service (NECS) introduced by the Reserve Bank of India.

# I do not wish to participate in the NECS. However, kindly print the bank particulars given below on the Dividend Warrant being issued to me.

1. Registered Folio No. : .....
2. Shareholder's Name : .....
3. Shareholder's Address : .....
4. Income Tax Permanent Account Number (PAN) : 10 digits (PAN should be latest and correct) : .....
5. Particulars of Bank : .....
  - a. Name of the Bank : .....
  - b. Branch Name and Address : .....
  - \*c. 9 digit Code Number of the Bank and Branch as appearing on the MICR cheque issued by the Bank (Please attach photocopy of a cheque or a cancelled blank cheque issued by your bank for verifying the accuracy of the code number) : .....
  - d. Account type (Please tick) : .....

☐ Savings

☐ Current

☐ Cash Credit
  - e. Account No. (as appearing on the MICR cheque book) : .....

I hereby declare that the particulars above given are correct and complete. I undertake to inform any subsequent changes in the above particulars before the relevant book closure date(s). If the payment is delayed or not effected at all for any reason(s) beyond the control of the Company, I will not hold the Company responsible.

Date: .....

Signature of the First Holder

# Delete whichever is not applicable.

\* The nine digit code number of your bank and branch is mentioned on the MICR band next to the cheque number.





## MAGMA FINCORP LIMITED

CIN : L51504WB1978PLC031813, Registered Office : "MAGMA HOUSE", 24, Park Street,  
Kolkata - 700 016, Website : [www.magma.co.in](http://www.magma.co.in), Phone No.:91 33 4401 7350/7200, Fax: 033 4402 7731  
Email: [shabnum.zaman@magma.co.in](mailto:shabnum.zaman@magma.co.in)

### ATTENDANCE SLIP FOR ANNUAL GENERAL MEETING

**DATE : 2 AUGUST 2017**

**TIME: 3:00 P.M**

**VENUE: SITA RAM SEKSARIA AUDITORIUM, BHARATIYA BHASHA PARISHAD, 36A, SHAKESPEARE  
SARANI, KOLKATA-700 017**

**Envelope No.:**

Name and Registered address :  
of sole / first named member

Name(s) of Joint Holders, if any :

Ledger Folio/DP ID & Client ID No :

Number of Shares held :

Please tick in the box ☐ Member ☐ Proxy

\_\_\_\_\_  
Member's Signature

\_\_\_\_\_  
Name of the Proxy in Block Letter

\_\_\_\_\_  
Proxy's Signature

Note : Shareholder / Proxyholder wishing to attend the meeting must bring this Attendance Slip to the meeting and hand over at the entrance duly signed.

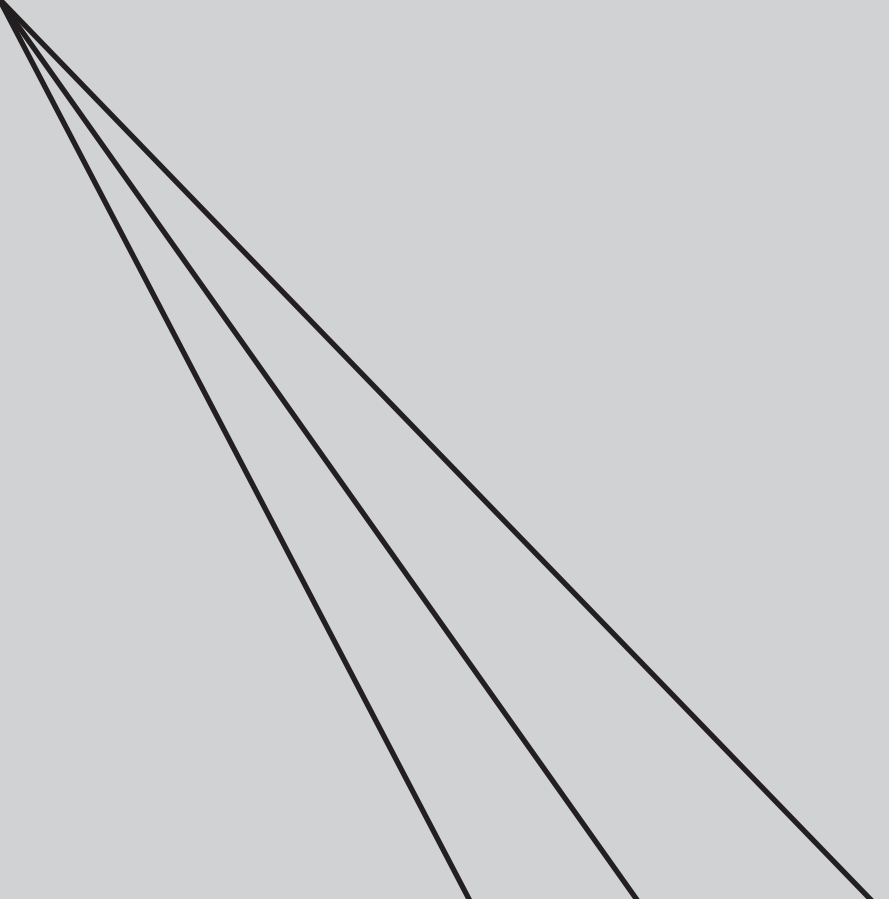
-----  
**The Electronic Voting Particulars are set out below:**

| EVEN<br>(Electronic Voting Event<br>Number) | User ID | PASSWORD |
|---------------------------------------------|---------|----------|
|                                             |         |          |

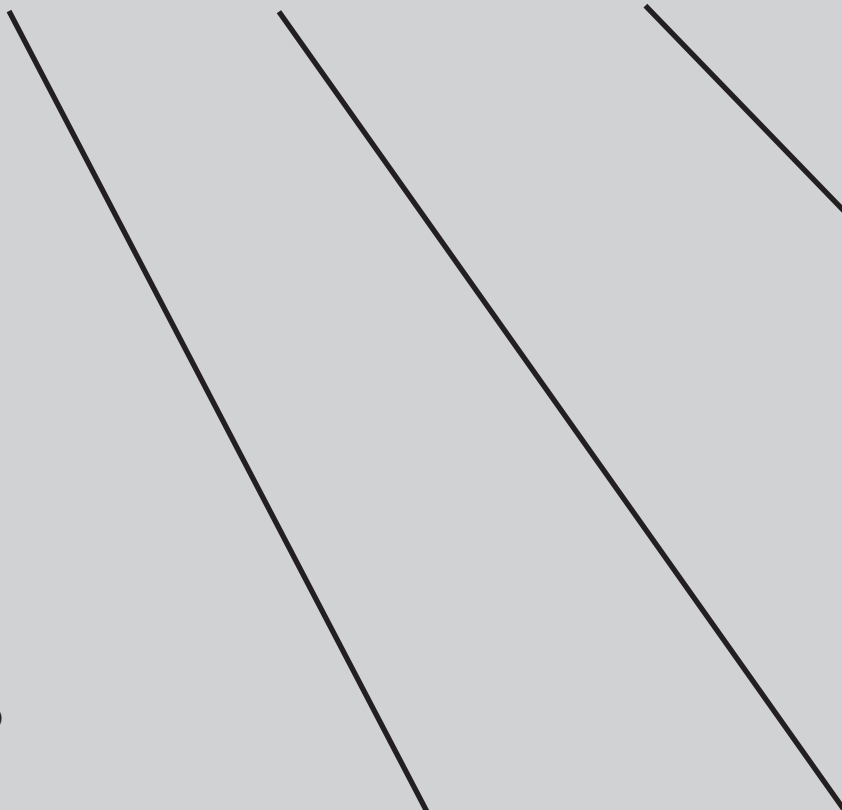
The E-voting facility will be available during the following voting period:

| Remote e-Voting Start On         | Remote e-Voting End On            |
|----------------------------------|-----------------------------------|
| 30 July 2017 at 09:00 A.M. (IST) | 01 August 2017 at 5:00 P.M. (IST) |

Please read the instructions mentioned in the Notice of the AGM before exercising your vote.



# CLARITY COMMITMENT CONVICTION



**2016-17**

ANNUAL REPORT | MAGMA FINCORP LIMITED

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### Equity Share Information

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

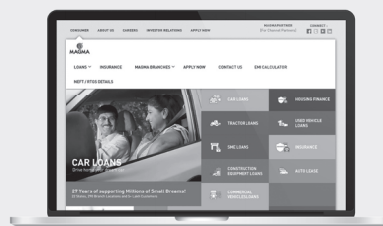
₹ **16,101 cr**  
Loan Book

₹ **6,716 cr**  
Disbursements

₹ **2,399 cr**  
Revenue

**7.43 %**  
Net income margin

Figures of 2016-17 (consolidated)



DIGITAL FIRST

For more details visit our website: [www.magma.co.in](http://www.magma.co.in)

# Corporate Information

CIN: L51504WB1978PLC031813

## BOARD OF DIRECTORS

### Mr. Narayan K Seshadri

Non Executive Independent Chairman

### Mr. Mayank Poddar

Whole Time Director

### Mr. Sanjay Chamria

Vice Chairman and Managing Director

### Mr. Nabankur Gupta

Non Executive Independent Director

### Mr. Satya Brata Ganguly

Non Executive Independent Director

### Mr. Sanjay Nayar

Non Executive Director

### Ms. Ritva Kaarina Laukkanen

Non Executive Director

### Mr. V K Viswanathan

Non Executive Independent Director

## CHIEF FINANCIAL OFFICER

Mr. Kailash Baheti

## COMPANY SECRETARY

Ms. Shabnum Zaman

## BANKERS

Punjab National Bank (Lead Banker)

State Bank of India

ICICI Bank Limited

Axis Bank Limited

UCO Bank

Oriental Bank of Commerce

United Bank of India

Corporation Bank

IDBI Bank Ltd

Indian Bank

Bank of Baroda

Union Bank of India

Bank of India

Dena Bank

Andhra Bank

Syndicate Bank

Central Bank of India

Bank of Maharashtra

Indian Overseas Bank

Canara Bank

Vijaya Bank

Allahabad bank

Punjab & Sind Bank

Catholic Syrian Bank

## STATUTORY AUDITORS

### B S R & Co. LLP

Chartered Accountants

Firm's Registration No.-

101248W/W-100022

Maruthi Info-Tech Centre

11-12/1 Inner Ring Road

Koramangala

Bangalore-560071

## SECRETARIAL AUDITOR

### M/s. MKB & Associates

Practicing Company Secretaries

**Manoj Kumar Banthia** (Proprietor)

COP No.-7596

Shantiniketan, 5th Floor, Room No. 511,

8, Camac Street, Kolkata-700 017

## REGISTERED OFFICE

### MAGMA HOUSE

24, Park Street, Kolkata - 700 016

Tel: +91 33 4401 7350/7200

Fax: +91 33 4401 7731

Email Id: secretary@magma.co.in

Website: www.magma.co.in

## CORPORATE OFFICE

### Equinox Business Park

2nd Floor, Tower 3, Off BKC

Ambedkar Nagar

LBS Marg, Kurla West

Mumbai - 400 070

Tel: +91 22 6229 1100/1150

## REGISTRAR AND SHARE TRANSFER AGENT

### Niche Technologies Private Limited

D-511, Bagree Market, 5th Floor

71, B.R.B. Basu Road, Kolkata - 700 001

Tel: +91 33 2235 7270 / 7271, +91 33 2234 3576

Fax: No. +91 33 2215 6823

Email Id: nichetechpl@nichetechpl.com

# Performance at a Glance

## PROFIT AND LOSS METRICS (Consolidated)

### Revenue

(₹ in Crores)

|                 |              |
|-----------------|--------------|
| <b>FY 16-17</b> | <b>2,399</b> |
| FY 15-16        | 2,506        |
| FY 14-15        | 2,386        |
| FY 13-14        | 2,096        |
| FY 12-13        | 1,701        |

### Profit After Tax

(₹ in Crores)

|                 |            |
|-----------------|------------|
| <b>FY 16-17</b> | <b>13*</b> |
| FY 15-16        | 213        |
| FY 14-15        | 187        |
| FY 13-14        | 160        |
| FY 12-13        | 145        |

\*Impacted due to loss on sale of NPA

## BALANCE SHEET METRICS (Consolidated)

### Disbursements

(₹ in Crores)

|                 |              |
|-----------------|--------------|
| <b>FY 16-17</b> | <b>6,716</b> |
| FY 15-16        | 7,180        |
| FY 14-15        | 10,115       |
| FY 13-14        | 9,081        |
| FY 12-13        | 8,678        |

### Total Assets (including off book)

(₹ in Crores)

|                 |               |
|-----------------|---------------|
| <b>FY 16-17</b> | <b>17,728</b> |
| FY 15-16        | 19,638        |
| FY 14-15        | 21,175        |
| FY 13-14        | 19,703        |
| FY 12-13        | 18,378        |

### Net Income Margin

(%)

|                 |             |
|-----------------|-------------|
| <b>FY 16-17</b> | <b>7.43</b> |
| FY 15-16        | 6.97        |
| FY 14-15        | 6.16        |
| FY 13-14        | 5.51        |
| FY 12-13        | 5.48        |

### Net NPA/Loan Book

(%)

|                 |            |
|-----------------|------------|
| <b>FY 16-17</b> | <b>5.6</b> |
| FY 15-16        | 6.4        |
| FY 14-15        | 3.9        |
| FY 13-14        | 2.9        |
| FY 12-13        | 1.3        |

### Collection Efficiency

(%)

|                 |             |
|-----------------|-------------|
| <b>FY 16-17</b> | <b>95.7</b> |
| FY 15-16        | 94.8        |
| FY 14-15        | 95.2        |
| FY 13-14        | 95.7        |
| FY 12-13        | 98.2        |

### Capital Adequacy Ratio

(Standalone)

(%)

|                 |             |
|-----------------|-------------|
| <b>FY 16-17</b> | <b>20.4</b> |
| FY 15-16        | 18.7        |
| FY 14-15        | 16.3        |
| FY 13-14        | 16.6        |
| FY 12-13        | 16.8        |

## NETWORK

## Branch Network

(No.)

FY 16-17 284

FY 15-16 234

FY 14-15 232

FY 13-14 274

FY 12-13 275

## Customer Base

(No.)

FY 16-17 4,37,000

FY 15-16 4,75,000

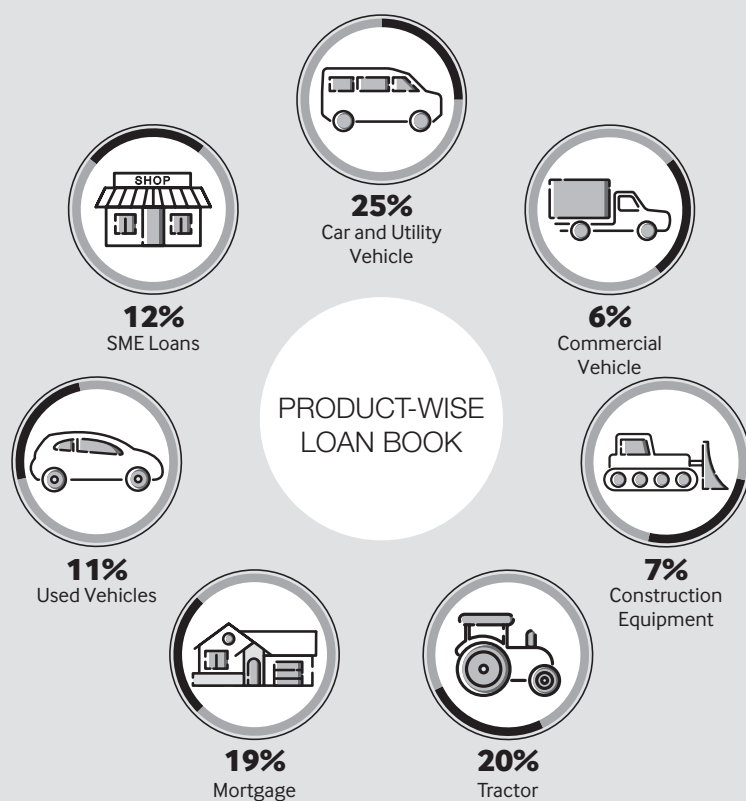
FY 14-15 4,90,000

FY 13-14 4,40,000

FY 12-13 3,90,000

(Numbers rounded off to nearest thousand)

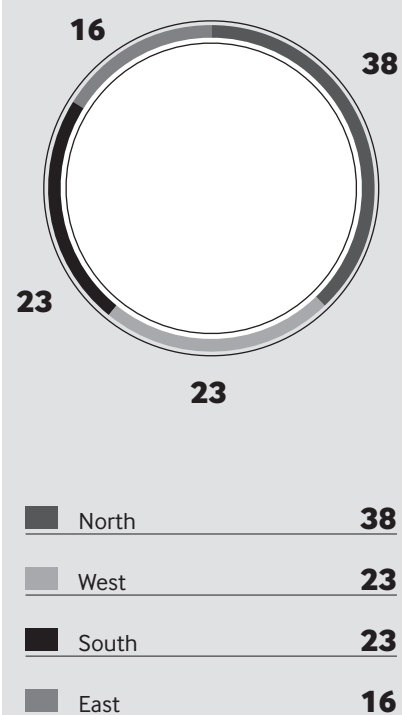
## LOAN BOOK BREAK-UP



As on 31 March 2017

## Geographic Break-up of Loan Book

(%)



# Board's Report & Management Discussion and Analysis

“

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

”

## Dear Shareholders,

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

Financial highlights is given below:



Narayan K Seshadri  
Chairman

(₹ in lacs)

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

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

<sup>2</sup> Refer Note No. 3 and 4 of standalone and consolidated financial statements of the Company.

## ECONOMIC AND INDUSTRY OVERVIEW

### Economic Overview

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

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

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

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

### Industry Overview

#### NBFC Sector

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

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

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

### Overview of underlying asset class

#### Automobile sector

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

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

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

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

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

#### SME Sector

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

### Mortgage Sector

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

### OVERVIEW OF COMPANY'S PERFORMANCE

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

### Asset quality

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

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

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

### Disbursements and loan assets

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

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

### New Initiatives and business outlook

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

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

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

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

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

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

#### Branch network

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

### FINANCIAL PERFORMANCE

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

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

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

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

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

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

### OPPORTUNITIES, CHALLENGES AND OUTLOOK

#### Opportunities

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

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

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

### Challenges

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

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

### Outlook

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

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

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

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

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

### CHANGE IN NATURE OF BUSINESS

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

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

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

### CONSOLIDATED FINANCIAL STATEMENTS

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

### SUBSIDIARIES AND JOINT VENTURE COMPANIES

#### Subsidiaries

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

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

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

#### Joint Ventures

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

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

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

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

#### DIVIDEND

As stipulated in SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016, the Company has adopted Dividend Distribution policy which has been posted on the Company's website at its weblink i.e. <https://magma.co.in/about-us/investor-relations/secretarial->

[documents/download-secretarial-documents/](#). In accordance with the Policy the Board would endeavor to maintain a total dividend pay-out ratio in the range of 10% to 20% of the annual standalone PAT of the Company. But to deliver sustainable value to its shareholders your Directors recommend the following dividend, subject to your approval at the ensuing Annual General Meeting as under:

1. **On Equity Shares @ 40% i.e ₹ 0.80 per Equity Share** of the face value of ₹ 2/- each.
2. **On Preference Shares:** 4.57% i.e. ₹ 4.57 pro-rata per share dividend on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 20/- each for 3 days i.e. 1 April 2016 to 3 April 2016 (both days inclusive); the shares were then fully redeemed on 4 April 2016 (1, 2 and 3 April 2016 being holidays).

#### TRANSFER TO RESERVE

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

#### DEPOSITS

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

#### EMPLOYEE STOCK OPTION SCHEME

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

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

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

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

## SHARE CAPITAL

### Equity Shares

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

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

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

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

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

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

## DEBT

### Secured Debt

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

### Unsecured Subordinated Debentures

During the year, the Company issued 1130 Nos. Unsecured Redeemable Non-Convertible Subordinated Debt in the nature of Debentures of face value of ₹ 10 lacs each, aggregating to ₹ 11,300 lacs. The Company had also raised a term loan in the nature of Subordinated Debt aggregating to ₹ 10,000 lacs, which carries an interest rate of (floating - 1 year MCLR + 1.35%) for the

tenure of 7 years. It is repayable in 18 equal monthly installments after initial moratorium of 66 months from the date of the loan viz. 30 June 2016.

### Perpetual Debt Instrument

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

## CREDIT RATING

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

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

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

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

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

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

## **RISK MANAGEMENT**

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

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

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

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

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

and resolution thereof with strong monitoring of portfolio quality measurement parameters, the initial results are encouraging.

## **Market risk**

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

- (a) Identification of the macro-economic indicators as relevant to Magma's lending business and
- (b) Establishing and regular monitoring of delinquency parameters at the portfolio level

## **Lead indicators**

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

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

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

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

## **Operational risk management**

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

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

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

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

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

#### Asset liability risk

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

#### Foreign exchange risk

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

#### Liquidity risk management

Magma has over a period of 3 decades, worked meticulously in

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

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

#### People Risk

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

Risks associated with recruitment:

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

Risks associated with employing people:

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

Risks associated with redeploying or letting people go include:

- Terminations or job loss due to organization restructuring

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

## INTERNAL CONTROL SYSTEM

### Internal Control and Audit

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

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

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

### Internal Financial Control

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

- Systems have been laid to ensure that all transactions are executed in accordance with management's general and specific authorization. There are well-laid manuals for such general or specific authorisation.
- Systems and procedures exist to ensure that all transactions are recorded as necessary to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles or any other criteria applicable to such statements, and to maintain accountability for aspects and the timely preparation of reliable financial information.
- Access to assets is permitted only in accordance with management's general and specific authorization. No assets of the Company are allowed to be used for personal purposes, except in accordance with terms of employment or except as specifically permitted.

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

## VIGIL MECHANISM/ WHISTLE BLOWER POLICY

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

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

## HUMAN RESOURCE- PEOPLE COUNT AT EVERY STEP

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

### Learning and development

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

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

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

### Driven by technology

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

### Incentive schemes

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

### Employee retention endeavours

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

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

### OUTLOOK

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

- Talent acquisition & management
  - Recruitment / staffing
  - Signature new hire orientation framework
  - Talent management
- Enhance HR processes by Leveraging technology. Enable all PS modules – Separation, Flexi Pay, Recruitment, Manpower Planning, Dashboards
- Enable efficiencies and performance by strengthening Performance management architecture
  - Simplify and implement a robust performance improvement plan
- Cultural transformation
  - Create and execute a roadmap for driving the key cultural shifts across the organisation

- - Galvanise and motivate the 'rank and file' of the organisation
- Strengthening process of employee investigation and consequence management
  - Drive mandatory online programs (Annual Certification)
  - Value based recognition framework

### Sexual Harassment of Women at Workplace

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

### INFORMATION TECHNOLOGY

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

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

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

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

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

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

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

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

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

## **CORPORATE IMAGE BUILDING & ENGAGING TARGET AUDIENCE**

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

Through these events, we have showcased all asset products from Magma stable – Vehicles, new and used, Unsecured SME lending and the Housing products. The key focus in sales activities

revolved around automation and tablet adoption, to leverage the revamped sales process changes being undertaken across all loan products. Customer convenience and ease of decision making to reduce the Turnaround times was the key deliverable of these technology based solutions on tablets. The same had been truly appreciated by channels and customers both.

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

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

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

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

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

### CUSTOMER RELATIONSHIP MANAGEMENT

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

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

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

customers, potential channel partners & potential employees & engage them through multiple initiatives. During the year, we have also launched various customer feedback studies through our call centre, in-branch customer services, short-code services & emailer campaigns.

### DIRECTORS AND KEY MANAGERIAL PERSONNEL

#### Appointment

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

#### Retirement by Rotation

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

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

#### Resignation

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

#### Chief Financial Officer

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

#### Independent Directors

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

### Familiarization programme

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

### Performance Evaluation

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

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

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

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

### Remuneration Policy

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

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- a. that in the preparation of the annual accounts for the year ended 31 March 2017, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b. that such accounting policies as mentioned in Notes to the annual accounts have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2017 and of the profit of the Company for the year ended on that date;
- c. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. that the annual accounts have been prepared on a going concern basis;
- e. that proper internal financial controls are in place and that the financial controls are adequate and are operating effectively; and
- f. that proper systems to ensure compliance with the provisions of all applicable laws are in place and that such systems are adequate and operating effectively.

### MEETINGS

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

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

### Audit Committee

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

### Nomination and Remuneration Committee

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

### Stakeholders' Relationship Committee

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

### Corporate Social Responsibility (CSR) Committee

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

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

### CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

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

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

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

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

### STATUTORY AUDITORS

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

### Statutory Auditors' Observations

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

### SECRETARIAL AUDIT

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

### BUSINESS RESPONSIBILITY REPORT (BRR)

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

### CORPORATE GOVERNANCE

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

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

- (ii) Report on the Corporate Governance; and
- (iii) Auditors' Certificate regarding compliance of conditions of Corporate Governance.

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

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

#### **EXTRACT OF ANNUAL RETURN**

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

#### **PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES**

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

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

#### **TRANSFER OF AMOUNT TO INVESTOR EDUCATION AND PROTECTION FUND**

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

Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed

amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 19 September 2016 (date of last Annual General Meeting) on the Company's website ([www.magma.co.in](http://www.magma.co.in)), as also on the Ministry of Corporate Affairs' website.

#### **FRAUD REPORTING**

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

#### **APPRECIATION**

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

#### **CAUTIONARY STATEMENT**

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

For and on behalf of the Board

**Narayan K Seshadri**

Chairman

DIN: 00053563

**Sanjay Chamria**

Vice Chairman and Managing Director

DIN: 00009894

Mumbai

11 May 2017

# Annexure -1 to Board's Report

## ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

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

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

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

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

**Web-link of the CSR Policy:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(₹ In lacs)

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

## 6. Key achievements

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

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

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

### Trucker's Initiative

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

Magma collaborated with Petroleum Conservation Research Association (PCRA), a Government of India undertaking to launch a nation-wide initiative to help Indian truckers reduce their operating costs by improving their mileage and hence reduce air pollution that causes many ailments among truckers. Training workshops on improving driving habits for better mileage and fuel conservation are organized regularly. Besides, certification and installation of E-toilets are also carried out with an aim to improve the hygiene sanitation facility. Through a survey done for the initiative for all group companies, we found that 90% of the drivers were satisfied from the trainings and 88% have implemented the

techniques which resulted in saving significant volume of fuel and reduced large amount of CO<sub>2</sub>. Under the program, Magma and PCRA have so far trained over 80,000 Truckers in 143 Transport Nagars across the country.

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

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

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

### Mid Day Meal Program

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

### Ekal Vidyalaya Project - taking education to remote India

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

**Magma Swayam – Corporate Volunteering Program**

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

**Awards**

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

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

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

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

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

**8. Responsibility Statement**

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

**Sanjay Chamria**

(Vice Chairman and  
Managing Director)

**Mayank Poddar**

(Chairman CSR Committee)

# Annexure -2 to Board's Report

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

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

To  
The Members,  
**Magma Fincorp Limited**

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

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

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

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

- |                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>i) The Companies Act, 2013 (the Act) and the rules made thereunder;</li> <li>ii) The Securities Contracts (Regulation) Act, 1956 and Rules made thereunder;</li> <li>iii) The Depositories Act, 1996 and Regulations and Bye-laws framed thereunder;</li> </ul> | <ul style="list-style-type: none"> <li>iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Overseas Direct Investments, Foreign Direct Investments and External Commercial Borrowings;</li> <li>v) The following Regulations and Guidelines prescribed under the Securities &amp; Exchange Board of India Act, 1992 ("SEBI Act") or by 'SEBI', to the extent applicable:               <ul style="list-style-type: none"> <li>a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011</li> <li>b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015</li> <li>c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009</li> <li>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</li> <li>e) The Securities and Exchange Board of India (Issue and listing of Debt securities) Regulations, 2008</li> <li>f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993</li> <li>g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009</li> <li>h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998</li> </ul> </li> <li>vi) The following Directions, Circulars and Guidelines prescribed by the Reserve Bank of India, inter alia, specifically applicable to the Company:</li> </ul> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

- a) The Reserve Bank of India Act, 1934 (Chapter IIIB), Sec 45 IA
- b) Master Circular dated 1st July, 2015 on Know Your Customer (KYC) Guidelines – Anti Money Laundering Standards (AML) – Prevention of Money Laundering Act, 2002
- c) Master Circular dated 1st July, 2015 on Fair Practices Code
- d) Master Circular dated 1st July, 2015 on Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015
- e) Master Circular dated 1st July, 2015 on Miscellaneous Instructions to NBFC- ND-SI
- f) Master Circular dated 1st July, 2015 on Frauds- Future approach towards monitoring of frauds in NBFCs
- g) Issuance of Non-Convertible Debentures (Reserve Bank) (Amendment) Directions, 2010 read with Guidelines on Raising Money through Private Placement by NBFCs issued on 27 June, 2013 read with RBI's Circular dated 2 July, 2013 and 20 February, 2015
- h) Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015
- i) Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016
- j) Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016
- k) Master Direction - Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016
- l) Master Direction- Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016
- m) Master Direction on Know Your Customer (KYC) Direction, 2016

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

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

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

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

We further report that

- a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- b) Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- c) None of the directors in any meeting dissented on any resolution and hence there was no instance of recording any dissenting member's view in the minutes.

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

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

- a) Redemption of 65,00,999 nos. Cumulative, Non-Convertible, Redeemable Preference shares of ₹ 100/- each on 04/04/2016;
- b) Allotment of Equity Shares of ₹ 2/- each pursuant to exercise of Options under the Scheme of ESOP, namely, 'Magma Employee Stock Option Plan, 2007' as under:
  - i. 15,000 nos. allotted on 26/04/2016;
  - ii. 90,000 nos. allotted on 13/08/2016;
  - iii. 26,000 nos. allotted on 08/02/2017;
- c) Preferential issue & allotment of Rated Secured Redeemable Non-Convertible Debentures of ₹ 10,00,000/- each as under:
  - i. 50 nos. allotted on 10/01/2017;
  - ii. 500 nos. allotted on 13/02/2017;
- d) Preferential issue and allotment of Rated Unsecured Redeemable Non-Convertible Subordinated Debentures of ₹ 10,00,000/- each as under:
  - i. 350 nos. allotted on 07/12/2016;
  - ii. 100 nos. allotted on 14/12/2016;
  - iii. 30 nos. allotted on 28/12/2016;
  - iv. 50 nos. allotted on 03/01/2017;
  - v. 200 nos. allotted on 06/01/2017;
  - vi. 250 nos. allotted on 24/01/2017;
  - vii. 150 nos. allotted on 03/03/2017;
- e) Preferential issue of Rated Unsecured Non-Convertible Subordinated Perpetual Debt in the nature of debentures as under:

- i. 60 nos. allotted on 14/06/2016 of ₹ 5,00,000/- each;
- ii. 34 nos. allotted on 05/07/2016 of ₹ 5,00,000/- each;
- iii. 100 nos. allotted on 01/08/2016 of ₹ 10,00,000/- each;
- iv. 30 nos. allotted on 09/09/2016 of ₹ 10,00,000/- each;
- v. 19 nos. allotted on 03/02/2017 of ₹ 10,00,000/- each;
- vi. 10 nos. allotted on 07/03/2017 of ₹ 10,00,000/- each;

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

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

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

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

For **MKB & Associates**  
Company Secretaries

**Manoj Kumar Banthia**  
[Partner]

Date: 26.04.2017  
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: 26.04.2017  
Place: Kolkata

# Annexure -3 to Board's Report

## FORM NO. MGT- 9

### EXTRACT OF ANNUAL RETURN

as on the Financial Year ended on 31st March 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

#### I. REGISTRATION AND OTHER DETAILS :

|      |                                                                           |   |                                                                                                                                                                                                                                                           |
|------|---------------------------------------------------------------------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i)   | CIN                                                                       | : | L51504WB1978PLC031813                                                                                                                                                                                                                                     |
| ii)  | Registration Date                                                         | : | 18th December, 1978                                                                                                                                                                                                                                       |
| iii) | Name of the Company                                                       | : | Magma Fincorp Limited                                                                                                                                                                                                                                     |
| iv)  | Category / Sub-Category of the Company                                    | : | Public Company – Limited by shares                                                                                                                                                                                                                        |
| v)   | Address of the Registered office and contact details                      | : | Magma House, 24, Park Street<br>Kolkata- 700 016, West Bengal, India.<br>Telephone Nos. : 033-4401 7350 / 7200<br>Facsimile Nos. : 033-4401 7313<br>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<br>D-511, Bagree Market, 5th Floor, 71 B. R. B. Basu Road, Kolkata- 700 001,<br>West Bengal, India.<br>Telephone Nos. : 033-2235 7270 / 7271<br>Facsimile Nos. : 033-2215 6823<br>e-mail : nichetechpl@nichetechpl.com |

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY :

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

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

#### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES :

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

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

##### (i) Category-wise Shareholding :

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

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

##### (i) Category-wise Shareholding :

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

##### (ii) Shareholding of Promoters :

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

(\*) % Changes due to others various allotment

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

##### (iii) Change in Promoters' Shareholding:

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

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

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

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

(v) Shareholding of Directors and Key Managerial Personnel :

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

<sup>2</sup> Appointed as a Non-Executive Independent Director of the Company w.e.f. 13 August 2016

<sup>3</sup> Appointed as Chief Financial Officer of the Company w.e.f. 4 November 2016

## V. INDEBTEDNESS

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

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

## 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/WT/Manager                                                              |                                                  | Total Amount  |
|         |                                                                                     | Mayank Poddar-WTD                                                                  | Sanjay Chamria-Vice Chairman & Managing Director |               |
| 1.      | Gross salary                                                                        |                                                                                    |                                                  |               |
|         | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 60.00                                                                              | 60.00                                            | 120.00        |
|         | (b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961                      | 5.15                                                                               | 5.15                                             | 10.30         |
|         | (c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961       | 74.77                                                                              | 74.77                                            | 149.54        |
| 2.      | Stock Option                                                                        | -                                                                                  | -                                                | -             |
| 3.      | Sweat Equity                                                                        | -                                                                                  | -                                                | -             |
| 4.      | Commission<br>- as % of profit<br>- others                                          | -                                                                                  | -                                                | -             |
| 5.      | Others                                                                              | 10.08                                                                              | 10.08                                            | 20.16         |
|         | <b>Total Amount (A)</b>                                                             | <b>150.00</b>                                                                      | <b>150.00</b>                                    | <b>300.00</b> |
|         | <b>Ceiling as per the Act</b>                                                       | The Ceiling is as per the Companies Act read with Part II Section II of Schedule V |                                                  |               |

### B. Remuneration to the other Directors :

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

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

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

<sup>4</sup> Resigned as a Chief Financial Officer w.e.f. 3 November 2016

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

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

**Narayan K Seshadri**  
Chairman  
DIN: 00053563

Mumbai  
11 May 2017

## Annexure -4 to Board's Report

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

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

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

<sup>1</sup> Appointed as Chief Financial Officer w.e.f 4 November 2016

<sup>2</sup> Resigned as Chief Financial Officer w.e.f. 3 November 2016

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

- ii) The median remuneration of employees of the Company during the financial year was ₹ 3.54 lacs.  
 iii) In the financial year, there was an increase of 10.77 % in the median remuneration of employees.  
 iv) There were 4154 permanent employees on the rolls of Company as on 31 March 2017.  
 v) Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2016-17 was 6.06% whereas the increase in the managerial remuneration for the same financial year was -27.22% since no commission was paid during FY 2016-17.  
 vi) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other employees.

For and on behalf of the Board

Mumbai  
11-May-2017

**Narayan K Seshadri**  
Chairman  
DIN: 00053563

## PARTICULARS OF EMPLOYEES

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

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

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

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

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

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

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

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

#### Notes:

1. Gross remuneration comprises salary, medical reimbursement, leave travel concession, housing, Company's contribution to provident fund, pension and gratuity fund, monetary value of other perquisites as per the Income Tax Act and Rules, leave encashment, bonus and commission.
2. All appointments were made in accordance with the terms and conditions as per Company Rules.
3. None of the employee hold 2% or more of the paid up share capital of the Company either by himself or along with his/her spouse and dependent children.
4. None of the above employee is related to any Director of the Company except Mr. Harshvardhan Chamria who is a relative of Mr. Sanjay Chamria.

For and on behalf of the Board

**Narayan K Seshadri**  
Chairman  
DIN: 00053563

Place: Mumbai  
11-May-2017

# Business Responsibility Report (BRR)

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

## SECTION A: General Information about the Company

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

## SECTION B: Financial Details

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

## SECTION C: Other Details

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

## SECTION D: BR Information

### 1. Details of Director/Directors responsible for BR

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

| DIN      | Name          | Designation        |
|----------|---------------|--------------------|
| 00009409 | Mayank Poddar | Wholetime Director |

**b) Details of the BR head**

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

**2. Principle-wise (as per NVGs) BR Policy/policies****PRINCIPLE****1**

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

**PRINCIPLE****2**

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

**PRINCIPLE****3**

Businesses should promote the wellbeing of all employees

**PRINCIPLE****4**

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

**PRINCIPLE****5**

Businesses should respect and promote human rights

**PRINCIPLE****6**

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

**PRINCIPLE****7**

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

**PRINCIPLE****8**

Businesses should support inclusive growth and equitable development

**PRINCIPLE****9**

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

| Sl. No. | Questions                                                                                                                                                | P 1<br>Ethics and<br>Transparency | P 2<br>Product<br>Responsibility | P 3<br>Wellbeing of<br>employees | P 4<br>Responsiveness<br>to Stakeholders | P 5<br>Respect Human<br>Rights | P 6<br>Environmental<br>Responsibility | P 7<br>Public policy<br>advocacy | P 8<br>Support<br>inclusive<br>growth | P 9<br>Engagement<br>with<br>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<br>Note 1                       | Y<br>Note 1                      | Y<br>Note 1                      | Y<br>Note 1                              | Y<br>Note 1                    | Y<br>Note 1                            | -                                | Y<br>Note 1                           | Y<br>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<br>Note 2                       | Y<br>Note 2                      | Y<br>Note 2                      | Y<br>Note 2                              | Y<br>Note 2                    | Y<br>Note 2                            | -                                | Y<br>Note 2                           | Y<br>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<br>Note 3                       | Y<br>Note 3                      | Y<br>Note 3                      | Y<br>Note 3                              | Y<br>Note 3                    | -                                      | -                                | Y<br>Note 3                           | Y<br>Note 3                            |

- P1:** The Company has a Breach of Integrity and Whistle Blower (Vigil Mechanism) Policy and Anti Money Laundering Policy and also has Code of Conduct, for its employees and directors and Code of Business Ethics for all its stakeholders.
- P2:** Considering the nature of our business, this principle has limited applicability on the Company.
- P3:** The Company's Code of Conduct and Business Ethics strongly embraces gender equality, equal opportunity and anti-harassment in the workplace.
- P4:** The Company plays an important role in nation building and financial inclusion by complementing the banking sector in reaching out credit to the unbanked and under-banked segments of society, especially to the micro, small and medium enterprises (MSMEs), which form the cradle of entrepreneurship and innovation. The Company also adheres to the guidelines laid down by Reserve Bank of India applicable to NBFCs.
- P5:** The Company upholds the principles of Human Rights and conducts operations with integrity and openness and respect for human rights of the employees. They adhere to the directives issued by Central/State Governments regarding the same.
- P6:** Considering the nature of our business, this principle has limited applicability on the Company.
- P7:** The Company is associated with apex industry institutions that are engaged in policy advocacy, like Bharat Chamber of Commerce (BCC), Confederation of Indian Industry (CII), Finance Industry Development Council (FIDC), The Federation of Indian Chambers of Commerce and Industry (FICCI) and various other forums. The Company's engagement with the relevant authorities is guided by the values of commitment, integrity, transparency and the need to balance interests of diverse stakeholders.
- P8:** The Company has a CSR Policy which guides all its CSR activities we undertake for the disadvantaged, marginalized and vulnerable stakeholders.
- P9:** The Company's Fair Practices Code aims to provide to all the stakeholders, good, fair and trustworthy practices by setting certain standards and ensures transparency in the Company's dealings with its customers. The Customer Grievance Redressal Policy aims at minimizing instances of customer complaints and grievances. The Company also ensures privacy and confidentiality of customers' data.

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

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

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

### 3. Governance related to BR

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

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

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

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

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

### SECTION E: Principle-wise performance

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

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

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

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

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

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

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

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

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

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

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

- a) Reduction during sourcing/production/ distribution

achieved since the previous year throughout the value chain?

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

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

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

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

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

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

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

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

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

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

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

### PRINCIPLE 3: Businesses should promote the wellbeing of all employees

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

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

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

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

Yes

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

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

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

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

**PRINCIPLE 5: Businesses should respect and promote human rights**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has no project related to Clean Development Mechanism.

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

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

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

Yes- All the primary wastes mainly paper and electronic are recycled to the maximum possible extent. The emissions

and wastes of the Company are within the permissible limits of the laws applicable.

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

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

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

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

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

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

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

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

**PRINCIPLE 8: Businesses should support inclusive growth and equitable development**

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

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

|      |                               |                                                                                                                                                                                                                                                                                                                                                                  |
|------|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i    | Trucker's Initiative          | <ul style="list-style-type: none"> <li>● Covering Health and Sanitation<br/>A nation-wide initiative to help Indian truckers reduce their operating costs by improving their mileage and hence reduce air pollution that causes many ailments among truckers. Trained around 80,000 Truckers in approximately 143 Transport Nagars across the country</li> </ul> |
| ii   | M Scholar                     | <ul style="list-style-type: none"> <li>● Provided financial assistance to 99 meritorious students from low income families (daily wage earners/machine operators/household help) across the country to meet a part of their education and related expenses while pursuing higher studies</li> </ul>                                                              |
| iii  | Mid Day Meal                  | <ul style="list-style-type: none"> <li>● Pledged support for "Annamrita" program for 1,581 students from Govt. schools located in West Bengal, for a complete school year. The idea was to provide hygienically cooked, balanced, nutritious, wholesome food for children in municipal and government aided schools in Kolkata.</li> </ul>                       |
| iv   | Ekal Vidyalaya Project        | <ul style="list-style-type: none"> <li>● Adopted schools located in a particular village and made it conducive for the kids learning</li> <li>● Teaching the children basic literacy and life skills to help them develop self-confidence and succeed in rural occupations and pursue higher education</li> </ul>                                                |
| v    | Robert High School            | <ul style="list-style-type: none"> <li>● Providing safe and conducive environment for the education of the student belongs to the under privileged section of the society</li> </ul>                                                                                                                                                                             |
| vi   | Medical Kit Cum First Aid Box | <ul style="list-style-type: none"> <li>● Medical assistance to forest guard of Palpur Kuno Sanctuary</li> </ul>                                                                                                                                                                                                                                                  |
| vii  | Every Child is Special        | <ul style="list-style-type: none"> <li>● Infrastructural support to Balajothi Centre for disabled</li> <li>● A place that provides Respite Care, Rehabilitation, and Special Education to children with special needs</li> </ul>                                                                                                                                 |
| viii | Mobile Health Camp            | <ul style="list-style-type: none"> <li>● Free Medical Check-up at various location in West Bengal</li> <li>● 4 camps in a month, have benefitted around 1,000 patients.</li> </ul>                                                                                                                                                                               |
| ix   | Pre School Learning           | <ul style="list-style-type: none"> <li>● Support to Svackshee Sansthan, an NGO to set up a pre-school centre for the slum kids</li> <li>● Provided books, toys and uniform for the kids of the Mewat District in Rajasthan</li> </ul>                                                                                                                            |

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

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

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

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

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

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

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

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

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

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

1. Maintain complete transparency about the loan sanctioning process
2. Easy and fast documentation so that the loan is disbursed in a timely manner
3. Build and develop the best performing and efficient team to cater our customers

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

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

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

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

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

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

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

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

# Board's Report on Corporate Governance

## 1. COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE

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

## 2. BOARD OF DIRECTORS ('BOARD')

### 2.1 Composition and category

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

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

of the Board and category of Directors are as follows:

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

### 2.2 Pecuniary relationship or transactions

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

### 2.3 Board Meetings

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

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

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

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

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

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

<sup>2</sup> Appointed as an Independent, Non-executive Director of the Company w.e.f. 13 August 2016

## 2.4 Remuneration of Directors

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

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

1. Notice period, service contract and severance fees for Executive Directors is as per the Company's rules.

2. None of the Directors hold stock options as on 31 March 2017.

## 2.5 Code of Conduct

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

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

The following information is regularly placed before the Board:

1. Annual operating plans of business and budgets and any updates thereof;
2. Capital budgets and any updates;
3. Quarterly results for the Company and its operating divisions or business segments;
4. Minutes of meetings of the Audit Committee and other Committees of the Board;
5. The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary;
6. Show cause, demand, prosecution notices and penalty notices, which are materially important;
7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems;
8. Any material default in financial obligations to and by the listed entity;
9. Details of any joint venture or collaboration agreement;
10. Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business;

11. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer (if any), among others;

12. Minutes and Financial Results of the Subsidiary Companies: M/s. Magma ITL Finance Limited, M/s. Magma Advisory Services Limited and <sup>3</sup>M/s. Magma Housing Finance (A Public Company with Unlimited Liability) and Financial Results of Joint Venture Companies: M/s. Magma HDI General Insurance Company Limited and M/s. Jaguar Advisory Services Private Limited.

## 3. COMMITTEES

Magma at present has nine Committees of the Board: -

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

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

### 3.1 Audit Committee

#### 3.1.1. Terms of reference

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

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

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

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

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

### 3.1.2 Composition and Attendance

The Audit Committee met 4 times during the year under review i.e. on 11 May 2016, 13 August 2016, 3 November

2016 and 8 February 2017. The composition and attendance details of the members of the Audit Committee is given below:

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

<sup>4</sup> Inducted as a member w.e.f. 6 May 2016

<sup>5</sup> Inducted as a member w.e.f. 13 August 2016

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

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

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

## 3.2 Stakeholders Relationship Committee

### 3.2.1 Terms of reference

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

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

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

### 3.2.2 Composition and Attendance

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

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

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

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

| Number of Complaints |          |         |
|----------------------|----------|---------|
| Received             | Resolved | Pending |
| 2                    | 2        | Nil     |

### 3.3 Nomination and Remuneration Committee

#### 3.3.1 Terms of reference

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

#### Review of matters by the Committee

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

#### Approval of matters by the Committee

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

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

4. Review and approve succession plans for Senior Management (all the Direct Reportees to the Managing Director i.e. Excom members of the Company);
5. Approval of the annual compensation revision cycle of the employees of the Company.

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

1. Devising a policy on Board diversity and recommending the size and an optimum mix of promoter directors, executive, independent and non-independent directors keeping in mind the needs of the Company.
2. Identifying, evaluating and recommending to the Board:
  - a. Persons who are qualified for appointment as Independent and Non-Executive Directors/ Executive Directors/ Whole time Directors/ Managing Directors in accordance with the criteria laid down;
  - b. Appointment of Senior Management Personnel (all the Direct Reportees to the Managing Director i.e. Excom members of the Company) in accordance with the criteria laid down;
  - c. Removal of Directors and Senior Management Personnel.
3. Determining processes for evaluating the skill, knowledge, experience, effectiveness and performance of individual directors as well as the Board as a whole;
4. Recommending Budget for Board related expenses;
5. To devise a Policy on remuneration including any compensation related payments of the directors, key managerial personnel and other employees and recommend the same to the Board of Directors of the Company;
6. Based on the Policy as aforesaid, determine remuneration packages for the following:

- a. Recommend remuneration package of the Directors of the Company, including Commission, Sitting Fees and other expenses payable to Non-Executive Directors of the Company.
  - b. Recommend changes in compensation levels and one time compensation related payments in respect of Managing Director/Whole-time Director/Executive Director.
7. Recommend & review succession plans for Managing Directors;
  8. Evolve a policy for authorizing expenses of the Chairman and Managing Director of the Company.

**3.3.2 Composition and Attendance**

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

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

<sup>6</sup> Inducted as a member w.e.f. 6 May 2016

<sup>7</sup> Inducted as a member w.e.f. 12 May 2016

<sup>8</sup> Ceased to be a member w.e.f. 26 September 2016

<sup>9</sup> Inducted as a member w.e.f. 13 August 2016

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

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

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

### 3.4 Management Committee

#### 3.4.1 Terms of reference

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

#### 3.4.2 Composition and Attendance

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

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

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

### 3.5 Fair Practices Code Committee

#### 3.5.1 Terms of reference

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

#### 3.5.2 Composition and Attendance

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

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

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

### 3.6 Corporate Social Responsibility (CSR) Committee

#### 3.6.1 Terms of reference

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

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

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

### 3.6.2 Composition and Attendance

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

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

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

## 3.7 Risk Management Committee

### 3.7.1 Terms of reference

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

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

### 3.7.2 Composition and Attendance

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

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

<sup>10</sup> Inducted as a member w.e.f. 13 August 2016

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

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

## 3.8 Asset Liability Management Committee

### 3.8.1 Terms of reference

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

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

### 3.8.2 Composition and Attendance

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

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

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

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

### 3.9 Review Committee

#### 3.9.1 Terms of reference

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

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

#### 3.9.2 Composition

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

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

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

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

### 4. SEPARATE MEETING OF INDEPENDENT DIRECTORS

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

### 5. REMUNERATION POLICY

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

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

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

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

- 1.3. Independent Directors will be selected on the basis of identification of industry/ subject leaders with strong experience. The advisory area and therefore the role, may be defined for each independent director;
- 1.4. In Magma, Senior Management Personnel shall consist of Excom group. It usually comprises of the function and business heads who directly reports to Vice-Chairman & Managing Director (VC & MD);
- 1.5. For any Senior Management Personnel recruitment, it is critical to identify the necessity for that role in the context of the Company. In order to validate the requirement –
  - a. Job Description (JD) along with profile fitment characteristics from a personality, experience and qualification point of view shall be created;
  - b. The recruitment process shall generally involve meetings with Chief People Officer (CPO), VC&MD and/or identified members of the NRC and Board, on the basis of which the candidature will be finalised;
  - c. The total remuneration to be offered to the new candidate as above, shall be shared with the NRC for their concurrence by the CPO. Thereafter, the offer shall be rolled out.

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

- 2.1 For each Independent Director, the appointment shall be based on the need identified by the Board;
- 2.2 The role and duties of the Independent Director shall be clearly specified by highlighting the committees they are expected to serve on, as well as the expectations of the Board from them;
- 2.3 At the time of selection, Board shall review the candidature on skill, experience and knowledge to ensure an overall balance in the Board so as to enable the Board to discharge its functions and duties effectively;
- 2.4 Any appointment of the Independent Director shall be approved at the meeting of the shareholders, in accordance with extant laws;

- 2.5 Director's Independence test shall be conducted as per the conditions specified in the Companies' Act and the rules thereunder;
- 2.6 Board's expectation from each Independent Director shall be clearly mentioned in the appointment letter;
- 2.7 The Independent Director shall confirm having read and complied with the Magma's Code of Conduct. They shall also need to confirm and sign the Independence Test;
- 2.8 The remuneration of the Directors shall be established on the reasonability and sufficiency of level in order to attract, retain and motivate the Directors; and
- 2.9 VC & MD along with Company Secretary shall be involved in the familiarisation/ induction process for the independent director/s.

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

- 3.1 The Independent Directors would be paid sitting fees subject to the limits prescribed under the Companies Act, or any amendments thereto, as may be determined by NRC from time to time, for attending each meeting(s) of the Board and Committees thereof;
- 3.2 Directors shall be reimbursed any travel or other expenses, incurred by them, for attending the Board and Committee meetings;
- 3.3 Additionally, the Independent Directors shall be paid remuneration by way of commission for each financial year:
  - a. Total commission pay out to all Independent Directors in aggregate shall be restricted to a limit of 1% of net profits of the Company, further subject to recommendation by the NRC and determination by the Board, as further subject to approval by the shareholders of the Company at the Annual General Meeting; and
  - b. NRC shall recommend quantum of commission which, in its best judgement and opinion is commensurate to the level of engagement each Independent Director would have with the members of Senior Management Personnel

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

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

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

## 6. FAMILIARIZATION PROGRAMME

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

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

During the financial year 2016-17, the Independent Directors were updated from time to time on continuous basis on the significant changes in the regulations applicable to the Non-Banking Finance Companies. The details of such

Familiarization Programmes for Directors may be referred to, at the website of the Company at its weblink i.e. <https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/>.

## 7. PERFORMANCE EVALUATION

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

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

## 8. SUBSIDIARY COMPANIES

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

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

## 9. VIGIL MECHANISM / WHISTLE BLOWER

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

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

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

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

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

## **10. CODE FOR PREVENTION OF INSIDER-TRADING PRACTICES**

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

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

## **11. OTHER DISCLOSURES**

- All related party transactions that were entered into during the financial year were on an arm's length basis and were usually in the ordinary course of business. There has been no materially significant related party transactions between the Company and its directors, their relatives, subsidiaries or associates. All Related

Party Transactions are placed before the Audit Committee. Disclosure of transactions with related parties is provided in notes to the financial statements, forming part of this Report.

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

- The Company received sufficient disclosures from Promoters, Directors or the Senior Management wherever applicable.
- The Company complied with the statutory rules and regulations including those of the SEBI and the Stock Exchanges. There was no default on any related issue during last three years.

## **12. MEANS OF COMMUNICATION WITH SHAREHOLDERS**

### **Quarterly results**

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

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

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

### **Website**

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

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

**Presentations to institutional investors / analysts:**

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

**Press releases**

Press reports are given on important occasions. They are sent to Stock Exchanges and also placed on the Company's website [www.magma.co.in](http://www.magma.co.in).

**NSE Electronic Application Processing System (NEAPS)**

NEAPS is a web-based application designed by NSE

for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, media releases, among others are filed electronically on NEAPS.

**BSE Corporate Compliance & Listing Centre (the Listing Centre)**

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

**SEBI Complaints Redress System (SCORES)**

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

### 13. MANAGEMENT DISCUSSION AND ANALYSIS (MDA)

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

### 14. GENERAL BODY MEETINGS

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

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

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

**b) Postal Ballot**

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

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

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

The following resolution was passed with requisite majority:

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

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

## 15. GENERAL SHAREHOLDERS' INFORMATION

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

### a) Listing of shares

The Equity Shares of the Company are listed on

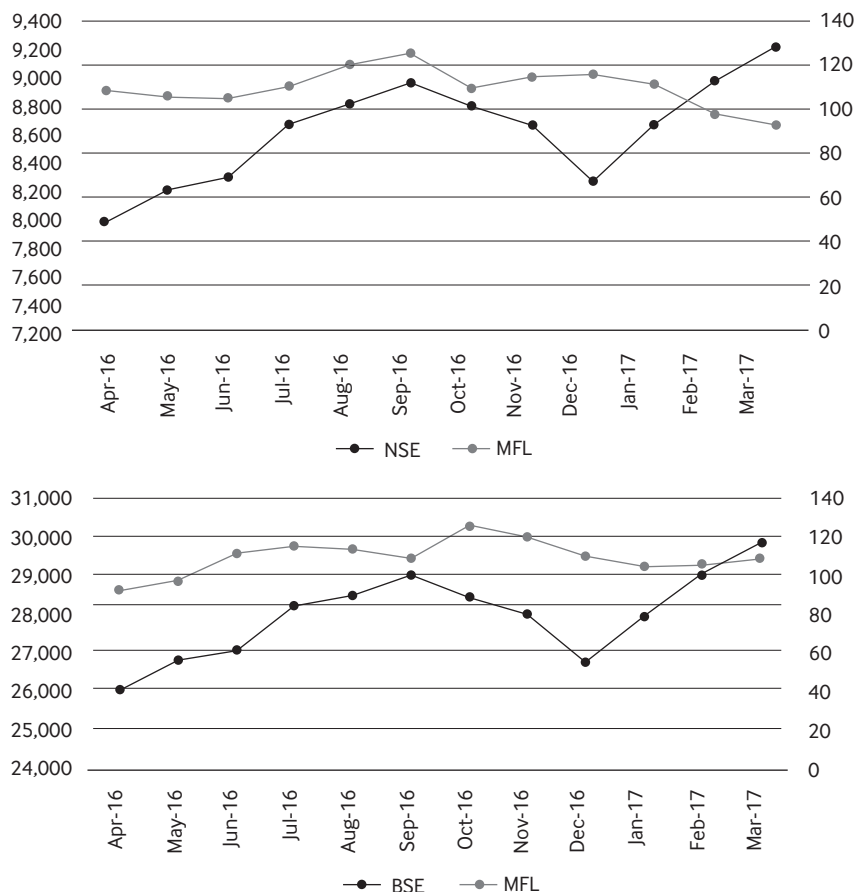
| Name of Stock Exchanges                                                                                                   | Stock code |
|---------------------------------------------------------------------------------------------------------------------------|------------|
| National Stock Exchange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

### b) Market price data

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

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

## c) Magma Share Performance



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

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

| <b>m)</b>                                          | <b>Distribution of shareholding as on 31 March 2017</b> |                       |                            |
|----------------------------------------------------|---------------------------------------------------------|-----------------------|----------------------------|
| Particulars                                        | Number of shareholders                                  | Number of shares held | Percentage of shareholding |
| Up to 500                                          | 16173                                                   | 18,52,949             | 0.78                       |
| 501 – 1,000                                        | 1131                                                    | 9,55,992              | 0.40                       |
| 1,001 – 5,000                                      | 2523                                                    | 49,65,610             | 2.10                       |
| 5,001 – 10,000                                     | 269                                                     | 19,45,699             | 0.82                       |
| 10,001 – 50,000                                    | 243                                                     | 52,85,083             | 2.23                       |
| 50,001 – 1,00,000                                  | 40                                                      | 28,41,837             | 1.20                       |
| 1,00,001 – and above                               | 44                                                      | 21,91,12,502          | 92.47                      |
| <b>Total</b>                                       | <b>20423</b>                                            | <b>23,69,59,672</b>   | <b>100.00</b>              |
| <b>Pattern of shareholding as on 31 March 2017</b> |                                                         |                       |                            |
| Category                                           |                                                         | Number of shares      | Percentage (%)             |
| Promoter and Promoter Group                        |                                                         | 6,57,52,083           | 27.75                      |
| Resident individuals                               |                                                         | 1,72,02,376           | 7.26                       |
| Foreign holdings                                   |                                                         | 11,72,19,703          | 49.47                      |
| Public financial institutions and banks            |                                                         | 2,02,121              | 0.08                       |
| Other Companies / Mutual Funds                     |                                                         | 362,55,889            | 15.30                      |
| Trusts                                             |                                                         | 3,27,500              | 0.14                       |
| <b>Total</b>                                       |                                                         | <b>23,69,59,672</b>   | <b>100.00</b>              |

|    |                                                                                                                                     |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----|-------------------------------------------------------------------------------------------------------------------------------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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:-<br>INES11C01022 for 23,69,59,672 Equity Shares of ₹ 2/- each available since 16 January 2001;<br>As on 31 March 2017, 23,57,11,527 Equity Shares constituting 99.47% of the total holding were held in demat mode.                                                                                                                                                                                                                                                |
| o) | Transfer of shares                                                                                                                  | : | During the period, transfer of 14,865 Equity Shares was recorded by the Company. All transfers were affected within 15 days of receipt. Other than routine queries / requests, the Company did not receive any complaint during the period from the investors.                                                                                                                                                                                                                                                                                                                                                                                                           |
| p) | Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity                          | : | As on 31 March 2017, there are no Outstanding GDRs/ADRs/Warrants or any Convertible instruments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| q) | E-mail ID of the Grievance Redressal Division/Compliance Officer exclusively for the purpose of registering complaints by investors | : | secretary@magma.co.in /shabnum.zaman@magma.co.in                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| r) | Debt Securities Listing                                                                                                             | : | The Wholesale Debt Market (WDM) Segment of BSE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| s) | Debenture Trustees                                                                                                                  | : | (i) IDBI Trusteeship Services Limited<br>Ground Floor, 17, R. Karmani Marg,<br>Ballard Estate, Mumbai – 400 001, Maharashtra,<br>Tel: +91 22 4080 7000 ; Fax: +91 22 6631 1776<br>E-mail: itsl@idbitrustee.co.in<br><br>(ii) Catalyst Trusteeship Limited (Formerly GDA Trusteeship Limited)<br>(Corporate Office) :- Office No. 83 – 87, 8th floor , 'Mittal Tower', 'B' Wing, Nariman Point , Mumbai - 400 021<br>Tel: +91 22 4922 0555; Fax: +91 22 4922 0505<br>E-mail: dt@ctltrustee.com<br>(Registered Office) :- GDA House, Plot No.85 Bhusari Colony (Right), Puad Road, Pune 411038<br>Tel: +91 20 2528 0081 Fax: +91 20 2528 0275<br>E-mail: dt@ctltrustee.com |
| t) | Payment of listing fees                                                                                                             | : | Annual listing fee has been paid by the Company to BSE and NSE.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

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

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

##### A. The Board

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

##### B. Shareholder rights

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

**C. Modified opinion(s) in audit report**

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

**D. Separate posts of Chairman and CEO**

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

**E. Reporting of Internal Auditor**

The Internal Auditor reports directly to the Audit Committee.

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

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

For and on behalf of the Board

**Narayan K Seshadri**  
(Chairman)  
DIN: 00053563

Place: Mumbai  
Date: 11 May 2017

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

09 May 2017

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

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

1. To the best of our knowledge and belief, we certify that:
  - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that are misleading.
  - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
  - (iii) There are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
2. For the purpose of Financial Reporting, we accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
3. We have indicated to the Auditors and the Audit Committee:
  - (a) significant changes, if any, in the internal controls over financial reporting during the year.
  - (b) significant changes, if any, in the accounting policies made during the year and the same have been disclosed in the notes to the financial statements; and
  - (c) instances of significant fraud, if any, of which we have become aware and the involvement therein, of the management or an employee having a significant role in the company's internal control system over financial reporting.

For **Magma Fincorp Limited**

**Sanjay Chamria**  
Vice Chairman & Managing Director

**Kailash Baheti**  
Chief Financial Officer

# Code of Conduct

25 April 2017

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

Dear Sirs,

I, Sanjay Chamria, Vice Chairman and Managing Director of Magma Fincorp Limited hereby confirm that all Board Members and Senior Management Team have affirmed compliance with the “Code of Conduct for Directors and Senior Executives of the Company” for the year ended 31 March 2017.

Thanking You,  
Yours sincerely,

For **Magma Fincorp Limited**

**Sanjay Chamria**  
Vice Chairman & Managing Director

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE****To****The Directors of the Magma Fincorp Limited**

11 May 2017

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

**Management responsibility**

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

**Auditors' responsibility**

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

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

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

**Opinion**

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

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

**Restrictions on use**

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

Place: Kolkata

Date: 11 May 2017

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

Jayanta Mukhopadhyay  
Partner  
Membership No: 055757

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## Financial Statements

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# Independent Auditors' Report

To the Members of  
**Magma Fincorp Limited**

## REPORT ON THE STANDALONE FINANCIAL STATEMENTS

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

## MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

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

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

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

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

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

## OPINION

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
  - (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the balance sheet, the statement of profit and loss, and the cash flow statement dealt with by this Report are in agreement with the books of account;

## Independent Auditors' Report (continued)

- (d) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) on the basis of the written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer our separate Report in "Annexure B"; and
- (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. the Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 30(a) to the standalone financial statements;
  - ii. the Company has made provision, as required under the applicable law or accounting standards,

for material foreseeable losses, if any, on long term contracts including derivative contract – Refer Note 30(c) to the standalone financial statements;

- iii. there has been no delay in transferring amounts, which were required to be transferred to the Investor Education and Protection Fund by the Company; and
- iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016 and these are in accordance with books of account maintained by the Company – Refer Note 41 to the financial statements.

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

**Jayanta Mukhopadhyay**  
Partner  
Membership Number: 055757

Place: Kolkata  
Date: 11 May 2017

# Annexure A to the Independent Auditors' Report

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

- (i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets during the year.
- b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, the periodicity of the physical verification is reasonable having regards to the size of the Company and the nature of its assets.
- c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company, except for three cases. The gross block and the net block as at 31 March 2017 of those immovable properties whose title deeds are not in the name of the Company are ₹ 1,818.00 lacs and ₹ 1,258.96 lacs respectively.
- (ii) The Company is a Non-Banking Finance Company ("NBFC"), primarily engaged in the business of asset financing. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable.
- (iii) The Company has granted loans to one company covered in the register maintained under Section 189 of the Companies Act, 2013 ("the Act").
  - a) In our opinion, the rate of interest and other terms and conditions on which the loans had been granted to the company listed in the register maintained under Section 189 of the Act, was not, prima facie, prejudicial to the interest of the Company.
  - b) In the case of the loans granted to the company listed in the register maintained under Section 189 of the Act, the borrower has been regular in the payment of the principal and interest as stipulated.
  - c) There is no overdue amount of the loan granted to the company listed in the register maintained under section 189 of the Act.
- (iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not undertaken any transaction in respect of loans, guarantees and securities covered under Section 185 of the Act. The Company has complied with Section 186(1) of the Act in relation to investments made by the Company. The remaining provisions related to Section 186 of the Act do not apply to the Company as it is an NBFC.
- (v) The Company has not accepted any deposits from the public, except for deposits taken over by way of merger in the year ended 31 March 2007. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 73 to Section 76 or other relevant provisions of the Companies Act 2013, the rules framed there under and the directives issued by the Reserve Bank of India with regard to deposits accepted from the public. Accordingly, there has been no proceedings before the Company Law Board or National Company Law Tribunal (as applicable) or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 148(1) of the Companies Act, 2013, in respect of sale of power generated from windmills and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records. The Central Government has not prescribed the maintenance of cost records under Section 148 (1) of the Companies Act, 2013, for any of the other services rendered by the Company.
- (vii) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, income tax, service tax, value added tax, employees' state insurance, cess and any other material statutory dues have generally been regularly deposited during the year by the Company.

## Annexure A to the Independent Auditors' Report (continued)

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

According to the information and explanations given to us, there are no undisputed amounts payable in respect of provident fund, income tax, service tax, value added tax, employees' state insurance, cess and other material statutory dues were in arrears, as at 31 March 2017, for a period of more than six months from the date they became payable, except for delay

in deposit of professional tax incase of two branches from the date they became payable due to pending registration. As explained to us, the Company did not have any dues on account of sales tax, customs duty, excise duty.

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

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

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

- (ix) In our opinion and according to the information and explanations given to us, the term loans and debentures were applied for the purpose for which the same were

obtained. The Company has not raised any money by way of initial public offer during the year.

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

## Annexure A to the Independent Auditors' Report (continued)

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

- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Companies (Auditor's Report) Order, 2016 is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosure specified under Section 133 of the Act, read with Rule 7 of the Company (Accounts) Rules, 2014.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment of shares or private placement of shares or fully or

partly convertible debentures during the year.

- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with the director or persons connected with him. Accordingly, paragraph 3(xv) of the Companies (Auditor's Report) Order, 2016 is not applicable.
- (xvi) The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and such registration has been obtained by the Company on 23 September 2008.

For **BSR & Co. LLP**

Chartered Accountants

Firm Registration No: 101248W/ W-100022

**Jayanta Mukhopadhyay**

Partner

Membership Number: 055757

Place: Kolkata

Date: 11 May 2017

## Annexure B to the Independent Auditors' Report

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

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

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

### MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the

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

### AUDITORS' RESPONSIBILITY

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

# Annexure B to the Independent Auditors' Report (continued)

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

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

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

## MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and

expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

## INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

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

## OPINION

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

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

**Jayanta Mukhopadhyay**  
Partner  
Membership Number: 055757

Place: Kolkata  
Date: 11 May 2017

# Balance Sheet

(₹ in Lacs)

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

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

**Narayan K Seshadri**  
Chairman  
[DIN: 00053563]

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

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

**Kailash Baheti**  
Chief Financial Officer

**Shabnum Zaman**  
Company Secretary

Mumbai, 11 May 2017

# Statement of Profit and Loss

(₹ in Lacs)

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

As per our report of even date attached.

For and on behalf of the Board of Directors

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

**Narayan K Seshadri**  
Chairman  
[DIN: 00053563]

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

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

**Kailash Baheti**  
Chief Financial Officer

**Shabnum Zaman**  
Company Secretary

Mumbai, 11 May 2017

# Cash Flow Statement

(₹ in Lacs)

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

## Cash Flow Statement (continued)

(₹ in Lacs)

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

\* 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 and on behalf of the Board of Directors

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

**Narayan K Seshadri**  
Chairman  
[DIN: 00053563]

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

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

**Kailash Baheti**  
Chief Financial Officer

**Shabnum Zaman**  
Company Secretary

Mumbai, 11 May 2017

# Notes

to the Financial Statements

## NOTE 1: COMPANY OVERVIEW:

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

## NOTE 2: SIGNIFICANT ACCOUNTING POLICIES:

### (i) Basis of preparation

- (a) These financial statements have been prepared in compliance with Generally Accepted Accounting Principles in India ('Indian GAAP') to comply with the mandatory Accounting Standards prescribed under Section 133 of the Companies Act, 2013 ('the 2013 Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the 2013 Act (to the extent notified and applicable), the directions prescribed by the Reserve Bank of India ('RBI') for Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies, the regulations prescribed under Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015 and the guidelines issued by the Securities and Exchange Board of India (SEBI) to the extent applicable. The financial statements have been prepared under the historical cost convention and on accrual basis, unless otherwise stated. The financial statements are presented in Indian rupees rounded off to the nearest lac up to two decimal places.
- (b) An operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. In case of non-banking financial companies normal operating cycle is not determinable, and therefore operating cycle is considered as 12 months for classification of current and non-current assets and liabilities as required by Schedule III of the Companies Act, 2013.
- (c) The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

### (ii) Use of estimates and judgements

The preparation of financial statements in conformity with Generally Accepted Accounting Principles ('Indian GAAP')

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

### (iii) Assets on finance

- (a) Assets on finance include assets given on finance / loan and amounts paid for acquiring financial assets including non-performing assets (NPAs) from other Banks / Non Banking Financial Companies ('NBFCs').
- (b) Assets on finance represents amounts receivable under finance / loan agreements and are valued at net investment amount including installments due. The balance is net of amounts securitised / assigned.

### (iv) Revenue recognition

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

### (b) Income on direct assignment / securitisation:

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

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

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

# Notes

to the Financial Statements (Continued)

## NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Contd.)

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

- (i) Gain / income realised on direct assignment / securitisation of loan receivables arising under premium structure is recognised over the tenure of securities issued by Special Purpose Vehicle ('SPV') / agreements. Loss, if any, is recognised upfront.
- (ii) EIS under par structure of securitisation / direct assignment of loan receivables is recognised only when redeemed in cash, over the tenure of the securities issued by SPV / agreements. Loss, if any, is recognised upfront.
- (c) Interest on fixed deposits is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (d) Upfront income / expense pertaining to loan origination is amortised over the tenure of the underlying loan contracts.
- (e) Assets given by the Company under operating lease are included in fixed assets. Lease income from operating leases is recognised in the statement of profit and loss as per contractual rentals unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease income are recognised as expenses. Initial direct costs incurred specifically for an operating lease are deferred and recognised in the statement of profit and loss over the lease term in proportion to the recognition of lease income.
- (f) Overdue interest is treated to accrue on realisation, due to uncertainty of realisation and is accounted for accordingly.
- (g) In respect of NPAs acquired, recoveries in excess of consideration paid is recognised as income in accordance with RBI guidelines.
- (h) The sale of non-performing assets is accounted for as per the guidelines prescribed by RBI. On sale, the assets are derecognised from the books. If the sale proceeds are lower than the net book value ('NBV') (i.e., book value less provisions held), the shortfall is charged to the statement of profit and loss in the year of sale. In case of sale other than in cash, if the sale proceeds are higher than the NBV, the excess provision is written back in the year the amounts are received, as required by the RBI.

- (i) Income on security receipts ('SRs') are recognised only after the full redemption of the entire principal amount of SRs.
- (j) Income from collection and support services is recognised as per the terms of the respective contract on accrual basis.
- (k) Income from power generation is recognised based on the units generated as per the terms of the respective power purchase agreements with the respective State Electricity Boards.
- (l) Income from dividend is accounted for on receipt basis.
- (m) All other items of income are accounted for on accrual basis.

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

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

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

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

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

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

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

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

# Notes

to the Financial Statements (Continued)

## NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Contd.)

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

### (vii) Depreciation and amortisation

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

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

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

Individual assets costing less than ₹ 5,000/- are depreciated in full in the year of acquisition.

For the following class of assets, based on internal assessment, the management believes that the useful lives as given below best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

|                            |         |
|----------------------------|---------|
| Desktops                   | 6 years |
| Laptops / Hand Held Device | 4 years |

Intangible assets are amortised over their estimated useful lives, not exceeding six years, on a straight line basis, commencing from the date the asset is available to the Company for its use.

### (viii) Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

### (ix) Investments

- (a) Investments are classified as non-current or current based on intention of management at the time of purchase.
- (b) Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment.
- (c) Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each investments.
- (d) Any reduction in the carrying amount and any reversals of such reduction are charged or credited to the statement of profit and loss.
- (e) Profit or loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.
- (f) Investment in security receipts (SRs) is recognised at lower of: (i) net book value (NBV) (i.e., book value less provisions held) of the financial asset; and (ii) estimated redemption value of SRs at the end of each reporting period, as prescribed by RBI. Accordingly, in cases where the SRs issued by the Securitisation Company / Asset Reconstruction Company (SC/ARC) are limited to the actual realisation of the underlying financial assets, the net asset value, obtained from the SC/ARC, is reckoned for valuation of such investments. The SRs outstanding and not redeemed as at the end of the resolution period are treated as loss assets and are fully provided for.

### (x) Employee benefits

#### (a) Provident fund

Contributions paid / payable to the recognised provident fund, which is a defined contribution scheme, are charged to the statement of profit and loss.

#### (b) Gratuity

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Accrued Benefit Method (same as

# Notes

to the Financial Statements (Continued)

## NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Projected Unit Credit Method), which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the balance sheet date.

Actuarial gains and losses are recognised immediately in the statement of profit and loss.

### (c) Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. Expense on non-accumulating compensated absences is recognised in the period in which the absences occur.

### (xi) Employee Stock Compensation Cost

The Employees Stock Option Scheme (the Scheme) provides for grant of the equity shares of the Company to employees. The scheme provides that employees are granted an option to subscribe to the equity shares of the Company that vest in a graded manner. The options may be exercised 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 recognized as at the beginning and end of that period.

### (xii) Taxes on income

Income-tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognised in the statement of profit and loss.

#### (a) Current tax

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws.

#### (b) Deferred tax

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

#### (c) Minimum alternative tax

Minimum alternative tax ('MAT') under the provisions of the Income Tax Act, 1961 is recognised as current tax in the statement of profit and loss. The credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

### (xiii) Provision and contingencies

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis.

#### (a) Onerous contracts

A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the

# Notes

to the Financial Statements (Continued)

## NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Contd.)

contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

### (b) Contingencies

Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognised when it is probable that a liability has been incurred, and the amount can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

### (xiv) Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

### (xv) Derivative transactions

Fair value of derivative contracts is determined based on the appropriate valuation techniques considering the terms of the contract as at the balance sheet date. Mark to market losses in derivative contracts are recognised in the statement of profit and loss in the period in which they arise. Mark to market gains are not recognised keeping in view the principle of prudence as enunciated in "Accounting Standard (AS) 1 - Disclosure of Accounting Policies".

### (xvi) Borrowing costs

Interest on borrowings is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable on the borrowings. Discount on commercial papers is amortised over the tenor of the commercial papers.

Brokerage and other ancillary expenditure directly attributable to a borrowing is amortised over the tenure of the respective borrowing. Unamortised borrowing costs remaining, if any, is fully expensed off as and when the related borrowing is prepaid / cancelled.

### (xvii) Operating leases

Lease payments for assets taken on an operating lease are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term.

### (xviii) Earnings per share

The basic earnings per share ('EPS') is computed by dividing the net profit after tax attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax attributable to the equity shareholders for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). In computing dilutive earnings per share, only potential equity shares that are dilutive and that reduces profit / loss per share are included.

### (xix) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash-in-transit and cash on deposit with banks and corporations. The Company considers all highly liquid investments with an original maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

### (xx) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of non-cash nature, any deferrals, or accruals of past or future operating cash receipts or payments and item of expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

# Notes

to the Financial Statements (Continued)

## NOTE 3 : SHARE CAPITAL

(₹ in Lacs)

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | As at<br>31 March 2017 | As at<br>31 March 2016 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>Authorised</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                        |                        |
| 26,50,00,000 (2016: 26,50,00,000) Equity shares of ₹ 2/- each                                                                                                                                                                                                                                                                                                                                                                                                                              | 5,300.00               | 5,300.00               |
| 5,43,00,000 (2016: 5,43,00,000) Preference shares of ₹ 100/- each                                                                                                                                                                                                                                                                                                                                                                                                                          | 54,300.00              | 54,300.00              |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>59,600.00</b>       | <b>59,600.00</b>       |
| <b>Issued, subscribed and paid-up</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                        |                        |
| <b>Equity share capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                        |                        |
| 23,69,59,672 (2016: 23,68,28,672) Equity shares of ₹ 2/- each, fully paid up.                                                                                                                                                                                                                                                                                                                                                                                                              | 4,739.19               | 4,736.57               |
| <b>Preference share capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                        |                        |
| - (2016: 65,00,999) 6 months US Dollar Libor plus 3.25% Cumulative non-convertible redeemable preference shares of ₹100 each (paid-up value per share reduced to ₹ Nil on redemption of fifth and final annual installments of ₹ 20/- each per share). Allotted at par on 26 March 2007 and redeemable at par in US Dollar over five equal annual installments of US Dollar 3 million each, for the first time on 1 April 2012 until all preference shares are redeemed i.e. 1 April 2016. | -                      | 1,300.20               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>4,739.19</b>        | <b>6,036.77</b>        |

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

(₹ in Lacs)

|                                                                                               | As at 31 March 2017 |                 | As at 31 March 2016 |                 |
|-----------------------------------------------------------------------------------------------|---------------------|-----------------|---------------------|-----------------|
|                                                                                               | No. of shares       | Amount          | No. of shares       | Amount          |
| <b>Equity shares</b>                                                                          |                     |                 |                     |                 |
| <b>Opening balance</b>                                                                        | 23,68,28,672        | 4,736.57        | 19,04,25,875        | 3,808.52        |
| Equity shares issued during the year vide preferential issue                                  | -                   | -               | 4,62,96,297         | 925.92          |
| Equity shares issued on exercise of ESOPs during the year                                     | 1,31,000            | 2.62            | 1,06,500            | 2.13            |
| <b>Closing balance</b>                                                                        | <b>23,69,59,672</b> | <b>4,739.19</b> | <b>23,68,28,672</b> | <b>4,736.57</b> |
| <b>Preference shares</b>                                                                      |                     |                 |                     |                 |
| <b>(Cumulative non-convertible redeemable)</b>                                                |                     |                 |                     |                 |
| <b>Opening balance</b>                                                                        | 65,00,999           | 1,300.20        | 1,36,00,999         | 9,700.40        |
| 6 months US Dollar Libor plus 3.25% preference shares redeemed during the year (20% annually) | (65,00,999)         | (1,300.20)      | -                   | (1,300.20)      |
| 9.60 % Preference shares redeemed during the year                                             | -                   | -               | (10,00,000)         | (1,000.00)      |
| 12.00% Preference shares redeemed during the year                                             | -                   | -               | (25,00,000)         | (2,500.00)      |
| 11.00% Preference shares redeemed during the year                                             | -                   | -               | (36,00,000)         | (3,600.00)      |
| <b>Closing balance</b>                                                                        | <b>-</b>            | <b>-</b>        | <b>65,00,999</b>    | <b>1,300.20</b> |

### Equity shares

The Company has only one class of equity shares having a par value of ₹ 2/- each. Each holder of equity share is entitled to one vote per share.

The Company declares and pays dividend on equity shares in Indian rupees.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution to preference shareholders. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance Sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Company has not appropriated dividend on shares on recommendation of the Board and would record the same as a liability on the date of approval by the shareholders at the ensuing Annual General Meeting. However, the proposed dividend as at 31 March 2016 was accounted for as liability in accordance with the then existing Accounting Standard.

During the year, the Company has allotted on 13 August 2016 and 08 February 2017, 90,000 equity shares and 26,000 equity shares respectively of the face value of ₹ 2/- each to the eligible

# Notes

to the Financial Statements (Continued)

## NOTE 3 : SHARE CAPITAL (Contd.)

employees of the Company and on 26 April 2016, 15,000 equity shares of the face value of ₹ 2/- each to an eligible ex-employee of the Company, under Employee Stock Option Plan pursuant to SEBI (ESOS and ESPS) Guidelines, 1999, and with corresponding provision of SEBI (Share Based Employee Benefits) Regulations 2014, as amended from time to time. Consequent to the said allotment, the total paid-up equity share capital of the Company stands increased to 23,69,59,672 equity shares of ₹ 2/- each aggregating to ₹ 4,739.19 lacs.

During the year ended 31 March 2017, the amount of per share dividend recommended by the Board as distribution to equity shareholders is ₹ 0.80 (40%) per equity share of the face value of ₹ 2/- each. Total dividend on 23,69,59,672 equity shares for the year ended 31 March 2017 would amount to ₹ 2,281.59 lacs including corporate dividend tax of ₹ 385.92 lacs.

### Preference shares

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

65,00,999 cumulative non-convertible redeemable preference shares of ₹ 100/- each aggregating to ₹ 6,501.00 lacs (equivalent to USD 15 Million) allotted at par on 26 March 2007 are entitled to fixed dividend at the rate equivalent to 6 months US Dollar Libor applicable on the respective dates i.e. 30 December or 29 June depending upon the actual date of payment plus 3.25% on subscription amount of USD 15 Million.

In the event of liquidation of the Company, the holders of preference shares will have priority over equity shares in payment of dividend and repayment of capital.

In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance Sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Company has not appropriated dividend on shares on recommendation of the Board and would record the same as a liability on the date of approval by the shareholders at the ensuing Annual General Meeting. However, the proposed dividend as at 31 March 2016 was accounted for as liability in accordance with the then existing Accounting Standard.

For the financial year ended 31 March 2016, the Company has provided for dividend in financial statements based on the 6 months US Dollar Libor applicable as on 30 December 2015 and closing exchange rate applicable as on 31 March 2016 and which was liable to vary depending on the actual date of payment of the dividend. Accordingly, the excess dividend and tax thereon of ₹ 2.50 lacs (2016: ₹ 7.30 lacs) provided with respect to above preference shares for the previous financial year ended 31 March 2016 has been adjusted in the current year with consequent impact on earnings per share for the year.

The Company has redeemed ₹ 1,300.20 lacs being fifth and final annual installment of ₹ 20/- per share in respect of 65,00,999 cumulative non-convertible redeemable preference shares of ₹ 100/- per share on 04 April 2016. The above preference shares were redeemed out of the proceeds of the issue of equity shares made for the purposes in the earlier years which inter-alia include redemption of preference shares and accordingly, no transfer has been made to capital redemption reserve.

### Shares allotted as fully paid-up without payment being received in cash / by way of bonus shares:

The Company has not issued bonus shares or shares for consideration other than cash during the five year period immediately preceding the reporting date.

### Shareholders holding more than 5% shares

| Name of the shareholder                                              | As at 31 March 2017 |               | As at 31 March 2016 |               |
|----------------------------------------------------------------------|---------------------|---------------|---------------------|---------------|
|                                                                      | %                   | No. of shares | %                   | No. of shares |
| <b>Equity shares</b>                                                 |                     |               |                     |               |
| Zend Mauritius VC Investments Limited                                | 14.47               | 3,42,76,629   | 14.47               | 3,42,76,629   |
| Microfirm Capital Private Limited                                    | 14.36               | 3,40,15,928   | 14.36               | 3,40,15,928   |
| Celica Developers Private Limited                                    | 12.42               | 2,94,34,455   | 12.43               | 2,94,34,455   |
| India Value Fund V LLP                                               | 11.92               | 2,82,55,524   | -                   | -             |
| International Finance Corporation                                    | 9.71                | 2,30,00,000   | 9.71                | 2,30,00,000   |
| Lavender Investments Limited                                         | 7.96                | 1,88,51,431   | 7.96                | 1,88,51,431   |
| LeapFrog Financial Inclusion India Holdings Limited                  | 7.82                | 1,85,18,519   | 7.82                | 1,85,18,519   |
| Indium V (Mauritius) Holdings Limited                                | -                   | -             | 8.60                | 2,03,55,524   |
| <b>Preference shares (Cumulative non-convertible redeemable)</b>     |                     |               |                     |               |
| Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. | -                   | -             | 100.00              | 65,00,999     |

# Notes

to the Financial Statements (Continued)

## NOTE 3 : SHARE CAPITAL (Contd.)

### Employee stock options

The Company instituted the Magma Employee Stock Option Plan (MESOP) in 2007 and Magma Restricted Stock Option Plan 2014 (MRSOP) in 2014, which were approved by the Board of Directors.

#### MESOP, 2007

Under MESOP, the Company provided for the creation and issue of 10,00,000 options, that would eventually convert into equity shares of ₹ 10/- each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of and at the exercise price determined by the Nomination and Remuneration Committee of the Board of Directors. The options generally vest in a graded manner over a five year period and are exercisable within 3 years from the date of vesting. Following the sub-division of one equity share of the face value of ₹10/- each into five equity shares of the face value of ₹2/- each during the financial year ended 31 March 2011, the number of options increased from 10,00,000 to 50,00,000.

During the year, the Nomination and Remuneration Committee of the Board of Directors has granted 1,25,000 options (2016: Nil) under MESOP 2007 at an exercise price of ₹ 60/- per share to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹ 2/- each).

|                                                         | (in nos.)                   |                             |
|---------------------------------------------------------|-----------------------------|-----------------------------|
|                                                         | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| <b>Outstanding options at the beginning of the year</b> | 2,87,500                    | 6,36,500                    |
| Granted during the year                                 | 1,25,000                    | -                           |
| Exercised during the year                               | 1,31,000                    | 1,06,500                    |
| Lapsed during the year                                  | 67,500                      | 2,42,500                    |
| Forfeited during the year                               | -                           | -                           |
| <b>Outstanding options at the end of the year</b>       | <b>2,14,000</b>             | <b>2,87,500</b>             |
| Options vested and exercisable at the end of the year   | 59,000                      | 1,30,000                    |

#### MRSOP, 2014

Under MRSOP, the Company provided for the creation and issue of 50,00,000 options, that would eventually convert into equity shares of ₹ 2/- each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of the Nomination and Remuneration Committee of the Board of Directors and at the exercise price of the face value of ₹ 2/- each. The options will vest in a graded manner and are exercisable within 3 years from the date of vesting.

During the year, the Nomination and Remuneration Committee of the Board of Directors has granted Nil options (2016: 250,000) under MRSOP 2014 at an exercise price of ₹ 2/- per share to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹ 2/- each).

|                                                         | (in nos.)                   |                             |
|---------------------------------------------------------|-----------------------------|-----------------------------|
|                                                         | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| <b>Outstanding options at the beginning of the year</b> | 6,70,000                    | 6,00,000                    |
| Granted during the year                                 | -                           | 2,50,000                    |
| Exercised during the year                               | -                           | -                           |
| Lapsed during the year                                  | 3,50,000                    | 1,80,000                    |
| Forfeited during the year                               | -                           | -                           |
| <b>Outstanding options at the end of the year</b>       | <b>3,20,000</b>             | <b>6,70,000</b>             |
| Options vested and exercisable at the end of the year   | -                           | -                           |

# Notes

to the Financial Statements (Continued)

## NOTE 3 : SHARE CAPITAL (Contd.)

The weighted average fair value of each option of Magma Fincorp Limited was ₹ 71.93 (2016: ₹ 69.20) using the Black-Scholes model with the following assumptions:

|                         | Units | As at<br>31 March 2017 | As at<br>31 March 2016 |
|-------------------------|-------|------------------------|------------------------|
| Grant date share price  | ₹     | 56.85 - 108.00         | 56.85 - 100.00         |
| Exercise price          | ₹     | 2.00 - 60.00           | 2.00 - 60.00           |
| Dividend yield          | %     | 0.61 - 1.06            | 0.61 - 1.20            |
| Expected life           | years | 4.42 - 4.80            | 4.16 - 4.80            |
| Risk free interest rate | %     | 6.92 - 8.35            | 7.78 - 8.57            |
| Volatility              | %     | 42.00 - 58.13          | 41.83 - 58.13          |

## Equity shares reserved for issue under options

(₹ in Lacs)

|                          | No. of options granted | Exercise price (₹) | As at 31 March 2017 |        | As at 31 March 2016 |        |
|--------------------------|------------------------|--------------------|---------------------|--------|---------------------|--------|
|                          |                        |                    | No. of options      | Amount | No. of options      | Amount |
| <b>Under MESOP 2007:</b> |                        |                    |                     |        |                     |        |
| Tranche II               | 2,50,000               | 60.00              | 40,000              | 0.80   | 1,27,500            | 2.55   |
| Tranche III              | 50,000                 | 60.00              | -                   | -      | 15,000              | 0.30   |
| Tranche V                | 1,50,000               | 60.00              | 14,000              | 0.28   | 20,000              | 0.40   |
| Tranche VI               | 50,000                 | 60.00              | 35,000              | 0.70   | 50,000              | 1.00   |
| Tranche VIII             | 1,75,000               | 60.00              | -                   | -      | 75,000              | 1.50   |
| Tranche XI               | 1,25,000               | 60.00              | 1,25,000            | 2.50   | -                   | -      |
| <b>Under MRSOP 2014:</b> |                        |                    |                     |        |                     |        |
| Tranche I (A)            | 6,50,000               | 2.00               | 3,20,000            | 6.40   | 4,20,000            | 8.40   |
| Tranche I (B)            | 2,50,000               | 2.00               | -                   | -      | 2,50,000            | 5.00   |

The Company has recorded compensation cost for all grants using the intrinsic value based method of accounting, in line with the prescribed SEBI guidelines.

Had compensation cost been determined under the fair value approach described in the Guidance Note on, "Accounting for employee share based payments" issued by the Institute of Chartered Accountant of India ('ICAI'), the Company's net profit and basic and diluted earnings per share would have reduced to the proforma amounts as indicated.

|                                                                    | Units     | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
|--------------------------------------------------------------------|-----------|-----------------------------|-----------------------------|
| Net profit for equity shareholders                                 | ₹ in Lacs | 606.29                      | 18,200.00                   |
| Stock-based employee compensation expense (intrinsic value method) | ₹ in Lacs | (37.60)                     | 230.82                      |
| Stock-based employee compensation expense (fair value method)      | ₹ in Lacs | 16.75                       | (238.50)                    |
| Proforma net profit                                                | ₹ in Lacs | 585.44                      | 18,192.32                   |
| Basic earnings per share (Face value: ₹ 2/-) as reported           | ₹         | 0.26                        | 7.84                        |
| Proforma basic earnings per share (Face value: ₹ 2/-)              | ₹         | 0.25                        | 7.84                        |
| Diluted earnings per share (Face value: ₹ 2/-) as reported         | ₹         | 0.26                        | 7.82                        |
| Proforma diluted earnings per share (Face value: ₹ 2/-)            | ₹         | 0.25                        | 7.81                        |

# Notes

to the Financial Statements (Continued)

## NOTE 4 : RESERVES AND SURPLUS

(₹ in Lacs)

|                                                                                                         | As at<br>31 March 2017 | As at<br>31 March 2016 |
|---------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>Capital reserve</b>                                                                                  | <b>457.98</b>          | <b>457.98</b>          |
| <b>Capital redemption reserve</b>                                                                       | <b>1,421.84</b>        | <b>1,421.84</b>        |
| <b>Securities premium reserve</b>                                                                       |                        |                        |
| Opening balance                                                                                         | 1,15,755.70            | 67,580.67              |
| Add: On equity shares issued during the year vide preferential issue                                    | -                      | 49,074.07              |
| Add: On equity shares issued on exercise of ESOPs during the year                                       | 84.28                  | 79.70                  |
| Less: On preference share redeemed during the year                                                      | -                      | 250.00                 |
| Less: Share issue expenses                                                                              | -                      | 728.74                 |
|                                                                                                         | <b>1,15,839.98</b>     | <b>1,15,755.70</b>     |
| <b>Employee share option outstanding</b>                                                                |                        |                        |
| Gross employee share compensation cost for options granted in earlier years                             | 283.40                 | 73.87                  |
| Less: Transferred to securities premium reserve on allotment of shares                                  | 8.31                   | 21.29                  |
| Add: Deferred employee compensation cost                                                                | (37.60)                | 230.82                 |
|                                                                                                         | <b>237.49</b>          | <b>283.40</b>          |
| <b>Amalgamation reserve account</b>                                                                     | <b>106.48</b>          | <b>106.48</b>          |
| <b>Statutory reserve<br/>(created pursuant to Section 45-IC of the Reserve Bank of India Act, 1934)</b> |                        |                        |
| Opening balance                                                                                         | 21,860.00              | 18,110.00              |
| Add: Transfer from surplus in the statement of profit and loss                                          | 130.00                 | 3,750.00               |
|                                                                                                         | <b>21,990.00</b>       | <b>21,860.00</b>       |
| <b>General reserve</b>                                                                                  |                        |                        |
| Opening balance                                                                                         | 11,390.00              | 9,510.00               |
| Add: Transfer from surplus in the statement of profit and loss                                          | -                      | 1,880.00               |
|                                                                                                         | <b>11,390.00</b>       | <b>11,390.00</b>       |
| <b>Surplus (balance in the statement of profit and loss)</b>                                            |                        |                        |
| Opening balance                                                                                         | 47,129.24              | 37,285.78              |
| Profit for the year                                                                                     | 609.68                 | 18,714.97              |
| <b>Amount available for appropriations</b>                                                              | <b>47,738.92</b>       | <b>56,000.75</b>       |
| <b>Appropriations</b>                                                                                   |                        |                        |
| Proposed dividend on preference shares*                                                                 | 2.08                   | 427.87                 |
| Tax on proposed preference dividend as above*                                                           | 0.42                   | 87.10                  |
| Proposed dividend on equity shares**                                                                    | -                      | 2,265.36               |
| Tax on proposed equity dividend as above**                                                              | -                      | 461.18                 |
| Transfer to statutory reserve                                                                           | 130.00                 | 3,750.00               |
| Transfer to general reserve                                                                             | -                      | 1,880.00               |
|                                                                                                         | <b>47,606.42</b>       | <b>47,129.24</b>       |
|                                                                                                         | <b>1,99,050.19</b>     | <b>1,98,404.64</b>     |

\* In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance Sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Company has not appropriated proposed dividend (including tax) on equity and preference shares in the financial year ended 31 March 2017.

\*\* Dividend for year ended 31 March 2016 includes dividend on equity shares allotted post 31 March 2016 and tax thereon.

# Notes

to the Financial Statements (Continued)

## NOTE 5 : LONG-TERM BORROWINGS

| (₹ in Lacs)                                                                       |                    |                        |                        |
|-----------------------------------------------------------------------------------|--------------------|------------------------|------------------------|
|                                                                                   | Security<br>as per | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Debentures</b>                                                                 |                    |                        |                        |
| <b>Secured</b>                                                                    | (a)                |                        |                        |
| Redeemable non-convertible debentures                                             |                    | 5,500.00               | 48,500.00              |
|                                                                                   |                    | <b>5,500.00</b>        | <b>48,500.00</b>       |
| <b>Unsecured</b>                                                                  |                    |                        |                        |
| Subordinated non-convertible perpetual debentures (Tier I capital)                |                    | 13,310.00              | 11,250.00              |
| Subordinated redeemable non-convertible debentures (Tier II capital)              |                    | 78,030.00              | 77,430.00              |
|                                                                                   |                    | <b>91,340.00</b>       | <b>88,680.00</b>       |
| <b>Term loan</b>                                                                  |                    |                        |                        |
| <b>Secured *</b>                                                                  |                    |                        |                        |
| from banks                                                                        | (b) and (c)        | 1,31,000.48            | 1,09,457.04            |
| from others (financial institutions)                                              | (b) and (c)        | 836.89                 | 13,726.31              |
|                                                                                   |                    | <b>1,31,837.37</b>     | <b>1,23,183.35</b>     |
| <b>Unsecured</b>                                                                  |                    |                        |                        |
| from banks (subordinated) (Tier II capital)                                       |                    | 10,000.00              | -                      |
|                                                                                   |                    | <b>10,000.00</b>       | -                      |
|                                                                                   |                    | <b>2,38,677.37</b>     | <b>2,60,363.35</b>     |
| <b>* Aggregate of loans guaranteed by Director (including current maturities)</b> |                    | <b>796.50</b>          | <b>1329.40</b>         |

### Nature of security

- 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.
- Term loans from Banks / Financial Institutions are secured by way of hypothecation of designated Assets on finance and future rentals receivable therefrom.
- Term loans related to wind mills owned by the Company are secured by means of mortgage of the wind mills, assignment of the related receivables, and a bank guarantee in favour of the lending institution alongwith personal guarantee of a Director.

### Details of debentures

#### Terms of maturity of secured redeemable non-convertible debentures

| (₹ in Lacs)       |                            |                 |                     |                    |                     |                    |
|-------------------|----------------------------|-----------------|---------------------|--------------------|---------------------|--------------------|
| Maturity schedule | Interest rate range (p.a.) |                 | As at 31 March 2017 |                    | As at 31 March 2016 |                    |
|                   | 31 March 2017              | 31 March 2016   | Long-term           | Current maturities | Long-term           | Current maturities |
| >5 Years          | 9.00%                      | -               | 5,000.00            | -                  | -                   | -                  |
| 3 - 5 Years       | 9.55%                      | -               | 500.00              | -                  | -                   | -                  |
| 1 - 3 Years       | -                          | 9.63 % - 10.80% | -                   | -                  | 48,500.00           | -                  |
| 0 - 1 Years       | 9.63% - 10.80%             | 9.50 % - 11.50% | -                   | 48,500.00          | -                   | 55,730.00          |
|                   |                            |                 | <b>5,500.00</b>     | <b>48,500.00</b>   | <b>48,500.00</b>    | <b>55,730.00</b>   |

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

# Notes

to the Financial Statements (Continued)

## NOTE 5 : LONG-TERM BORROWINGS (Contd.)

### Terms of maturity of unsecured subordinated non-convertible perpetual debentures (Tier I capital)

(₹ in Lacs)

| Maturity schedule                   | Interest rate range (p.a.) |                 | As at 31 March 2017 |                    | As at 31 March 2016 |                    |
|-------------------------------------|----------------------------|-----------------|---------------------|--------------------|---------------------|--------------------|
|                                     | 31 March 2017              | 31 March 2016   | Long-term           | Current maturities | Long-term           | Current maturities |
| > 5 Years                           | 11.50% - 12.10%            | 12.00% - 12.10% | 7,810.00            | -                  | 5,750.00            | -                  |
| 3 - 5 Years                         | 12.50%                     | 12.50% - 13.75% | 2,500.00            | -                  | 5,500.00            | -                  |
| 1 - 3 Years                         | 13.50% - 13.75%            |                 | 3,000.00            | -                  | -                   | -                  |
|                                     |                            |                 | <b>13,310.00</b>    | <b>-</b>           | <b>11,250.00</b>    | <b>-</b>           |
| <b>Percentage of Tier I Capital</b> |                            |                 | <b>8.15%</b>        | <b>-</b>           | <b>6.35%</b>        | <b>-</b>           |

These debentures are perpetual in nature and the Company has a 'Call Option' only after a minimum period of 10 years from the date of issue subject to RBI regulations.

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

### Terms of maturity of unsecured subordinated redeemable non-convertible debentures (Tier II capital)

(₹ in Lacs)

| Maturity schedule | Interest rate range (p.a.) |                 | As at 31 March 2017 |                    | As at 31 March 2016 |                    |
|-------------------|----------------------------|-----------------|---------------------|--------------------|---------------------|--------------------|
|                   | 31 March 2017              | 31 March 2016   | Long-term           | Current maturities | Long-term           | Current maturities |
| > 5 Years         | 10.25% - 11.50%            | 10.70% - 11.50% | 21,000.00           | -                  | 32,700.00           | -                  |
| 3 - 5 Years       | 11.00% - 11.45%            | 11.00%          | 23,000.00           | -                  | 13,000.00           | -                  |
| 1 - 3 Years       | 11.00% - 11.75%            | 11.20% - 12.00% | 34,030.00           | -                  | 31,730.00           | -                  |
| 0 - 1 Years       | 11.75% - 12.00%            | 11.50%          | -                   | 10,700.00          | -                   | 500.00             |
|                   |                            |                 | <b>78,030.00</b>    | <b>10,700.00</b>   | <b>77,430.00</b>    | <b>500.00</b>      |

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

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

(₹ in Lacs)

| Repayment schedule | Interest rate range (p.a.) |                | As at 31 March 2017 |                    | As at 31 March 2016 |                    |
|--------------------|----------------------------|----------------|---------------------|--------------------|---------------------|--------------------|
|                    | 31 March 2017              | 31 March 2016  | Long-term           | Current maturities | Long-term           | Current maturities |
| 3 - 5 Years        | 9.50% - 12.00%             | 9.85% - 12.25% | 35,281.94           | -                  | 36,093.05           | -                  |
| 1 - 3 Years        | 9.50% - 12.25%             | 9.85% - 12.25% | 96,555.43           | -                  | 87,090.30           | -                  |
| 0 - 1 Years        | 9.85% - 12.25%             | 9.85% - 12.25% | -                   | 63,870.54          | -                   | 70,486.81          |
|                    |                            |                | <b>1,31,837.37</b>  | <b>63,870.54</b>   | <b>1,23,183.35</b>  | <b>70,486.81</b>   |

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

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

(₹ in Lacs)

| Repayment schedule | Interest rate range (p.a.) |               | As at 31 March 2017 |                    | As at 31 March 2016 |                    |
|--------------------|----------------------------|---------------|---------------------|--------------------|---------------------|--------------------|
|                    | 31 March 2017              | 31 March 2016 | Long-term           | Current maturities | Long-term           | Current maturities |
| > 5 Years          | 11.00%                     | -             | 10,000.00           | -                  | -                   | -                  |
|                    |                            |               | <b>10,000.00</b>    | <b>-</b>           | <b>-</b>            | <b>-</b>           |

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

# Notes

to the Financial Statements (Continued)

## NOTE 6 : LONG-TERM PROVISIONS

|                                                                | (₹ in Lacs)            |                        |
|----------------------------------------------------------------|------------------------|------------------------|
|                                                                | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Provision for employee benefits</b>                         |                        |                        |
| Provision for compensated absences                             | 775.61                 | 668.52                 |
| <b>Other provisions</b>                                        |                        |                        |
| Provision for non-performing assets [Note 35(m)]               | 15,859.20              | 26,585.79              |
| Contingent provision against standard assets (Tier II capital) | 1,900.00               | 1,890.00               |
|                                                                | <b>18,534.81</b>       | <b>29,144.31</b>       |

## NOTE 7: SHORT-TERM BORROWINGS

|                                     | (₹ in Lacs)            |                        |
|-------------------------------------|------------------------|------------------------|
|                                     | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Commercial papers</b>            |                        |                        |
| <b>Unsecured</b>                    |                        |                        |
| Face value                          | 51,000.00              | 59,000.00              |
| Less: Unmatured discounting charges | 815.37                 | 1,466.41               |
|                                     | <b>50,184.63</b>       | <b>57,533.59</b>       |
| <b>Loans from banks</b>             |                        |                        |
| <b>Secured*</b>                     |                        |                        |
| Cash credit facilities              | 1,07,151.13            | 2,05,378.24            |
| Working capital demand loans        | 3,29,999.99            | 3,32,500.00            |
|                                     | <b>4,37,151.12</b>     | <b>5,37,878.24</b>     |
|                                     | <b>4,87,335.75</b>     | <b>5,95,411.83</b>     |

### Details of unsecured commercial papers

|                 | (₹ in Lacs)               |                |                        |                        |
|-----------------|---------------------------|----------------|------------------------|------------------------|
| Number of units | Face value<br>(₹ in lacs) | Interest terms | As at<br>31 March 2017 | As at<br>31 March 2016 |
| 10,200          | 5                         | Fixed          | 50,184.63              | -                      |
| 11,800          | 5                         | Fixed          | -                      | 57,533.59              |
|                 |                           |                | <b>50,184.63</b>       | <b>57,533.59</b>       |

The above commercial papers carry interest rates ranging from 7.61 % p.a. to 8.95 % p.a. with maturity ranging from 1 month to 3 months (2016: from 8.95 % p.a. to 10.00 % p.a. with maturity ranging from 3 months to 8 months).

### Details of cash credit facilities and working capital demand loans

The cash credit facilities are repayable on demand and carry interest rates ranging from 9.00% p.a. to 11.20% p.a. (2016: from 9.25 % p.a. to 11.80% p.a.). Working capital demand loans are repayable on demand and carry interest rates ranging from 8.20% p.a. to 9.60% p.a. (2016: from 9.55% p.a. to 10.00% p.a.). As per the prevalent practice, cash credit facilities and working capital demand loans are renewed on a year to year basis and therefore, are revolving in nature.

### \* Nature of security

Cash credit facilities and working capital demand loans from Banks are secured by way of hypothecation of the Company's finance/loan assets, plant and machinery and future rental income therefrom and other current assets excluding those from real estate (expressly excluding those equipments, plant, machinery, spare parts etc. and future rental income therefrom which have been or will be purchased out of the term loans and / or refinance facility from Financial Institutions, Banks or any other finance organisation). These are collaterally secured by way of equitable mortgage over immovable property.

# Notes

to the Financial Statements (Continued)

## NOTE 8 : TRADE PAYABLES

|                                      | (₹ in Lacs)            |                        |
|--------------------------------------|------------------------|------------------------|
|                                      | As at<br>31 March 2017 | As at<br>31 March 2016 |
| Due to micro and small enterprises * | -                      | -                      |
| Due to others                        | 18,307.40              | 16,083.37              |
|                                      | <b>18,307.40</b>       | <b>16,083.37</b>       |

\* The Company has no dues to micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006, as at 31 March 2017 and 31 March 2016. This information is required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006, and has been determined to the extent such parties have been identified on the basis of information available with the Company.

## NOTE 9 : OTHER CURRENT LIABILITIES

|                                                           | (₹ in Lacs)            |                        |
|-----------------------------------------------------------|------------------------|------------------------|
|                                                           | As at<br>31 March 2017 | As at<br>31 March 2016 |
| Current maturities of long-term borrowings [Note 5]       | 1,23,070.54            | 1,26,716.81            |
| Interest accrued but not due on borrowings                | 8,706.11               | 11,247.08              |
| Unpaid dividend *                                         | 32.28                  | 28.54                  |
| Unclaimed matured deposits and interest accrued thereon * | -                      | 0.13                   |
| <b>Other liabilities</b>                                  |                        |                        |
| Temporary book overdraft                                  | 2,090.45               | 4,362.75               |
| Advances and deposits from customers                      | 6,476.09               | 6,868.59               |
| Statutory liabilities                                     | 601.56                 | 692.45                 |
| Director's commission payable                             | -                      | 160.00                 |
| Pending remittance on assignment                          | 22,695.91              | 23,835.09              |
| Other payables                                            | 7,450.51               | 5,945.95               |
|                                                           | <b>1,71,123.45</b>     | <b>1,79,857.39</b>     |

\* Balance would be credited to Investor Education and Protection Fund as and when due.

\* Represents liability transferred to and vested in the Company pursuant to the amalgamation of erstwhile Shrachi Infrastructure Finance Limited with the Company in the financial year 2006-07. The Company, in accordance with Reserve Bank of India directives, had transferred the entire outstanding amount together with interest to an escrow account. Unclaimed balance has been credited to Investor Education and Protection Fund.

## NOTE 10 : SHORT-TERM PROVISIONS

|                                                                | (₹ in Lacs)            |                        |
|----------------------------------------------------------------|------------------------|------------------------|
|                                                                | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Provision for employee benefits</b>                         |                        |                        |
| Provision for compensated absences                             | 86.58                  | 76.57                  |
| <b>Other provisions</b>                                        |                        |                        |
| Contingent provision against standard assets (Tier II capital) | 1,340.00               | 1,280.00               |
| Proposed dividend (including tax thereon) [Note 4]             | -                      | 2,788.15               |
| Provision for taxation (net)                                   | -                      | 1,435.57               |
|                                                                | <b>1,426.58</b>        | <b>5,580.29</b>        |

# Notes

to the Financial Statements (Continued)

## NOTE 11 : FIXED ASSETS

Following are the changes in the carrying value of the fixed assets for the year ended 31 March 2017

(₹ in Lacs)

| Description of assets                  | Gross block              |                 |                 | Depreciation and amortisation |                          |                 |               | Net block                 |                           |
|----------------------------------------|--------------------------|-----------------|-----------------|-------------------------------|--------------------------|-----------------|---------------|---------------------------|---------------------------|
|                                        | As at<br>1 April<br>2016 | Additions       | Deletions       | As at<br>31 March<br>2017     | As at<br>1 April<br>2016 | For the<br>year | Deletions     | As at<br>31 March<br>2017 | As at<br>31 March<br>2017 |
| <b>Tangible Assets</b>                 |                          |                 |                 |                               |                          |                 |               |                           |                           |
| <b>Fixed assets for own use</b>        |                          |                 |                 |                               |                          |                 |               |                           |                           |
| 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                  |
| <b>Sub-total</b>                       | <b>26,609.85</b>         | <b>1,051.45</b> | <b>441.64</b>   | <b>27,219.66</b>              | <b>13,730.49</b>         | <b>2,301.22</b> | <b>375.69</b> | <b>15,656.02</b>          | <b>11,563.64</b>          |
| <b>Fixed assets on operating lease</b> |                          |                 |                 |                               |                          |                 |               |                           |                           |
| 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                  |
| <b>Sub-total</b>                       | <b>5,834.04</b>          | <b>4,389.18</b> | <b>702.18</b>   | <b>9,521.04</b>               | <b>1,347.75</b>          | <b>1,742.11</b> | <b>320.49</b> | <b>2,769.37</b>           | <b>6,751.67</b>           |
| <b>Total</b>                           | <b>32,443.89</b>         | <b>5,440.63</b> | <b>1,143.82</b> | <b>36,740.70</b>              | <b>15,078.24</b>         | <b>4,043.33</b> | <b>696.18</b> | <b>18,425.39</b>          | <b>18,315.31</b>          |
| <b>Intangible assets</b>               |                          |                 |                 |                               |                          |                 |               |                           |                           |
| <b>Fixed assets for own use</b>        |                          |                 |                 |                               |                          |                 |               |                           |                           |
| 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                    | -                         |
| <b>Total</b>                           | <b>5,304.10</b>          | <b>778.19</b>   | <b>-</b>        | <b>6,082.29</b>               | <b>2,517.18</b>          | <b>785.33</b>   | <b>-</b>      | <b>3,302.51</b>           | <b>2,779.78</b>           |
| <b>Grand total</b>                     | <b>37,747.99</b>         | <b>6,218.82</b> | <b>1,143.82</b> | <b>42,822.99</b>              | <b>17,595.42</b>         | <b>4,828.66</b> | <b>696.18</b> | <b>21,727.90</b>          | <b>21,095.09</b>          |

\* Registration of title for 3 buildings is pending.

# Notes

to the Financial Statements (Continued)

## NOTE 11 : FIXED ASSETS (Contd.)

Following are the changes in the carrying value of the fixed assets for the year ended 31 March 2016

(₹ in Lacs)

| Description of assets                  | Gross block              |                 |                 |                           | Depreciation and amortisation |                 |                 |                           | Net block                 |  |
|----------------------------------------|--------------------------|-----------------|-----------------|---------------------------|-------------------------------|-----------------|-----------------|---------------------------|---------------------------|--|
|                                        | As at<br>1 April<br>2015 | Additions       | Deletions       | As at<br>31 March<br>2016 | As at<br>1 April<br>2015      | For the<br>year | Deletions       | As at<br>31 March<br>2016 | As at<br>31 March<br>2016 |  |
| <b>Tangible Assets</b>                 |                          |                 |                 |                           |                               |                 |                 |                           |                           |  |
| <b>Fixed assets for own use</b>        |                          |                 |                 |                           |                               |                 |                 |                           |                           |  |
| Land                                   | 30.26                    | -               | -               | 30.26                     | -                             | -               | -               | -                         | 30.26                     |  |
| Buildings *                            | 3,497.37                 | -               | 1,332.00        | 2,165.37                  | 1,154.62                      | 55.40           | 592.20          | 617.82                    | 1,547.55                  |  |
| Wind mills                             | 9,701.29                 | -               | -               | 9,701.29                  | 3,766.96                      | 411.60          | -               | 4,178.56                  | 5,522.73                  |  |
| Furniture and fixtures                 | 2,605.79                 | 70.14           | 45.12           | 2,630.81                  | 1,323.46                      | 275.95          | 25.49           | 1,573.92                  | 1,056.89                  |  |
| Vehicles                               | 304.71                   | 59.88           | 92.45           | 272.14                    | 147.80                        | 32.10           | 73.73           | 106.17                    | 165.97                    |  |
| Office equipments                      | 7,879.39                 | 825.37          | 159.88          | 8,544.88                  | 4,185.81                      | 1,214.91        | 148.99          | 5,251.73                  | 3,293.15                  |  |
| Leasehold improvements                 | 3,184.57                 | 153.94          | 73.41           | 3,265.10                  | 1,695.07                      | 345.14          | 37.92           | 2,002.29                  | 1,262.81                  |  |
| <b>Sub-total</b>                       | <b>27,203.38</b>         | <b>1,109.33</b> | <b>1,702.86</b> | <b>26,609.85</b>          | <b>12,273.72</b>              | <b>2,335.10</b> | <b>878.33</b>   | <b>13,730.49</b>          | <b>12,879.36</b>          |  |
| <b>Fixed assets on operating lease</b> |                          |                 |                 |                           |                               |                 |                 |                           |                           |  |
| Buildings                              | 11.00                    | -               | -               | 11.00                     | 2.05                          | 0.17            | -               | 2.22                      | 8.78                      |  |
| Vehicles                               | 2,779.30                 | 3,506.06        | 462.32          | 5,823.04                  | 524.00                        | 972.86          | 151.33          | 1,345.53                  | 4,477.51                  |  |
| <b>Sub-total</b>                       | <b>2,790.30</b>          | <b>3,506.06</b> | <b>462.32</b>   | <b>5,834.04</b>           | <b>526.05</b>                 | <b>973.03</b>   | <b>151.33</b>   | <b>1,347.75</b>           | <b>4,486.29</b>           |  |
| <b>Total</b>                           | <b>29,993.68</b>         | <b>4,615.39</b> | <b>2,165.18</b> | <b>32,443.89</b>          | <b>12,799.77</b>              | <b>3,308.13</b> | <b>1,029.66</b> | <b>15,078.24</b>          | <b>17,365.65</b>          |  |
| <b>Intangible assets</b>               |                          |                 |                 |                           |                               |                 |                 |                           |                           |  |
| <b>Fixed assets for own use</b>        |                          |                 |                 |                           |                               |                 |                 |                           |                           |  |
| Computer software                      | 3,432.22                 | 1,071.88        | -               | 4,504.10                  | 1,090.87                      | 626.31          | -               | 1,717.18                  | 2,786.92                  |  |
| Business and commercial rights         | 800.00                   | -               | -               | 800.00                    | 800.00                        | -               | -               | 800.00                    | -                         |  |
| <b>Total</b>                           | <b>4,232.22</b>          | <b>1,071.88</b> | <b>-</b>        | <b>5,304.10</b>           | <b>1,890.87</b>               | <b>626.31</b>   | <b>-</b>        | <b>2,517.18</b>           | <b>2,786.92</b>           |  |
| <b>Grand total</b>                     | <b>34,225.90</b>         | <b>5,687.27</b> | <b>2,165.18</b> | <b>37,747.99</b>          | <b>14,690.64</b>              | <b>3,934.44</b> | <b>1,029.66</b> | <b>17,595.42</b>          | <b>20,152.57</b>          |  |

\* Registration of title for 3 buildings is pending.

## NOTE 12 : NON-CURRENT INVESTMENTS

(₹ in Lacs)

|                                               | As at<br>31 March 2017 | As at<br>31 March 2016 |
|-----------------------------------------------|------------------------|------------------------|
| <b>Other investment (at cost) [Note 43]</b>   |                        |                        |
| <b>Investment in equity shares</b>            |                        |                        |
| Quoted (fully paid-up of ₹ 10/- each)         | 1.12                   | 1.12                   |
| Unquoted (fully paid-up of ₹ 10/- each)       |                        |                        |
| In subsidiaries                               | 9,329.94               | 9,329.94               |
| In joint ventures                             | 6,302.20               | 6,302.20               |
| In others                                     | 422.04                 | 422.04                 |
| <b>Investment in preference shares</b>        |                        |                        |
| Unquoted (fully paid-up of ₹ 10/- each)       |                        |                        |
| In subsidiary                                 | 24,888.89              | 24,888.89              |
| <b>Investment in government securities</b>    |                        |                        |
| Unquoted (pledged with sales tax authorities) | 0.16                   | 0.16                   |

# Notes

to the Financial Statements (Continued)

## NOTE 12 : NON-CURRENT INVESTMENTS (Contd.)

|                                                            | (₹ in Lacs)            |                        |
|------------------------------------------------------------|------------------------|------------------------|
|                                                            | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Others</b>                                              |                        |                        |
| In pass through certificates *                             | 4,924.70               | 2,274.28               |
| In security receipts (of ₹ 1,000/- each)                   | 7,416.47               | -                      |
|                                                            | <b>53,285.52</b>       | <b>43,218.63</b>       |
| Aggregate provision for diminution in value of investments | (1.05)                 | (1.05)                 |
|                                                            | <b>53,284.47</b>       | <b>43,217.58</b>       |
| Aggregate book value of quoted investments                 | 1.12                   | 1.12                   |
| Aggregate market value of quoted investments               | 0.28                   | 0.33                   |
| Aggregate book value of unquoted investments               | 53,284.40              | 43,217.51              |

\* The Company has invested in the pass through certificates (PTCs) on the assets securitised by it, as Minimum Retention Ratio, as prescribed in the guidelines issued by Reserve Bank of India from time to time. Current portion of PTCs amounting to ₹ 4,737.23 lacs (2016: ₹ 2,597.22 lacs) has been included under 'Current Investments' [Note 16].

## NOTE 13 : DEFERRED TAX ASSETS (NET)

|                                              | (₹ in Lacs)            |                        |
|----------------------------------------------|------------------------|------------------------|
|                                              | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Deferred tax assets</b>                   |                        |                        |
| Contingent provision against standard assets | 1,121.30               | 1,097.07               |
| Provision for non-performing assets          | 5,661.59               | 9,315.71               |
| Unabsorbed depreciation and amortisation     | 3,585.25               | -                      |
| Others                                       | 303.94                 | 299.26                 |
|                                              | <b>10,672.08</b>       | <b>10,712.04</b>       |
| <b>Deferred tax liabilities</b>              |                        |                        |
| Fixed assets                                 | 3,172.35               | 2,675.90               |
| Unamortised expenses (net)                   | 5,469.70               | 5,168.39               |
| Others                                       | 58.36                  | 104.88                 |
|                                              | <b>8,700.41</b>        | <b>7,949.17</b>        |
| <b>Deferred tax assets (net)</b>             | <b>1,971.67</b>        | <b>2,762.87</b>        |

## NOTE 14 : LONG-TERM LOANS AND ADVANCES

|                                                 | (₹ in Lacs)            |                        |
|-------------------------------------------------|------------------------|------------------------|
|                                                 | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Assets on finance*</b>                       |                        |                        |
| Secured, considered good*                       | 5,04,951.84            | 6,08,962.07            |
| Secured, considered doubtful*                   | 19,930.03              | 48,768.95              |
| Unsecured, considered good                      | 80,833.20              | 81,876.88              |
|                                                 | <b>6,05,715.07</b>     | <b>7,39,607.90</b>     |
| <b>Others</b>                                   |                        |                        |
| <b>Unsecured, considered good</b>               |                        |                        |
| Capital advances                                | 118.61                 | 12.36                  |
| Loans to staff                                  | 96.86                  | 108.87                 |
| Loans and advances to related parties [Note 36] | 10,063.05              | 1,669.34               |
| Tax advances and deduction at source (net)      | 7,478.98               | -                      |
| Security deposits                               | 1,011.04               | 845.45                 |
|                                                 | <b>18,768.54</b>       | <b>2,636.02</b>        |

# Notes

to the Financial Statements (Continued)

## NOTE 14 : LONG-TERM LOANS AND ADVANCES (Contd.)

|                                                                  | (₹ in Lacs)            |                        |
|------------------------------------------------------------------|------------------------|------------------------|
|                                                                  | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Unsecured, considered doubtful</b>                            |                        |                        |
| <b>Other loans and advances</b>                                  |                        |                        |
| Advances recoverable in cash or kind or for value to be received | 500.00                 | 332.00                 |
| Less: Provision against loans and advances                       | 500.00                 | 332.00                 |
|                                                                  | -                      | -                      |
|                                                                  | <b>6,24,483.61</b>     | <b>7,42,243.92</b>     |

\* Assets on finance includes sub-standard assets of ₹ 69,754.07 lacs (2016: ₹ 76,304.58 lacs) and is net of amounts securitised / assigned aggregating to ₹ 3,62,064.98 lacs (2016: ₹ 3,65,056.97 lacs).

\* Secured by underlying assets financed.

## NOTE 15 : OTHER NON-CURRENT ASSETS

|                                                            | (₹ in Lacs)            |                        |
|------------------------------------------------------------|------------------------|------------------------|
|                                                            | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Others</b>                                              |                        |                        |
| Non-current bank balances*                                 | 8,629.25               | 705.74                 |
| Unamortised borrowings costs                               | 1,567.64               | 1,134.06               |
| Unamortised loan origination costs (net)                   | 6,548.17               | 6,089.72               |
| Gratuity (excess of plan assets over obligation) [Note 27] | 168.63                 | 303.05                 |
|                                                            | <b>16,913.69</b>       | <b>8,232.57</b>        |

\* Balances with banks held as security against borrowings, guarantees amounts to ₹ 475.17 lacs (2016: ₹ 312.28 lacs) and as cash collateral for securitisation / direct assignment of receivables amounts to ₹ 8,154.08 lacs (2016: ₹ 378.00 lacs).

## NOTE 16 : CURRENT INVESTMENTS

|                                              | (₹ in Lacs)            |                        |
|----------------------------------------------|------------------------|------------------------|
|                                              | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Other investment [Note 43]</b>            |                        |                        |
| <b>Others (at cost)</b>                      |                        |                        |
| In pass through certificates [Note 12]       | 4,737.23               | 2,597.22               |
|                                              | <b>4,737.23</b>        | <b>2,597.22</b>        |
| Aggregate book value of unquoted investments | 4737.23                | 2,597.22               |

## NOTE 17 : TRADE RECEIVABLES

|                                                                                               | (₹ in Lacs)            |                        |
|-----------------------------------------------------------------------------------------------|------------------------|------------------------|
|                                                                                               | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Unsecured, considered good</b>                                                             |                        |                        |
| Debts outstanding for a period exceeding six months from the date they became due for payment | -                      | 221.67                 |
| Other debts                                                                                   | 643.21                 | 485.30                 |
|                                                                                               | <b>643.21</b>          | <b>706.97</b>          |

# Notes

to the Financial Statements (Continued)

## NOTE 18 : CASH AND BANK BALANCES

|                                                                                  | (₹ in Lacs)            |                        |
|----------------------------------------------------------------------------------|------------------------|------------------------|
|                                                                                  | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Cash and cash equivalents</b>                                                 |                        |                        |
| Cash in hand                                                                     | 5,433.09               | 6,420.70               |
| <b>Balances with banks</b>                                                       |                        |                        |
| In current and cash credit accounts                                              | 5,626.93               | 12,258.40              |
| In deposits with original maturity of three months or less                       | 1,624.27               | 1,530.36               |
|                                                                                  | <b>12,684.29</b>       | <b>20,209.46</b>       |
| <b>Other bank balances *</b>                                                     |                        |                        |
| In unpaid dividend account                                                       | 32.28                  | 28.54                  |
| In deposits with original maturity of three months or less                       | 522.00                 | -                      |
| In deposits with original maturity of more than three months to twelve months    | 9,373.04               | 12,737.98              |
| Current maturities of deposits with original maturity of more than twelve months | 4,637.50               | 3,069.98               |
|                                                                                  | <b>14,564.82</b>       | <b>15,836.50</b>       |
|                                                                                  | <b>27,249.11</b>       | <b>36,045.96</b>       |

\* Balances with banks held as security against borrowings, guarantees amounts to ₹ 2,058.83 lacs (2016: ₹ 1,800.43 lacs) and as cash collateral for securitisation / direct assignment of receivables amounts to ₹ 12,050.87 lacs (2016: ₹ 12,408.68 lacs). Fixed deposits accounts with more than twelve months maturity amounting to ₹ 8,629.25 lacs (2016: ₹ 705.74 lacs) included under 'Other Non-Current Assets' [Note 15].

## NOTE 19 : SHORT-TERM LOANS AND ADVANCES

|                                                                  | (₹ in Lacs)            |                        |
|------------------------------------------------------------------|------------------------|------------------------|
|                                                                  | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Asset on finance</b>                                          |                        |                        |
| Secured, considered good*                                        | 2,66,964.02            | 3,28,812.52            |
| Unsecured, considered good                                       | 1,09,926.12            | 92,081.24              |
|                                                                  | <b>3,76,890.14</b>     | <b>4,20,893.76</b>     |
| <b>Others</b>                                                    |                        |                        |
| <b>Unsecured, considered good</b>                                |                        |                        |
| Loan and advances to related parties                             | 665.13                 | 580.12                 |
| Other loans and advances                                         |                        |                        |
| Loans to staff                                                   | 191.40                 | 205.44                 |
| Advances recoverable in cash or kind or for value to be received | 875.31                 | 2,054.67               |
| Prepaid expenses                                                 | 640.72                 | 731.16                 |
| Balances with statutory / government authorities                 | 1,040.12               | 1,158.36               |
|                                                                  | <b>3,412.68</b>        | <b>4,729.75</b>        |
|                                                                  | <b>3,80,302.82</b>     | <b>4,25,623.51</b>     |

\* Secured by underlying assets financed

## NOTE 20 : OTHER CURRENT ASSETS

|                                          | (₹ in Lacs)            |                        |
|------------------------------------------|------------------------|------------------------|
|                                          | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Others</b>                            |                        |                        |
| Accrued interest / financial charges     | 221.29                 | 176.48                 |
| Unamortised borrowings costs             | 1,050.07               | 989.57                 |
| Unamortised loan origination costs (net) | 6,638.85               | 6,760.01               |
| Others                                   | 54.73                  | 186.27                 |
|                                          | <b>7,964.94</b>        | <b>8,112.33</b>        |

# Notes

to the Financial Statements (Continued)

## NOTE 21 : REVENUE FROM OPERATIONS

|                                           | (₹ in Lacs)                 |                             |
|-------------------------------------------|-----------------------------|-----------------------------|
|                                           | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| <b>Interest / finance income</b>          |                             |                             |
| On assets on finance                      | 1,76,802.86                 | 1,94,601.37                 |
| On securitisation and assignment of loans | 7,137.36                    | 1,193.74                    |
| On pass through certificates              | 599.83                      | 334.67                      |
| On fixed deposits                         | 1,527.65                    | 2,150.73                    |
| On loans and margins                      | 1,966.65                    | 924.20                      |
|                                           | <b>1,88,034.35</b>          | <b>1,99,204.71</b>          |
| <b>Other financial income</b>             |                             |                             |
| Lease rentals                             | 2,438.63                    | 1,325.84                    |
| Collection and support services           | 1,879.72                    | 3,406.74                    |
| Foreclosure charges                       | 3,378.74                    | 3,559.48                    |
| Income on non-convertible debenture       | -                           | 2,199.99                    |
| Others                                    | 1,566.41                    | 1,267.27                    |
|                                           | <b>9,263.50</b>             | <b>11,759.32</b>            |
|                                           | <b>1,97,297.85</b>          | <b>2,10,964.03</b>          |

## NOTE 22 : OTHER INCOME

|                                                                   | (₹ in Lacs)                 |                             |
|-------------------------------------------------------------------|-----------------------------|-----------------------------|
|                                                                   | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| Sale of power                                                     | 1,108.90                    | 1,034.07                    |
| Insurance commission                                              | 816.57                      | 1,037.40                    |
| Commission income                                                 | 673.49                      | -                           |
| Gain on sale of fixed assets (net)                                | 16.00                       | -                           |
| Gain on sale of investments (non-current, other than trade) (net) | -                           | 5.08                        |
| Rental income                                                     | 2.61                        | 2.63                        |
| Excess provision on investment written back                       | -                           | 34.53                       |
| Bad debt recovered                                                | 1,910.21                    | 834.18                      |
| Miscellaneous income                                              | 378.87                      | 3.63                        |
|                                                                   | <b>4,906.65</b>             | <b>2,951.52</b>             |

## NOTE 23 : EMPLOYEE BENEFITS EXPENSE

|                                           | (₹ in Lacs)                 |                             |
|-------------------------------------------|-----------------------------|-----------------------------|
|                                           | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| Salaries and wages                        | 20,841.95                   | 22,425.46                   |
| Contribution to provident and other funds | 1,387.52                    | 1,027.08                    |
| Employee share based compensation expense | (37.91)                     | 230.82                      |
| Staff welfare expenses                    | 829.20                      | 974.82                      |
|                                           | <b>23,020.76</b>            | <b>24,658.18</b>            |

# Notes

to the Financial Statements (Continued)

## NOTE 24 : FINANCE COSTS

|                                                                              | (₹ in Lacs)                 |                             |
|------------------------------------------------------------------------------|-----------------------------|-----------------------------|
|                                                                              | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| <b>Interest expense</b>                                                      |                             |                             |
| On debentures                                                                | 18,735.10                   | 24,362.16                   |
| On term loans                                                                | 21,412.79                   | 17,651.39                   |
| On cash credit and working capital facilities                                | 38,838.99                   | 39,764.33                   |
| On others                                                                    | 100.64                      | 11.43                       |
| <b>Discount on commercial papers</b>                                         | 11,098.65                   | 14,007.05                   |
| <b>Other borrowing costs</b>                                                 | 3,624.98                    | 3,989.44                    |
| <b>Mark-to-market (profit) / losses on derivative contracts [Note 35(c)]</b> | (23.10)                     | 23.10                       |
|                                                                              | <b>93,788.05</b>            | <b>99,808.90</b>            |

## NOTE 25 : PROVISIONS AND BAD DEBTS WRITTEN-OFF

|                                                      | (₹ in Lacs)                 |                             |
|------------------------------------------------------|-----------------------------|-----------------------------|
|                                                      | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| Bad debts written-off                                | 18,340.33                   | 24,241.48                   |
| Net loss / (gain) on sale of non-performing assets * | 19,308.12                   | -                           |
| Provision for non-performing assets                  | 16,514.04                   | 9,444.93                    |
| Contingent provision against standard assets         | 70.00                       | 50.00                       |
|                                                      | <b>54,232.49</b>            | <b>33,736.41</b>            |

\* Net of reversals of provision on sale of non-performing assets ₹ 27,240.62 lacs.

## NOTE 26 : OTHER EXPENSES

|                                                       | (₹ in Lacs)                 |                             |
|-------------------------------------------------------|-----------------------------|-----------------------------|
|                                                       | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| Rent                                                  | 1,530.02                    | 1,644.00                    |
| Brokerage and commission                              | 10,606.68                   | 11,658.20                   |
| Rates and taxes                                       | 68.94                       | 72.87                       |
| Insurance                                             | 117.55                      | 107.48                      |
| Advertisement and publicity                           | 269.47                      | 351.25                      |
| Travelling and conveyance                             | 1,864.50                    | 2,236.32                    |
| Repairs and maintenance                               |                             |                             |
| - machinery                                           | 254.79                      | 227.10                      |
| - others                                              | 1,259.26                    | 1,187.11                    |
| Payment to directors                                  |                             |                             |
| - fees                                                | 14.95                       | 11.50                       |
| - commission                                          | 12.40                       | 170.50                      |
| Professional fees                                     | 1,742.06                    | 1,695.87                    |
| Legal charges                                         | 1,776.75                    | 1,586.55                    |
| Printing and stationery                               | 482.30                      | 544.52                      |
| Communication                                         | 1,357.85                    | 1,326.97                    |
| Electricity charges                                   | 649.18                      | 608.28                      |
| Corporate social responsibility expenditure [Note 37] | 374.07                      | 283.99                      |
| Loss on sale of fixed assets (net)                    | -                           | 2.30                        |
| Capital work in progress written-off                  | 690.13                      | -                           |
| Miscellaneous expenses                                | 2,192.83                    | 1,465.72                    |
|                                                       | <b>25,263.73</b>            | <b>25,180.53</b>            |

# Notes

to the Financial Statements (Continued)

## NOTE 27 : EMPLOYEE BENEFITS

### Gratuity benefit plan

The scheme is funded with Life Insurance Corporation of India (LIC). The following tables set out the status of the gratuity plan as required under Accounting Standard (AS) 15 (revised) on Employee Benefits.

#### (a) Reconciliation of opening and closing balances of the present value of defined benefit obligation

|                                           | (₹ in Lacs)                 |                             |
|-------------------------------------------|-----------------------------|-----------------------------|
| Particulars                               | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| Opening defined benefit obligation        | 1,324.19                    | 1,277.33                    |
| Current service cost                      | 239.74                      | 187.46                      |
| Interest cost                             | 95.80                       | 91.54                       |
| Actuarial losses / (gains)                | 261.41                      | 2.06                        |
| Benefits paid                             | (213.81)                    | (234.20)                    |
| <b>Closing defined benefit obligation</b> | <b>1,707.33</b>             | <b>1,324.19</b>             |

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

|                                              | (₹ in Lacs)                 |                             |
|----------------------------------------------|-----------------------------|-----------------------------|
| Particulars                                  | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| Opening fair value of the plan assets        | 1,627.24                    | 1,551.10                    |
| Expected return on plan assets               | 132.63                      | 120.63                      |
| Contributions by employer                    | 329.90                      | 189.71                      |
| Actuarial (losses) / gains                   | -                           | -                           |
| Benefits paid                                | (213.81)                    | (234.20)                    |
| <b>Closing fair value of the plan assets</b> | <b>1,875.96</b>             | <b>1,627.24</b>             |

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

|                            | (₹ in Lacs)            |                        |
|----------------------------|------------------------|------------------------|
| Particulars                | As at<br>31 March 2017 | As at<br>31 March 2016 |
| Defined benefit obligation | (1,707.33)             | (1,324.19)             |
| Fair value of plan assets  | 1,875.96               | 1,627.24               |
| <b>Net asset</b>           | <b>168.63</b>          | <b>303.05</b>          |

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

|                                                             | (₹ in Lacs)                 |                             |
|-------------------------------------------------------------|-----------------------------|-----------------------------|
| Particulars                                                 | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| Current service cost                                        | 239.74                      | 187.46                      |
| Interest on defined benefit obligation                      | 95.80                       | 91.54                       |
| Net actuarial losses / (gains) recognised                   | 261.41                      | 2.06                        |
| Expected return on plan assets                              | (132.63)                    | (120.63)                    |
| <b>Net expense included in "Employee benefits expenses"</b> | <b>464.32</b>               | <b>160.43</b>               |

# Notes

to the Financial Statements (Continued)

## NOTE 27 : EMPLOYEE BENEFITS (Contd.)

### (e) Summary of actuarial assumptions

| Particulars     | (₹ in Lacs)                 |                             |
|-----------------|-----------------------------|-----------------------------|
|                 | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| Discount rate   | 7.28%                       | 7.87%                       |
| Salary increase | 5.00%                       | 5.00%                       |
| Withdrawal rate | 4.20%                       | 4.20%                       |

(f) **Expected rate of return on plan assets:** This is based on the expectation of the average long-term rate of return expected on investments of the fund during the estimated term of the obligations.

(g) **Discount rate:** The discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of the obligations.

(h) **Salary escalation rate:** The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

### (i) Experience adjustments

| Particulars                                                                       | (₹ in Lacs)   |               |               |               |               |
|-----------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
|                                                                                   | 31 March 2017 | 31 March 2016 | 31 March 2015 | 31 March 2014 | 31 March 2013 |
| Present value of defined benefit obligation                                       | (1,707.33)    | (1,324.19)    | (1,277.33)    | (952.71)      | (862.62)      |
| Fair value of plan assets                                                         | 1,875.96      | 1,627.24      | 1,551.10      | 1,309.86      | 1,090.09      |
| Funded status [surplus/(deficit)]                                                 | 168.63        | 303.05        | 273.77        | 357.15        | 227.47        |
| Experience (gain)/loss adjustment on plan liabilities                             | 140.70        | (1.17)        | 60.94         | 67.87         | 56.36         |
| Experience gain/(loss) adjustment on plan assets                                  | -             | -             | (5.26)        | -             | (6.57)        |
| Experience (gain)/loss adjustment on plan liabilities due to change in assumption | 120.71        | 3.23          | 177.74        | (94.91)       | 43.40         |

## NOTE 28 : LEASE TRANSACTIONS IN THE CAPACITY OF LESSEE

Lease rental expense under non-cancellable operating lease during the year amounted to ₹ 32.32 lacs (2016: ₹ 26.10 lacs). Future minimum lease payments under non-cancellable operating lease is as below:

| Particulars                                       | (₹ in Lacs)            |                        |
|---------------------------------------------------|------------------------|------------------------|
|                                                   | As at<br>31 March 2017 | As at<br>31 March 2016 |
| Not later than one year                           | 39.64                  | 21.53                  |
| Later than one year but not later than five years | 37.51                  | 34.78                  |
| Later than five years                             | -                      | -                      |

Additionally, the Company uses the office facilities under cancellable operating leases. The rental expense under cancellable operating lease during the year was ₹ 1,983.14 lacs (2016: ₹ 1,907.46 lacs). Above rental expense includes the cost allocated to the subsidiaries and joint ventures amounting to ₹ 485.44 lacs (2016: ₹ 289.56 lacs).

# Notes

to the Financial Statements (Continued)

## NOTE 29 : EARNINGS PER SHARE (EPS)

| Particulars                                                                                                                                                                                        | Units     | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------------------------|-----------------------------|
| <b>Basic and Diluted</b>                                                                                                                                                                           |           |                             |                             |
| (a) (i) Weighted average number of equity shares (Face Value of ₹ 2/- per share) for Basic EPS                                                                                                     | Nos.      | 23,69,03,308                | 23,20,96,351                |
| (ii) Weighted average number of equity shares for diluted EPS [after considering 4.03 lacs shares (2016: 7.43 lacs) resulting from assumed exercise of employee stock options and equity warrants] | Nos.      | 23,73,06,305                | 23,28,39,048                |
| (b) Net profit after tax                                                                                                                                                                           | ₹ in Lacs | 609.68                      | 18,714.97                   |
| (c) Less : Preference dividend including tax thereon                                                                                                                                               | ₹ in Lacs | 3.39                        | 514.97                      |
| (d) (i) Net profit for equity shareholders for basic EPS                                                                                                                                           | ₹ in Lacs | 606.29                      | 18,200.00                   |
| (ii) Net profit for equity shareholders for diluted EPS                                                                                                                                            | ₹ in Lacs | 606.29                      | 18,200.00                   |
| (e) (i) Earning per share (face value of ₹ 2/- per share) – Basic                                                                                                                                  | ₹         | 0.26                        | 7.84                        |
| (ii) Earning per share (face value of ₹ 2/- per share) – Diluted                                                                                                                                   | ₹         | 0.26                        | 7.82                        |

## NOTE 30 : CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

### (a) Contingent liabilities

| (₹ in Lacs)                                                  |                        |                        |
|--------------------------------------------------------------|------------------------|------------------------|
| Particulars                                                  | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>1 Claims against the Company not acknowledged as debt</b> |                        |                        |
| (i) Income tax matters under dispute                         | 292.96                 | 314.29                 |
| (ii) VAT matters under dispute                               | 240.49                 | 242.33                 |
| (iii) Service tax matters under dispute                      | 292.37                 | 115.00                 |
| (iv) Legal cases against the Company *                       | 116.32                 | 325.61                 |
| <b>2 Guarantees</b>                                          |                        |                        |
| (i) Unexpired bank guarantee                                 | 28,098.46              | 21,096.24              |

\* The Company is also involved in other law suits, claims, investigations and proceedings, including collection and repossession related matters, which arise in the ordinary course of business. However, there are no significant claims on such cases.

### (b) Commitments

| (₹ in Lacs)                                                                                        |                        |                        |
|----------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Particulars                                                                                        | As at<br>31 March 2017 | As at<br>31 March 2016 |
| (i) Estimated amount of contracts remaining to be executed on capital account and not provided for | 872.54                 | 574.08                 |
| (ii) Redemption of preference shares (including premium)                                           | -                      | 1,300.20               |

(c) The Company has a process whereby periodically all long-term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision required under any law/accounting standard/RBI regulation for material foreseeable losses on such long term contracts has been made in the books of account.

# Notes

to the Financial Statements (Continued)

## NOTE 31 :

- (a) Commissioner of service tax had issued a show cause notice in respect of the financial years 2002-03 to 2006-07 on 16 October 2007 and the matter was adjudicated vide Order dated 31 March 2009, confirming the service tax liability at ₹ 464 lacs plus interest and penalty against which ₹ 404 lacs was paid and charged to the statement of profit and loss in earlier years. Both the Company and the Department had gone into appeal in CESTAT against the order. There were multiple hearings for the case in the CESTAT and High Court of Calcutta on this matter. Finally, the Honorary Bench of CESTAT in its order dated 28 March 2016 have remanded the matter back to the Commissioner. There is no outstanding demand as of now. The Company has filed an appeal before the High Court of Calcutta and the matter is yet to be finally disposed off.
- (b) Fringe benefit tax had been levied on fringe benefit provided to employees as per Section 115W of the Income Tax Act, 1961. The Company had filed a writ petition before the Hon'ble High Court of Calcutta and had been granted stay order on the same. The case was transferred to Hon'ble Supreme Court and has since been remanded to Hon'ble High Court of Calcutta and is yet to be finally disposed off. In view of this, the Company had not provided for any liability against fringe benefit tax in the earlier years. In terms of Finance Act, 2009, Fringe Benefit Tax has been withdrawn effective 01 April 2009.

## NOTE 32 : PAYMENTS TO AUDITORS (INCLUDED IN PROFESSIONAL FEES)

| Particulars                         | (₹ in Lacs)                 |                             |
|-------------------------------------|-----------------------------|-----------------------------|
|                                     | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| Audit fees                          | 36.00                       | 36.00                       |
| Limited review of quarterly results | 30.00                       | 24.00                       |
| Other services                      | 2.45                        | -                           |
| Reimbursement of expenses           | 14.29                       | 8.69                        |
| <b>Total</b>                        | <b>82.74</b>                | <b>68.69</b>                |

## NOTE 33 : LOANS AND ADVANCES TO SUBSIDIARY COMPANY

| Name of the Subsidiary                   | (₹ in Lacs)              |                        |
|------------------------------------------|--------------------------|------------------------|
|                                          | Maximum<br>Outstanding   | As At<br>31 March 2017 |
| Magma ITL Finance Limited [a subsidiary] | 15,000.00<br>(11,500.00) | 9,900.00<br>(1,500.00) |

Previous year's figures are stated in brackets.

## NOTE 34 : ADDITIONAL NOTES

- (a) C.I.F. value of imports of goods acquired for asset financing arrangements ₹ Nil (2016: ₹ Nil).
- (b) Earnings in foreign currency ₹ Nil (2016: ₹ Nil).
- (c) Expenditure in foreign currency on account of professional fees, travelling and others ₹ 80.58 lacs (2016: ₹ 71.82 lacs).
- (d) **Dividend remitted in foreign currency**

| Particulars                                  | (₹ in Lacs)              |                          |
|----------------------------------------------|--------------------------|--------------------------|
|                                              | Paid in<br>31 March 2017 | Paid in<br>31 March 2016 |
| Preference shares                            |                          |                          |
| Financial year to which the dividend relates | 2015-16                  | 2014-15                  |
| Number of shareholder                        | 1                        | 1                        |
| Number of shares held                        | 86,10,198                | 86,10,198                |
| Amount remitted (₹ lacs)                     | 87.02                    | 184.24                   |

# Notes

to the Financial Statements (Continued)

## NOTE 35 : DISCLOSURE REQUIRED IN TERMS OF THE REVISED REGULATORY FRAMEWORK FOR NBFC ISSUED BY RBI ON 10 NOVEMBER, 2014

### (a) Capital

|                                                            | (₹ in Lacs)            |                        |
|------------------------------------------------------------|------------------------|------------------------|
|                                                            | As at<br>31 March 2017 | As at<br>31 March 2016 |
| (i) CRAR (%)                                               | 20.4                   | 18.7                   |
| (ii) CRAR -Tier I Capital (%)                              | 15.4                   | 14.6                   |
| (iii) CRAR -Tier II Capital (%)                            | 5.0                    | 4.1                    |
| (iv) Amount of subordinated debt raised as Tier-II capital | 98,730.00              | 77,930.00              |
| (v) Amount raised by issue of Perpetual Debt Instruments   | 13,310.00              | 11,250.00              |

### (b) Investments

|                                                                          | (₹ in Lacs)            |                        |
|--------------------------------------------------------------------------|------------------------|------------------------|
|                                                                          | As at<br>31 March 2017 | As at<br>31 March 2016 |
| 1 Value of Investments                                                   |                        |                        |
| (i) Gross Value of Investments                                           | 58,022.75              | 45,815.85              |
| (a) In India                                                             | -                      | -                      |
| (b) Outside India                                                        |                        |                        |
| (ii) Provisions for Depreciation                                         | 1.05                   | 1.05                   |
| (a) In India                                                             | -                      | -                      |
| (b) Outside India                                                        |                        |                        |
| (iii) Net Value of Investments                                           | 58,021.70              | 45,814.80              |
| (a) In India                                                             | -                      | -                      |
| (b) Outside India                                                        |                        |                        |
| 2 Movement of provisions held towards depreciation on investments        | 1.05                   | 35.58                  |
| (i) Opening balance                                                      | -                      | -                      |
| (ii) Add : Provisions made during the year                               | -                      | 34.53                  |
| (iii) Less : Write-off / write-back of excess provisions during the year | 1.05                   | 1.05                   |
| (iv) Closing balance                                                     |                        |                        |

### (c) Derivative

#### 1 Forward Rate Agreement / Interest rate Swap

|                                                                                                             | (₹ in Lacs)            |                        |
|-------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
|                                                                                                             | As at<br>31 March 2017 | As at<br>31 March 2016 |
| (i) The notional principal of swap agreements                                                               | -                      | 1,300.20               |
| (ii) Loss which would be incurred if counterparties failed to fulfil their obligations under the agreements | -                      | 176.70                 |
| (iii) Collateral required by the NBFC upon entering into swaps                                              | -                      | -                      |
| (iv) Concentration of credit risk arising from the swaps                                                    | -                      | -                      |
| (v) The fair value of swap book loss                                                                        | -                      | 23.10                  |

The Company has recognised gain of ₹ 23.10 lacs (2016: loss of ₹ 23.10 lacs) relating to derivative financial instrument.  
The Company does not have any exposure to exchange traded interest rate (IR) derivatives as at 31 March 2017 and 31 March 2016.

# Notes

to the Financial Statements (Continued)

## NOTE 35 : DISCLOSURE REQUIRED IN TERMS OF THE REVISED REGULATORY FRAMEWORK FOR NBFC ISSUED BY RBI ON 10 NOVEMBER, 2014 (Contd.).

### 2 Disclosures on risk exposure in derivatives

#### Qualitative disclosure

Fair value of derivative contracts is determined based on the appropriate valuation techniques considering the terms of the contract as at the balance sheet date. Mark to market losses in derivative contracts are recognised in the statement of profit and loss in the period in which they arise. Mark to market gains are not recognised keeping in view the principle of prudence as enunciated in "Accounting Standard (AS) 1 - Disclosure of Accounting Policies".

#### Quantitative disclosures

|                                                           | Currency<br>Derivative | Interest Rate<br>Derivative |
|-----------------------------------------------------------|------------------------|-----------------------------|
| (i) Derivatives (Notional Principal Amount) : For Hedging | -                      | -                           |
| (ii) Marked to Market Positions                           |                        |                             |
| (a) Asset (+)                                             | -                      | -                           |
| (b) Liability (-)                                         | -                      | -                           |
| (iii) Credit Exposure                                     | -                      | -                           |
| (iv) Unhedged Exposures                                   | -                      | -                           |

### (d) Disclosures relating to Securitisation

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

|   |                                                                                                       | (₹ in Lacs)            |                        |
|---|-------------------------------------------------------------------------------------------------------|------------------------|------------------------|
|   |                                                                                                       | As at<br>31 March 2017 | As at<br>31 March 2016 |
| 1 | No. of Special Purpose Vehicles (SPVs) sponsored by the NBFC for securitisation transactions *        | 23                     | 20                     |
| 2 | Total amount of securitised assets as per books of the SPVs sponsored                                 | 2,26,105.01            | 1,06,426.01            |
| 3 | Total amount of the exposures retained by the NBFC to comply with MRR as on the date of balance sheet |                        |                        |
|   | a) Off-balance sheet exposures                                                                        |                        |                        |
|   | First loss                                                                                            | -                      | -                      |
|   | Others                                                                                                | -                      | -                      |
|   | b) On-balance sheet exposures                                                                         |                        |                        |
|   | First loss                                                                                            | 19,622.76              | 11,153.68              |
|   | Others                                                                                                | 9,661.93               | 4,871.50               |
| 4 | Amount of exposures to securitisation transactions other than MRR                                     |                        |                        |
|   | a) Off-balance sheet exposures                                                                        |                        |                        |
|   | (i) Exposure to own securitisation                                                                    |                        |                        |
|   | First loss                                                                                            | -                      | -                      |
|   | Others                                                                                                | 27,359.26              | 17,273.86              |
|   | (ii) Exposure to third party securitisations                                                          |                        |                        |
|   | First loss                                                                                            | -                      | -                      |
|   | Others                                                                                                | -                      | -                      |
|   | b) On-balance sheet exposures                                                                         |                        |                        |
|   | (i) Exposure to own securitisation                                                                    |                        |                        |
|   | First loss                                                                                            | -                      | -                      |
|   | Others                                                                                                | 22,100.02              | 12,519.54              |
|   | (ii) Exposure to third party securitisations                                                          |                        |                        |
|   | First loss                                                                                            | -                      | -                      |
|   | Others                                                                                                | -                      | -                      |

\* Only the SPVs relating to outstanding securitisation transactions are reported here.

\*The above figures are being reported based on certificate issued by the auditors of the SPV, as required by revised guidelines on transfer of assets through securitisation.

# Notes

to the Financial Statements (Continued)

## NOTE 35 : DISCLOSURE REQUIRED IN TERMS OF THE REVISED REGULATORY FRAMEWORK FOR NBFC ISSUED BY RBI ON 10 NOVEMBER, 2014 (Contd.)

### (ii) Accounting for Excess Interest Spread (EIS)

The Company recognises EIS on securitisation transactions in line with RBI circular "Revisions to the Guidelines on Securitisation Transactions" issued on 21 August 2012 which requires recognition of EIS only when redeemed in cash. Accordingly, the gross income on securitisation and assignment of loans aggregating to ₹ 1,290.58 lacs for the year ended 31 March 2017 (2016: ₹ 3,287.54 lacs) has not been recognised.

### (iii) The value of "excess interest spread receivable" and "unrealised gain" on securitisation transactions undertaken in terms of guidelines on securitisation transaction issued by Reserve Bank of India on 21 August 2012 is given below:

|   |                                                | (₹ in Lacs)         |           |                     |          |
|---|------------------------------------------------|---------------------|-----------|---------------------|----------|
|   |                                                | As at 31 March 2017 |           | As at 31 March 2016 |          |
|   |                                                | Non-current         | Current   | Non-current         | Current  |
| 1 | Excess interest spread receivable              | 5,527.21            | 10,480.73 | 3,324.11            | 5,866.35 |
| 2 | Unrealised gain on securitisation transactions | 5,527.21            | 10,480.73 | 3,324.11            | 5,866.35 |

### (iv) Additional income tax on income distributed by Securitisation Trusts

In the Finance Act, 2013, a provision was introduced w.e.f. 01 June 2013 in respect of 'Tax on Distributed Income by Securitisation Trusts' ('SDT'). The income so received was exempt in the hands of the Company. However the said provision has been withdrawn in Finance Act, 2016 w.e.f 01 June 2016. During the year, the income amounting to ₹ 1,261.88 lacs (2016: ₹ 4,330.67 lacs) has been received by the Company as an investor after withholding SDT of ₹ 436.71 lacs (2016: ₹ 1,495.33 lacs).

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

|       |                                                                                       | (₹ in Lacs)                 |                             |
|-------|---------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
|       |                                                                                       | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| (i)   | No. of accounts                                                                       | 4,672                       | -                           |
| (ii)  | Aggregate value (net of provisions) of accounts sold to SC / RC                       | 14,083.46                   | -                           |
| (iii) | Aggregate consideration                                                               | 8,898.82                    | -                           |
| (iv)  | Additional consideration realised in respect of accounts transferred in earlier years | -                           | -                           |
| (v)   | Aggregate gain / (loss) over net book value (NBV) *                                   | (5,533.52)                  | -                           |

\* Excess provision of ₹ 348.88 lacs has not been reversed for case where sale value is higher than the NBV.

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

|                                                             |                                                                                                                              | (₹ in Lacs)                 |                             |
|-------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
|                                                             |                                                                                                                              | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| (i)                                                         | Backed by non-performing assets sold by the Company as underlying                                                            | 7,416.47                    | -                           |
| (ii)                                                        | Backed by non-performing assets sold by other banks / financial institutions / non-banking financial companies as underlying | -                           | -                           |
| <b>Total book value of investments in security receipts</b> |                                                                                                                              | <b>7,416.47</b>             | <b>-</b>                    |

# Notes

to the Financial Statements (Continued)

## NOTE 35 : DISCLOSURE REQUIRED IN TERMS OF THE REVISED REGULATORY FRAMEWORK FOR NBFC ISSUED BY RBI ON 10 NOVEMBER, 2014 (Contd.)

### 4 Details of Assignment transactions undertaken by NBFCs

|                                                                                            | (₹ in Lacs)                 |                             |
|--------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
|                                                                                            | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| (i) No. of accounts                                                                        | 1,601                       | 20,264                      |
| (ii) Aggregate value (net of provisions) of accounts sold                                  | 35,253.75                   | 93,852.10                   |
| (iii) Aggregate consideration                                                              | 35,253.75                   | 93,852.10                   |
| (iv) Additional consideration realised in respect of accounts transferred in earlier years | -                           | -                           |
| (v) Aggregate gain / loss over net book value                                              | -                           | -                           |

### 5 Details of non-performing financial assets purchased / sold

#### a) Details of non-performing financial assets purchased:

The Company has not purchased any non-performing financial assets during the financial year ended 31 March 2017 and 31 March 2016.

#### b) Details of Non-performing Financial Assets sold:

|                                        | (₹ in Lacs)            |                        |
|----------------------------------------|------------------------|------------------------|
|                                        | As at<br>31 March 2017 | As at<br>31 March 2016 |
| (i) No. of accounts sold               | 19,415                 | -                      |
| (ii) Aggregate outstanding *           | 17,674.60              | -                      |
| (iii) Aggregate consideration received | 3,900.00               | -                      |

\* net of provisions

### (e) Asset Liability Management - Maturity pattern of certain items of Assets and Liabilities

|                              | (₹ in Lacs)                       |                                     |                                      |                                    |                               |                               |                               |                 |
|------------------------------|-----------------------------------|-------------------------------------|--------------------------------------|------------------------------------|-------------------------------|-------------------------------|-------------------------------|-----------------|
|                              | 1day to<br>30/31days<br>(1 month) | Over 1<br>Month<br>upto 2<br>Months | Over 2<br>Months<br>upto 3<br>Months | Over 3<br>Months<br>to<br>6 Months | Over 6<br>Months to<br>1 Year | Over 1 Years<br>to<br>3 Years | Over 3 Years<br>to<br>5 Years | Over 5<br>Years |
| Deposits placed              | 2,472.08                          | 0.50                                | 1,403.24                             | 1,750.02                           | 10,530.97                     | 8,317.61                      | 311.64                        | -               |
| Advances                     | 69,599.02                         | 29,009.20                           | 33,386.68                            | 87,501.05                          | 1,60,166.15                   | 4,01,833.36                   | 1,44,648.97                   | 78,642.00       |
| Investments                  | 370.81                            | 378.80                              | 419.45                               | 1,339.71                           | 2,228.46                      | 4,622.95                      | 301.75                        | 48,359.77       |
| Borrowings*                  | 48,088.65                         | 20,638.54                           | 99,220.86                            | 62,095.42                          | 1,10,886.32                   | 3,04,008.09                   | 1,25,633.80                   | 78,511.98       |
| Foreign currency assets      | -                                 | -                                   | -                                    | -                                  | -                             | -                             | -                             | -               |
| Foreign currency liabilities | -                                 | -                                   | -                                    | -                                  | -                             | -                             | -                             | -               |
| Total                        |                                   |                                     |                                      |                                    |                               |                               |                               |                 |

\* Cash credit and working capital demand loan from banks are usually for a period of 1 year. As per the prevalent practice, these facilities are renewed on a year to year basis and therefore, are revolving in nature. Accordingly, repayments of cash credit borrowings and working capital demand loans from banks aggregating ₹ 4,37,151.12 lacs has been distributed over the same period as the maturity pattern of assets on finance. Borrowings includes ₹ 1,23,070.54 lacs, which has been disclosed as 'Current maturities of long term borrowings' [Note 9].

# Notes

to the Financial Statements (Continued)

## NOTE 35 : DISCLOSURE REQUIRED IN TERMS OF THE REVISED REGULATORY FRAMEWORK FOR NBFC ISSUED BY RBI ON 10 NOVEMBER, 2014 (Contd.)

### (f) Exposures

#### 1 Exposure to real estate sector

| (₹ in Lacs)                                                                                                  |                        |                        |
|--------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Category                                                                                                     | As at<br>31 March 2017 | As at<br>31 March 2016 |
| (i) Direct exposure                                                                                          |                        |                        |
| A. Residential mortgages                                                                                     | 62,592.35              | 91,920.81              |
| B. Commercial real estate                                                                                    | 19,495.27              | 33,987.44              |
| C. Investments in Mortgage Backed Securities (MBS) and other securitised exposures*                          |                        |                        |
| a. Residential                                                                                               | -                      | -                      |
| b. Commercial Real Estate                                                                                    | 4,325.77               | -                      |
| (ii) Indirect Exposure                                                                                       |                        |                        |
| Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs). | -                      | -                      |

\* Includes investments in Security Receipts. Breakup of residential and commercial real estate is not available and hence, entire amount shown in commercial real estate.

#### 2 Exposure to Capital Market

| (₹ in Lacs)                                                                                                                                                                                |                        |                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
|                                                                                                                                                                                            | As at<br>31 March 2017 | As at<br>31 March 2016 |
| Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt; | 1.12                   | 1.12                   |
| <b>Total Exposure to Capital Market</b>                                                                                                                                                    | <b>1.12</b>            | <b>1.12</b>            |

#### 3 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC

The Company has not exceeded the prudential exposure limits during the financial year ended 31 March 2017 and 31 March 2016.

#### 4 Unsecured advances

| (₹ in Lacs) |                    |                     |                    |                     |
|-------------|--------------------|---------------------|--------------------|---------------------|
|             |                    | As at 31 March 2017 |                    | As at 31 March 2016 |
|             |                    | Non-current         | Current maturities | Non-current         |
|             |                    |                     |                    | Current maturities  |
| 1           | Unsecured Advances | 80,833.20           | 1,09,926.12        | 81,876.88           |
|             |                    |                     |                    | 92,081.24           |

The Company has not given any unsecured advances against intangible securities such as charge over the rights, licenses, authority, etc. during the financial year ended 31 March 2017 and 31 March 2016.

### (g) Registration obtained from other financial sector regulators.

| Regulator                                        | Registration no.      | Date of registration / renewal |
|--------------------------------------------------|-----------------------|--------------------------------|
| 1 Ministry of Corporate Affairs                  | L51504WB1978PLC031813 | 18 December 1978               |
| 2 Insurance Regulatory and Development Authority | CA0154 (Composite)    | 29 March 2016                  |

# Notes

to the Financial Statements (Continued)

## NOTE 35 : DISCLOSURE REQUIRED IN TERMS OF THE REVISED REGULATORY FRAMEWORK FOR NBFC ISSUED BY RBI ON 10 NOVEMBER, 2014 (Contd.)

### (h) Details of penalties imposed by RBI and other regulators

No penalties has been imposed by RBI and other regulators on the Company during the financial year ended 31 March 2017 and 31 March 2016.

### (i) Details of Ratings assigned by credit rating agencies and migration of ratings during the year

| Nature                       | Date of rating assigned * | Rating assigned | Previous rating assigned |
|------------------------------|---------------------------|-----------------|--------------------------|
| 1 Secured debentures         | 10-Feb-17                 | CARE AA-        | CARE AA-                 |
|                              | 14-Dec-16                 | IND AA-         | IND AA-                  |
|                              | 24-Jan-17                 | ICRA AA-        | ICRA AA-                 |
| 2 Subordinated debentures    | 10-Feb-17                 | CARE AA-        | CARE AA-                 |
|                              | 20-Mar-17                 | BWRAA           | BWRAA                    |
|                              | 22-Mar-17                 | SMERA AA        | -                        |
| 3 Perpetual debt instruments | 10-Feb-17                 | CARE A+         | CARE A+                  |
|                              | 20-Mar-17                 | BWR AA-         | BWR AA-                  |
| 4 Commercial papers          | 10-Feb-17                 | CARE A1+        | CARE A1+                 |
|                              | 27-Feb-17                 | CRISIL A1+      | CRISIL A1+               |
| 5 Bank facility              | 10-Feb-17                 | CARE AA-        | CARE AA-                 |
|                              | 24-Jan-17                 | ICRA AA-        | ICRA AA-                 |
|                              | 14-Dec-16                 | IND AA-         | -                        |

\* Date of rating assigned relates to rating valid on 31 March 2017.

### (j) Remuneration of non-executive Directors

(₹ in Lacs)

| Name of directors              | Nature of payment | Year Ended<br>31 March 2017 | Year Ended<br>31 March 2016 |
|--------------------------------|-------------------|-----------------------------|-----------------------------|
| 1 Mr. Neil Graeme Brown        | Sitting Fees      | -                           | 1.20                        |
|                                | Commission        | -                           | 35.00                       |
| 2 Mr. Narayan K Seshadri       | Sitting Fees      | 2.90                        | 2.20                        |
|                                | Commission        | -                           | 75.00                       |
| 3 Mr. Nabankur Gupta           | Sitting Fees      | 2.60                        | 1.60                        |
|                                | Commission        | -                           | 30.00                       |
| 4 Mr. Satya Brata Ganguly      | Sitting Fees      | 5.30                        | 3.70                        |
|                                | Commission        | -                           | 20.00                       |
| 5 Mr. Sanjay Nayar             | Sitting Fees      | 0.80                        | 1.40                        |
| 6 Mrs. Ritva Kaarina Laukkanen | Sitting Fees      | 0.80                        | 0.60                        |
| 7 Mr. V K Viswanathan          | Sitting Fees      | 1.40                        | -                           |

# Notes

to the Financial Statements (Continued)

## NOTE 35 : DISCLOSURE REQUIRED IN TERMS OF THE REVISED REGULATORY FRAMEWORK FOR NBFC ISSUED BY RBI ON 10 NOVEMBER, 2014 (Contd.)

### (k) Provisions and Contingencies

| (₹ in Lacs)                                                                          |                             |                             |
|--------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Break up of 'Provisions and Contingencies' shown in the Statement of Profit and Loss | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| <b>Under "Provisions and bad debts written-off"</b>                                  |                             |                             |
| 1 Provision for standard assets                                                      | 70.00                       | 50.00                       |
| 2 Provision for non-performing assets                                                | 16,514.04                   | 9,444.93                    |
| <b>Under "Tax expenses"</b>                                                          |                             |                             |
| 1 Provision made towards income tax (includes deferred tax)                          | 461.13                      | 7,882.12                    |
| <b>Under "Employee Benefit Expenses"</b>                                             |                             |                             |
| 1 Provision for compensated absences                                                 | 117.10                      | 415.17                      |

### (l) Concentration of Deposits, Advances, Exposures and NPAs

#### 1 Concentration of Advances

| (₹ in Lacs)                                                          |                        |
|----------------------------------------------------------------------|------------------------|
|                                                                      | As at<br>31 March 2017 |
| Total advances to twenty largest borrowers                           | 35,258.47              |
| Percentage of advances to twenty largest borrowers to total advances | 3.6                    |

#### 2 Concentration of Exposures

| (₹ in Lacs)                                                                                              |                        |
|----------------------------------------------------------------------------------------------------------|------------------------|
|                                                                                                          | As at<br>31 March 2017 |
| Total exposure to twenty largest borrowers/ customers                                                    | 35,258.47              |
| Percentage of exposures to twenty largest borrowers/ customers to total exposure on borrowers/ customers | 3.6                    |

#### 3 Concentration of NPAs

| (₹ in Lacs)                             |                        |
|-----------------------------------------|------------------------|
|                                         | As at<br>31 March 2017 |
| Total exposure to top four NPA accounts | 766.43                 |

#### 4 Sector-wise NPAs

| Sector                              | % of NPAs to Total Advances<br>in the sector |
|-------------------------------------|----------------------------------------------|
| (i) Agriculture & allied activities | 17.7                                         |
| (ii) MSME                           | 3.0                                          |
| (iii) Corporate borrowers*          | -                                            |
| (iv) Services                       | 13.1                                         |
| (v) Unsecured personal loans        | -                                            |
| (vi) Auto loans                     | 7.5                                          |
| (vii) Other personal loans          | 3.8                                          |

\* Corporate borrowers is included in the respective sector

# Notes

to the Financial Statements (Continued)

## NOTE 35 : DISCLOSURE REQUIRED IN TERMS OF THE REVISED REGULATORY FRAMEWORK FOR NBFC ISSUED BY RBI ON 10 NOVEMBER, 2014 (Contd.)

### (m) Movement of NPAs

| (₹ in Lacs)                                                                   |                             |                             |
|-------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Particulars                                                                   | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| i) Net NPAs to Net Advances (%)                                               | 7.6%                        | 8.7%                        |
| ii) Movement of NPAs (Gross)                                                  |                             |                             |
| a) Opening balance                                                            | 1,25,073.53                 | 83,005.06                   |
| b) Additions during the year                                                  | 59,771.30                   | 76,080.73                   |
| c) Reductions during the year                                                 | 95,160.73                   | 34,012.26                   |
| d) Closing balance                                                            | <b>89,684.10</b>            | <b>1,25,073.53</b>          |
| iii) Movement of Net NPAs                                                     |                             |                             |
| a) Opening balance                                                            | 98,487.74                   | 65,864.20                   |
| b) Additions during the year                                                  | 53,624.01                   | 65,912.06                   |
| c) Reductions during the year                                                 | 78,286.85                   | 33,288.52                   |
| d) Closing balance                                                            | <b>73,824.90</b>            | <b>98,487.74</b>            |
| iv) Movement of provisions for NPAs (excluding provisions on standard assets) |                             |                             |
| a) Opening balance                                                            | 26,585.79                   | 17,140.86                   |
| b) Provisions made during the year                                            | 6,147.29                    | 10,168.67                   |
| c) Write-off / write-back of excess provisions                                | 16,873.88                   | 723.74                      |
| d) Closing balance                                                            | <b>15,859.20</b>            | <b>26,585.79</b>            |

The Company classifies non-performing assets (NPAs) at 4 months overdue and is compliant with the requirement for the financial year ending 31 March 2017 as per the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated 01 September 2016. These provisioning norms are considered the minimum and additional provision is made based on perceived credit risk where necessary.

During the financial year ended 31 March 2017, the Company has recorded an additional provision of ₹ 2,082.00 lacs towards NPAs which are more than 15 months overdue. This additional provision is in line with the RBI guidelines on NPA provisioning norms applicable for the year ending 31 March 2018. Accordingly, the profit before tax for the financial year ended 31 March 2017, is lower to the extent of ₹ 2,082.00 lacs.

### (n) Disclosure of complaints

#### Customer complaints

| Particulars                                            | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
|--------------------------------------------------------|-----------------------------|-----------------------------|
| No. of complaints pending at the beginning of the year | 25                          | 61                          |
| No. of complaints received during the year             | 531                         | 1,221                       |
| No. of complaints redressed during the year            | 552                         | 1,257                       |
| No. of complaints pending at the end of the year       | 4                           | 25                          |

# Notes

to the Financial Statements (Continued)

## NOTE 36 : RELATED PARTY DISCLOSURES

Related party disclosures as at and for the year ended 31 March 2017.

| <b>(A) Names of the Related parties where control exists</b>                |                                                                                                               | <b>Nature of Relationship</b>                                                               |
|-----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| i.                                                                          | Magma ITL Finance Limited                                                                                     | Subsidiary Company                                                                          |
| ii.                                                                         | Magma Advisory Services Limited                                                                               | Subsidiary Company                                                                          |
| iii.                                                                        | Magma Housing Finance Limited<br>[Formerly Magma Housing Finance (A Public Company With Unlimited Liability)] | Step Down Subsidiary                                                                        |
| iv.                                                                         | Mr. Narayan K Seshadri                                                                                        | Chairman & Independent Director                                                             |
| v.                                                                          | Mr. Sanjay Chamria                                                                                            | Vice Chairman & Managing Director                                                           |
| vi.                                                                         | Mr. Mayank Poddar                                                                                             | Whole Time Director                                                                         |
| vii.                                                                        | Mr. Sanjay Nayar                                                                                              | Director                                                                                    |
| viii.                                                                       | Mrs. Ritva Kaarina Laukkanen                                                                                  | Director                                                                                    |
| <b>(B) Others - With whom transactions have taken place during the year</b> |                                                                                                               |                                                                                             |
| <b>Names of the other Related parties</b>                                   |                                                                                                               | <b>Nature of Relationship</b>                                                               |
| i.                                                                          | Magma HDI General Insurance Company Limited                                                                   | Joint Venture                                                                               |
| ii.                                                                         | Jaguar Advisory Services Private Limited                                                                      | Joint Venture                                                                               |
| iii.                                                                        | Celica Developers Private Limited                                                                             | Private Company in which Director or his relative is Member or Director                     |
| iv.                                                                         | Tranzmute Capital & Management Private Limited                                                                | Private Company in which Director or his relative is Member or Director                     |
| v.                                                                          | Finance Industry Development Council                                                                          | Private Company in which Director or his relative is Member or Director                     |
| vi.                                                                         | Microfirm Capital Private Limited                                                                             | Private Company in which Director or his relative is Member or Director                     |
| vii.                                                                        | Magma Consumer Finance Private Limited                                                                        | Private Company in which Director or his relative is Member or Director                     |
| viii.                                                                       | Mr. Neil Graeme Brown                                                                                         | Independent Director (upto 06 May 2016)                                                     |
| ix.                                                                         | Mr. Nabankur Gupta                                                                                            | Independent Director                                                                        |
| x.                                                                          | Mr. Satya Brata Ganguly                                                                                       | Independent Director                                                                        |
| xi.                                                                         | Mr. V K Viswanathan                                                                                           | Independent Director (w.e.f. 13 August 2016)                                                |
| xii.                                                                        | Mrs. Shabnum Zaman                                                                                            | Company Secretary (w.e.f. 02 August 2015)                                                   |
| xiii.                                                                       | Mr. Atul Bansal                                                                                               | Chief Financial Officer (upto 03 November 2016)                                             |
| xiv.                                                                        | Mr. Kailash Baheti                                                                                            | Company Secretary (upto 01 August 2015) & Chief Financial Officer (w.e.f. 04 November 2016) |
| xv.                                                                         | Mr. Harshvardhan Chamria                                                                                      | Relative of Key Managerial Personnel                                                        |

# Notes

to the Financial Statements (Continued)

**NOTE 36 : RELATED PARTY DISCLOSURES (Contd.)**

(₹ in Lacs)

|                                                            |                                                                  | Transaction value for the year ended 31 March 2017 | Outstanding amount as at 31 March 2017 | Transaction value for the year ended 31 March 2016 | Outstanding amount as at 31 March 2016 |
|------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------|----------------------------------------|----------------------------------------------------|----------------------------------------|
| Name of related party                                      | Nature of transaction                                            |                                                    |                                        |                                                    |                                        |
| A) Subsidiary (including step down subsidiary)             |                                                                  |                                                    |                                        |                                                    |                                        |
| 1. Magma ITL Finance Limited                               | Investment in equity shares                                      | -                                                  | 3,329.94                               | -                                                  | 3,329.94                               |
|                                                            | Long-term loans and advances given                               | 36,500.00                                          | 9,900.00                               | 11,500.00                                          | 1,500.00                               |
|                                                            | Refund of long-term loans and advances given                     | 28,100.00                                          | -                                      | 10,000.00                                          | -                                      |
|                                                            | Cost allocation made*                                            | 709.88                                             | -                                      | 338.97                                             | -                                      |
|                                                            | Interest income                                                  | 1,259.29                                           | -                                      | 140.10                                             | -                                      |
| 2. Magma Advisory Services Limited                         | Investment in equity shares                                      | -                                                  | 6,000.00                               | -                                                  | 6,000.00                               |
|                                                            | Investment in preference shares                                  | -                                                  | 24,888.89                              | 24,888.89                                          | 24,888.89                              |
|                                                            | Preference dividend received                                     | 0.36                                               | -                                      | -                                                  | -                                      |
| 3. Magma Housing Finance Limited                           | Cost allocation made*                                            | 787.35                                             | -                                      | 771.58                                             | -                                      |
| B) Joint venture                                           |                                                                  |                                                    |                                        |                                                    |                                        |
| 1. Magma HDI General Insurance Company Limited             | Investment in equity shares                                      | -                                                  | 6,300.00                               | 3,700.00                                           | 6,300.00                               |
|                                                            | Short-term loans and advances given                              | 14,348.80                                          | 665.13                                 | 16,090.36                                          | 580.12                                 |
|                                                            | Refund of short-term loans and advances given                    | 14,263.79                                          | -                                      | 16,047.49                                          | -                                      |
|                                                            | Cost allocation made*                                            | 1,159.57                                           | -                                      | 1,048.12                                           | -                                      |
|                                                            | Insurance commission income                                      | 816.57                                             | 28.13                                  | 1,037.40                                           | 38.75                                  |
|                                                            | Insurance premium paid                                           | 10.93                                              | -                                      | 12.08                                              | -                                      |
| 2. Jaguar Advisory Services Private Limited                | Investment in equity shares                                      | -                                                  | 2.20                                   | -                                                  | 2.20                                   |
| C) Private Company in which director is member or director |                                                                  |                                                    |                                        |                                                    |                                        |
| 1. Celica Developers Private Limited                       | Long-term loans and advances given                               | 24.19                                              | 163.05                                 | 30.24                                              | 169.34                                 |
|                                                            | Refund of long-term loans and advances given                     | 30.48                                              | -                                      | -                                                  | -                                      |
|                                                            | Investment in non convertible debenture                          | -                                                  | -                                      | 20,700.00                                          | -                                      |
|                                                            | Redemption of non convertible debenture                          | -                                                  | -                                      | 20,700.00                                          | -                                      |
|                                                            | Purchase of preference shares of Magma Advisory Services Limited | -                                                  | -                                      | 24,888.89                                          | -                                      |
|                                                            | Income on non convertible debenture                              | -                                                  | -                                      | 2,199.99                                           | -                                      |
|                                                            | Rent expense                                                     | 411.43                                             | -                                      | 328.40                                             | -                                      |
|                                                            | Equity dividend paid                                             | -                                                  | -                                      | 235.48                                             | -                                      |
| 2. Tranzmute Capital & Management Private Limited          | Refund of long-term loans and advances given                     | -                                                  | -                                      | 40.50                                              | -                                      |
|                                                            | Electricity charges paid                                         | -                                                  | -                                      | 0.67                                               | -                                      |
|                                                            | Telephone charges paid                                           | -                                                  | -                                      | 0.94                                               | -                                      |
| 3. Finance Industry Development Council                    | Annual subscription                                              | 1.15                                               | -                                      | 0.56                                               | -                                      |
| 4. Microfirm Capital Private Limited                       | Equity dividend paid                                             | -                                                  | -                                      | 272.13                                             | -                                      |
| 5. Magma Consumer Finance Private Limited                  | Sale of assets                                                   | 14.44                                              | -                                      | -                                                  | -                                      |

# Notes

to the Financial Statements (Continued)

## NOTE 36 : RELATED PARTY DISCLOSURES (Contd.)

(₹ in Lacs)

| Name of related party              | Nature of transaction    | Transaction value for the year ended 31 March 2017 | Outstanding amount as at 31 March 2017 | Transaction value for the year ended 31 March 2016 | Outstanding amount as at 31 March 2016 |
|------------------------------------|--------------------------|----------------------------------------------------|----------------------------------------|----------------------------------------------------|----------------------------------------|
| <b>D) Key management personnel</b> |                          |                                                    |                                        |                                                    |                                        |
| 1. Mr. Mayank Poddar               | Rent expense             | 2.03                                               | -                                      | 1.88                                               | -                                      |
|                                    | Director's remuneration  | 150.00                                             | -                                      | 150.00                                             | -                                      |
| 2. Mr. Sanjay Chamria              | Director's remuneration  | 150.00                                             | -                                      | 150.00                                             | -                                      |
|                                    | Provision for commission | -                                                  | -                                      | 160.00                                             | 160.00                                 |
| 3. Mr. Kailash Baheti              | Salary                   | 97.48                                              | -                                      | 37.48                                              | -                                      |
| 4. Mrs. Shabnum Zaman              | Salary                   | 19.13                                              | -                                      | 10.49                                              | -                                      |
| 5. Mr. Atul Bansal                 | Salary                   | 84.34                                              | -                                      | 154.74                                             | -                                      |
| <b>E) Directors</b>                |                          |                                                    |                                        |                                                    |                                        |
| 1. Mr. Neil Graeme Brown           | Sitting fees             | -                                                  | -                                      | 1.20                                               | -                                      |
|                                    | Commission *             | -                                                  | -                                      | 35.00                                              | 35.00                                  |
| 2. Mr. Narayan K Seshadri          | Sitting fees             | 2.90                                               | -                                      | 2.20                                               | -                                      |
|                                    | Commission *             | -                                                  | -                                      | 75.00                                              | 75.00                                  |
| 3. Mr. Nabankur Gupta              | Sitting fees             | 2.60                                               | -                                      | 1.60                                               | -                                      |
|                                    | Commission *             | -                                                  | -                                      | 30.00                                              | 30.00                                  |
| 4. Mr. Satya Brata Ganguly         | Sitting fees             | 5.30                                               | -                                      | 3.70                                               | -                                      |
|                                    | Commission *             | -                                                  | -                                      | 20.00                                              | 20.00                                  |
| 5. Mr. V K Viswanathan             | Sitting fees             | 1.40                                               | -                                      | -                                                  | -                                      |
| 6. Mr. Sanjay Nayar                | Sitting fees             | 0.80                                               | -                                      | 1.40                                               | -                                      |
| 7. Mrs. Ritva Kaarina Laukkanen    | Sitting fees             | 0.80                                               | -                                      | 0.60                                               | -                                      |
| <b>F) Relatives of Directors</b>   |                          |                                                    |                                        |                                                    |                                        |
| 1. Mr. Harshvardhan Chamria        | Salary                   | 77.92                                              | -                                      | 38.78                                              | -                                      |

Related parties identified includes related parties as per section 2(76) of the Companies Act, 2013.

\* Represents expenses recovered towards infrastructural support, operational assistance and other services.

\* Commission provided in financial year 2015-16 has been fully paid in financial year 2016-17.

## NOTE 37 : CORPORATE SOCIAL RESPONSIBILITY (CSR)

A CSR committee has been formed by the Company as per the Companies Act, 2013. CSR expenses have been incurred through out the year on the activities as specified in Schedule VII of the said Act.

a) Gross amount required to be spent by the Company during the year is ₹ 413.47 lacs.

b) Amount spent during the year on CSR activities

(₹ in Lacs)

| Particulars                                | In cash | Yet to be paid in cash | Total  |
|--------------------------------------------|---------|------------------------|--------|
| (i) Construction/ acquisition of any asset | -       | -                      | -      |
| (ii) On purposes other than (i) above      | 343.07  | 31.00                  | 374.07 |

During earlier year while calculating the eligibility amount in CSR, balance of provision for non-performing assets and provision for standard assets were added back to derive at the book profit. Going by the provisions of Section 198 of the Companies Act, 2013, the Company is not required to add back the balance of provision for non-performing assets and provision for standard assets, hence the same has not been considered while calculating the revised eligibility criteria for CSR.

# Notes

to the Financial Statements (Continued)

## NOTE 38 : DISCLOSURES RELATING TO FRAUD IN TERMS OF THE NOTIFICATION ISSUED BY RESERVE BANK OF INDIA

During the year ended 31 March 2017, 16 cases (2016: 25 cases) of frauds has been detected and reported. The un-recovered amounts aggregating to ₹ 162.74 lacs (2016: ₹ 380.91 lacs) have been fully provided for / written-off.

## NOTE 39 : DISCLOSURES IN TERMS OF THE NOTIFICATION ISSUED BY THE RESERVE BANK OF INDIA ON 21 MARCH 2012

(₹ in Lacs)

|                                            | As at<br>31 March 2017 | As at<br>31 March 2016 |
|--------------------------------------------|------------------------|------------------------|
| Total gold loan portfolio*                 | -                      | 28.58                  |
| Total assets                               | 11,39,194.74           | 12,90,881.95           |
| Gold loan portfolio as a % of total assets | 0.00%                  | 0.00%                  |

\*The Company has discontinued the Gold loan product as decided in the meeting of Board of Directors held on 06 November 2014.

## NOTE 40 : DISCLOSURES RELATING TO GOLD LOAN AUCTION IN TERMS OF THE NOTIFICATION ISSUED BY RESERVE BANK OF INDIA ON 16 SEPTEMBER 2013

(₹ in Lacs)

| Particulars                                                      | As at<br>31 March 2017 | As at<br>31 March 2016 |
|------------------------------------------------------------------|------------------------|------------------------|
| 1 Number of loan accounts                                        | -                      | 1,202                  |
| 2 Outstanding amounts                                            | -                      | 444.25                 |
| 3 Value fetched                                                  | -                      | 466.33                 |
| 4 Whether any of its sister concerns participated in the auction | NA                     | No                     |

## NOTE 41 : DISCLOSURES RELATING TO SPECIFIED BANK NOTES (SBN) IN TERMS OF THE NOTIFICATION ISSUED BY MCA

### Details of Specified Bank Notes (SBN) held and transacted during the period 08 November 2016 to 30 December 2016

(₹ in Lacs)

| Particulars                                   | SBNs   | Other<br>denomination<br>notes * | Total     |
|-----------------------------------------------|--------|----------------------------------|-----------|
| Closing cash in hand as on 08 November 2016 * | 856.62 | 57.45                            | 914.07    |
| Add: Permitted receipts **                    | -      | 29,215.32                        | 29,215.32 |
| Less: Permitted payments                      | -      | 35.47                            | 35.47     |
| Less: Amount deposited in Banks ***           | 856.62 | 28,332.59                        | 29,189.21 |
| Closing cash in hand as on 30 December 2016 * | -      | 904.71                           | 904.71    |

\* Based on the daily cash register and petty cash summary statement maintained across the branches.

\* Includes balance in State Bank of India eZ Card and replenishment in transit.

\*\* Includes direct cash deposits made by the customers in Company's bank accounts vide RBI Circular No. DCM (Plg) No. 1226/10.27.00/2016-17 dated 08 November 2016 under Section 3(c)(v). Also includes withdrawal from bank.

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

# Notes

to the Financial Statements (Continued)

## NOTE 42 : DISCLOSURES IN RESPECT OF COMPANY'S JOINT VENTURES PURSUANT TO ACCOUNTING STANDARD - 27

The Company's interests in its joint ventures is as follows:

(₹ in Lacs)

| Name of venture                                                            | Country of incorporation | Ownership interest (%) | Assets    | Liabilities | Income | Expenses | Contingent liabilities and commitments |
|----------------------------------------------------------------------------|--------------------------|------------------------|-----------|-------------|--------|----------|----------------------------------------|
| 1 Jaguar Advisory Services Private Limited                                 | India                    | 48.89%                 | 2,381.06  | 2,381.06    | 24.79  | 23.85    | -                                      |
| 2 Magma HDI General Insurance Company Limited (including indirect holding) | India                    | 41.11%                 | 43,154.01 | 43,154.01   | 361.06 | 66.30    | 202.10                                 |

## NOTE 43 : DETAILS OF INVESTMENTS

(₹ in Lacs)

| Name of the Company                                            | As at 31 March 2017 |                  | As at 31 March 2016 |                  |
|----------------------------------------------------------------|---------------------|------------------|---------------------|------------------|
|                                                                | Qty.                | Book Value       | Qty.                | Book Value       |
| <b>A EQUITY SHARES (FULLY PAID UP)</b>                         |                     |                  |                     |                  |
| <b>Quoted</b>                                                  |                     |                  |                     |                  |
| 1 ITC Limited                                                  | 100                 | 1.12             | 100                 | 1.12             |
| <b>Total</b>                                                   | <b>100</b>          | <b>1.12</b>      | <b>100</b>          | <b>1.12</b>      |
| <b>Unquoted (in subsidiary companies)</b>                      |                     |                  |                     |                  |
| 1 Magma Advisory Services Limited                              | 2,11,11,112         | 6,000.00         | 2,11,11,112         | 6,000.00         |
| 2 Magma ITL Finance Limited                                    | 3,32,99,400         | 3,329.94         | 3,32,99,400         | 3,329.94         |
| <b>Total</b>                                                   | <b>5,44,10,512</b>  | <b>9,329.94</b>  | <b>5,44,10,512</b>  | <b>9,329.94</b>  |
| <b>Unquoted (in joint venture companies)</b>                   |                     |                  |                     |                  |
| 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             |
| <b>Total</b>                                                   | <b>3,52,61,000</b>  | <b>6,302.20</b>  | <b>3,52,61,000</b>  | <b>6,302.20</b>  |
| <b>Unquoted (in others)</b>                                    |                     |                  |                     |                  |
| 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           |
| <b>Total</b>                                                   | <b>42,01,900</b>    | <b>422.04</b>    | <b>42,01,900</b>    | <b>422.04</b>    |
| <b>B PREFERENCE SHARES (FULLY PAID UP)</b>                     |                     |                  |                     |                  |
| <b>Unquoted</b>                                                |                     |                  |                     |                  |
| 1 Magma Advisory Services Limited                              | 3,55,55,556         | 24,888.89        | 3,55,55,556         | 24,888.89        |
| <b>Total</b>                                                   | <b>3,55,55,556</b>  | <b>24,888.89</b> | <b>3,55,55,556</b>  | <b>24,888.89</b> |
| <b>C GOVERNMENT SECURITIES</b>                                 |                     |                  |                     |                  |
| <b>Unquoted</b>                                                |                     |                  |                     |                  |
| 1 7-Years National Savings Certificate                         | -                   | 0.16             | -                   | 0.16             |
| <b>Total</b>                                                   | <b>-</b>            | <b>0.16</b>      | <b>-</b>            | <b>0.16</b>      |

# Notes

to the Financial Statements (Continued)

## NOTE 43 : DETAILS OF INVESTMENTS (Contd.)

(₹ in Lacs)

| Name of the Company                                        | As at 31 March 2017 |                  | As at 31 March 2016 |                  |
|------------------------------------------------------------|---------------------|------------------|---------------------|------------------|
|                                                            | Qty.                | Book Value       | Qty.                | Book Value       |
| <b>D OTHERS</b>                                            |                     |                  |                     |                  |
| Unquoted                                                   |                     |                  |                     |                  |
| 1 In pass through certificate - MFL Securitisation Trust   | 23                  | 9,661.93         | 20                  | 4,871.50         |
| 2 In security receipts                                     | 7,41,647            | 7,416.47         | -                   | -                |
| <b>Total</b>                                               | <b>7,41,670</b>     | <b>17,078.40</b> | <b>20</b>           | <b>4,871.50</b>  |
| <b>Grand Total</b>                                         | <b>13,01,70,738</b> | <b>58,022.75</b> | <b>12,94,29,088</b> | <b>45,815.85</b> |
| Aggregate provision for diminution in value of investments |                     | (1.05)           | -                   | (1.05)           |
| <b>Net Total</b>                                           | <b>13,01,70,738</b> | <b>58,021.70</b> | <b>12,94,29,088</b> | <b>45,814.80</b> |

## NOTE 44 : SEGMENT REPORTING

As per paragraph 4 of Accounting Standard (AS) 17, on "Segment Reporting" prescribed under section 133 of the Companies Act, 2013, where a single financial report contains both consolidated financial statements and the separate financial statements of the holding Company, segment reporting needs to be presented only on the basis of consolidated financial statements. In view of this, segment information has been presented in the consolidated financial statements.

## NOTE 45 : PREVIOUS YEAR'S FIGURE

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

As per our report of even date attached.

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

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

**Narayan K Seshadri**  
Chairman  
[DIN: 00053563]

**Kailash Baheti**  
Chief Financial Officer

For and on behalf of the Board of Directors

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

**Shabnum Zaman**  
Company Secretary

Mumbai, 11 May 2017

# Schedule

annexed to the Balance Sheet

Disclosure of details as required in terms of Paragraph 18 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

|          |                                                                                                   | (₹ in Lacs)                            |                                    |
|----------|---------------------------------------------------------------------------------------------------|----------------------------------------|------------------------------------|
| Sl. No.  | Particulars                                                                                       | Amount outstanding as at 31 March 2017 | Amount overdue as at 31 March 2017 |
|          | <b>LIABILITIES</b>                                                                                |                                        |                                    |
| <b>1</b> | <b>Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid</b> |                                        |                                    |
| (a)      | Debentures                                                                                        |                                        |                                    |
|          | - Secured                                                                                         | 54,000.00                              | -                                  |
|          | - Unsecured                                                                                       | 1,02,040.00                            | -                                  |
| (b)      | Deferred Credits                                                                                  | -                                      | -                                  |
| (c)      | Term Loans                                                                                        | 2,05,707.91                            | -                                  |
| (d)      | Inter-Corporate Loans and Borrowing                                                               | -                                      | -                                  |
| (e)      | Commercial Paper                                                                                  | 50,184.63                              | -                                  |
| (f)      | Public Deposits                                                                                   | -                                      | -                                  |
| (g)      | Cash Credit / Working Capital Demand Loans from Banks                                             | 4,37,151.12                            | -                                  |

|          |                                                                                                             | (₹ in Lacs)                            |             |
|----------|-------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------|
| Sl. No.  | Particulars                                                                                                 | Amount outstanding as at 31 March 2017 |             |
|          | <b>ASSETS</b>                                                                                               |                                        |             |
| <b>2</b> | <b>Break-up of Loans and Advances, including Bills Receivables (other than those included in (4) below)</b> |                                        |             |
| (a)      | Secured                                                                                                     |                                        | -           |
| (b)      | Unsecured                                                                                                   |                                        | 22,824.43   |
| <b>3</b> | <b>Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards AFC activities</b>  |                                        |             |
| (i)      | Lease Assets including Lease Rentals under Sundry Debtors                                                   |                                        | 6751.67     |
| (ii)     | Stock on Hire including Hire Charges under Sundry Debtors                                                   |                                        | -           |
| (iii)    | Other loans counting towards AFC activities                                                                 |                                        |             |
|          | (a) Loans where assets have been repossessed                                                                |                                        | 3,783.92    |
|          | (b) Loans other than (a) above                                                                              |                                        | 9,78,821.29 |
| <b>4</b> | <b>Break-up of Investments</b>                                                                              |                                        |             |
|          | <b>Current Investments</b>                                                                                  |                                        |             |
|          | <b>1 Quoted</b>                                                                                             |                                        |             |
|          | (i) Shares (a) Equity                                                                                       |                                        | -           |
|          | (b) Preference                                                                                              |                                        | -           |
|          | (ii) Debentures and Bonds                                                                                   |                                        | -           |
|          | (iii) Units of Mutual Funds                                                                                 |                                        | -           |
|          | (iv) Government Securities                                                                                  |                                        | -           |
|          | (v) Others (please specify)                                                                                 |                                        | -           |
|          | <b>2 Unquoted</b>                                                                                           |                                        |             |
|          | (i) Shares (a) Equity                                                                                       |                                        | -           |
|          | (b) Preference                                                                                              |                                        | -           |
|          | (ii) Debentures and Bonds                                                                                   |                                        | -           |
|          | (iii) Units of Mutual Funds                                                                                 |                                        | -           |
|          | (iv) Government Securities                                                                                  |                                        | -           |
|          | (v) Others (please specify)                                                                                 |                                        | -           |

# Schedule

annexed to the Balance Sheet (Continued)

|         |                                | (₹ in Lacs)                            |
|---------|--------------------------------|----------------------------------------|
| Sl. No. | Particulars                    | Amount outstanding as at 31 March 2017 |
|         | <b>Long-term Investments</b>   |                                        |
|         | <b>1 Quoted</b>                |                                        |
|         | (i) Shares (a) Equity          | 0.07                                   |
|         | (b) Preference                 | -                                      |
|         | (ii) Debentures and Bonds      | -                                      |
|         | (iii) Units of Mutual Funds    | -                                      |
|         | (iv) Government Securities     | -                                      |
|         | (v) Others (please specify)    | -                                      |
|         | <b>2 Unquoted</b>              |                                        |
|         | (i) Shares (a) Equity          | 16,054.18                              |
|         | (b) Preference                 | 24,888.89                              |
|         | (ii) Debentures and Bonds      | -                                      |
|         | (iii) Units of Mutual Funds    | -                                      |
|         | (iv) Government Securities     | -                                      |
|         | (v) Others (please specify)    |                                        |
|         | - National Savings Certificate | 0.16                                   |
|         | - Pass Through Certificate     | 9,661.93                               |
|         | - Security Receipts            | 7,416.47                               |

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

|                                 |                    |                    |                           | (₹ in Lacs)         |
|---------------------------------|--------------------|--------------------|---------------------------|---------------------|
| Category                        | Secured            | Unsecured          | Total as at 31 March 2017 |                     |
| 1 Related Parties               |                    |                    |                           |                     |
| (a) Subsidiaries                | -                  | 9,900.00           |                           | 9,900.00            |
| (b) Companies in the same group | -                  | 693.26             |                           | 693.26              |
| (c) Other related parties       | -                  | 163.05             |                           | 163.05              |
| 2 Other than Related Parties    | 7,98,597.56        | 2,02,827.44        |                           | 10,01,425.00        |
| <b>Total</b>                    | <b>7,98,597.56</b> | <b>2,13,583.75</b> |                           | <b>10,12,181.31</b> |

# Schedule

annexed to the Balance Sheet (Continued)

## 6 Investor group-wise Classification of all investments (current and long-term) in shares and securities (both quoted and unquoted)

| (₹ in Lacs)                         |                                                                  |                                                    |
|-------------------------------------|------------------------------------------------------------------|----------------------------------------------------|
| Category                            | Market Value / Break up or Fair Value or NAV as at 31 March 2017 | Book Value (Net of Provisions) as at 31 March 2017 |
| <b>1 Related Parties</b>            |                                                                  |                                                    |
| (a) Subsidiaries                    | 35,160.36                                                        | 34,218.83                                          |
| (b) Companies in the same group     | 11,651.51                                                        | 6,302.20                                           |
| (c) Other related parties           | -                                                                | -                                                  |
| <b>2 Other than Related Parties</b> | 17,583.05                                                        | 17,500.67                                          |
| <b>Total</b>                        | <b>64,394.92</b>                                                 | <b>58,021.70</b>                                   |

## 7 Other information

| (₹ in Lacs)                                   |                           |
|-----------------------------------------------|---------------------------|
| Particulars                                   | Total as at 31 March 2017 |
| (i) Gross Non-Performing Assets               |                           |
| (a) Related parties                           | -                         |
| (b) Other than Related parties                | 89,684.10                 |
| (ii) Net Non-Performing Assets                |                           |
| (a) Related parties                           | -                         |
| (b) Other than Related parties                | 73,824.90                 |
| (iii) Assets acquired in satisfaction of debt | -                         |

**Narayan K Seshadri**  
Chairman  
[DIN: 00053563]

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

**Kailash Baheti**  
Chief Financial Officer

**Shabnum Zaman**  
Company Secretary

Mumbai, 11 May 2017

# Independent Auditors' Report

To the Members of  
**Magma Fincorp Limited**

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Magma Fincorp Limited ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), and its jointly controlled entities, comprising the consolidated balance sheet as at 31 March 2017, the consolidated statement of profit and loss and the consolidated cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (herein referred to as "the consolidated financial statements").

## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 ("the Rules"). The respective Board of Directors of the companies included in the Group and its jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

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

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

## OPINION

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

## OTHER MATTERS

We did not audit the financial statements of both the jointly controlled entities, whose financial statements reflect Company's share in the total assets of ₹ 45,535.07 lakhs as at 31 March 2017, total revenues of ₹ 385.85 lakhs and net cash inflows amounting to ₹ 217.65 lakhs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these jointly controlled entities, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar

# Independent Auditors' Report (continued)

as it relates to the aforesaid jointly controlled entities, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by Section 143 (3) of the Act, based on our audit and on consideration of the report of the other auditors on the separate financial statements of the jointly controlled entities, as noted in the Other Matters paragraph, we report, to the extent applicable, that:
  - (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;
  - (b) in our opinion, proper books of account as required by law relating to preparation of aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and reports of other auditors ;
  - (c) the consolidated balance sheet, the consolidated statement of profit and loss, and the consolidated cash flow statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;
  - (d) in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) on the basis of the written representations received from the directors of the Holding Company as on 31 March 2017 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of the subsidiary companies and jointly controlled entities, none of the Directors of the Group companies and its jointly controlled entities are disqualified as on 31 March 2017 from being appointed as a Director in terms of Section 164 (2) of the Act;
  - (f) with respect to the adequacy of the internal financial controls over financial reporting of the Group and

its jointly controlled entities and the operating effectiveness of such controls, refer our separate Report in the "Annexure A"; and

- (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on consideration of the report of the other auditors on the separate financial statements of the jointly controlled entities, as noted in the Other Matters paragraph:
  - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its jointly controlled entities – Refer note 34(a) to the consolidated financial statements;
  - ii. The Group and its jointly controlled entities have made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts – Refer note 42 to the consolidated financial statements;
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies, and its jointly controlled entities; and
  - iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016 and these are in accordance with books of account maintained by the Holding Company and its subsidiary companies, and its jointly controlled entities – Refer Note 39 to the consolidated financial statements.

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

**Jayanta Mukhopadhyay**  
Partner  
Membership Number: 055757

Place: Kolkata  
Date: 11 May 2017

# Annexure A to the Independent Auditors' Report

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

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

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2017 we have audited the internal financial controls over financial reporting of Magma Fincorp Limited (herein referred to as "the Holding Company"), its subsidiaries and jointly controlled companies, as of date.

## **MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS**

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

## **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on the Holding Company its subsidiaries and jointly controlled companies internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting

was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditor in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company its subsidiaries and jointly controlled companies' internal financial controls system over financial reporting.

## **MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING**

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

## **INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion

# **Annexure A to the Independent Auditors' Report (continued)**

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

## **OPINION**

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

## **OTHER MATTERS**

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to two jointly controlled companies, is based on the corresponding reports of the auditors of such companies.

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

**Jayanta Mukhopadhyay**  
Partner  
Membership Number: 055757

Place: Kolkata  
Date: 11 May 2017

# Consolidated Balance Sheet

(₹ in Lacs)

|                                      | Note<br>No. | As at<br>31 March 2017 | As at<br>31 March 2016 |
|--------------------------------------|-------------|------------------------|------------------------|
| <b>EQUITY AND LIABILITIES</b>        |             |                        |                        |
| <b>Shareholders' funds</b>           |             |                        |                        |
| Share capital                        | 3           | 4,739.19               | 6,036.77               |
| Reserves and surplus                 | 4           | 2,12,472.60            | 2,10,391.46            |
| Fair value change account            |             | 1.58                   | 1.78                   |
|                                      |             | <b>2,17,213.37</b>     | <b>2,16,430.01</b>     |
| <b>Minority Interest</b>             |             | <b>3,419.59</b>        | <b>4,191.63</b>        |
| <b>Non-current liabilities</b>       |             |                        |                        |
| Long-term borrowings                 | 5           | 3,10,929.43            | 3,31,316.17            |
| Long-term provisions                 | 6           | 22,587.50              | 34,919.22              |
|                                      |             | <b>3,33,516.93</b>     | <b>3,66,235.39</b>     |
| <b>Current liabilities</b>           |             |                        |                        |
| Short-term borrowings                | 7           | 5,48,022.99            | 7,00,455.58            |
| Trade payables                       | 8           |                        |                        |
| - Due to micro and small enterprises |             | -                      | -                      |
| - Due to others                      |             | 19,760.05              | 18,335.07              |
| Other current liabilities            | 9           | 2,28,684.75            | 2,33,663.93            |
| Short-term provisions                | 10          | 8,903.73               | 13,140.26              |
|                                      |             | <b>8,05,371.52</b>     | <b>9,65,594.84</b>     |
| <b>Total</b>                         |             | <b>13,59,521.41</b>    | <b>15,52,451.87</b>    |
| <b>ASSETS</b>                        |             |                        |                        |
| <b>Non-current assets</b>            |             |                        |                        |
| Fixed assets                         |             |                        |                        |
| - Tangible assets                    | 11          | 18,472.88              | 17,483.51              |
| - Intangible assets                  | 11          | 3,179.55               | 2,938.08               |
| - Goodwill on consolidation          |             | 6,120.02               | 6,120.02               |
| - Capital work-in-progress           |             | 753.48                 | 1,304.30               |
|                                      |             | <b>28,525.93</b>       | <b>27,845.91</b>       |
| Non-current investments              | 12          | 47,292.90              | 32,415.17              |
| Deferred tax assets (net)            | 13          | 1,974.34               | 3,880.15               |
| Long-term loans and advances         | 14          |                        |                        |
| - Assets on finance                  |             | 7,82,436.94            | 9,49,543.26            |
| - Others                             |             | 9,830.93               | 1,673.01               |
| Other non-current assets             | 15          | 19,761.60              | 13,491.84              |
|                                      |             | <b>8,89,822.64</b>     | <b>10,28,849.34</b>    |
| <b>Current assets</b>                |             |                        |                        |
| Current investments                  | 16          | 7,356.05               | 7,552.62               |
| Trade receivables                    | 17          | 674.93                 | 705.33                 |
| Cash and bank balances               | 18          | 35,330.96              | 40,838.46              |
| Short-term loans and advances        | 19          |                        |                        |
| - Assets on finance                  |             | 4,07,616.80            | 4,55,861.90            |
| - Others                             |             | 6,359.44               | 6,331.87               |
| Other current assets                 | 20          | 12,360.59              | 12,312.35              |
|                                      |             | <b>4,69,698.77</b>     | <b>5,23,602.53</b>     |
| <b>Total</b>                         |             | <b>13,59,521.41</b>    | <b>15,52,451.87</b>    |
| Significant accounting policies      | 2           |                        |                        |
| Notes to the financial statements    | 3 - 43      |                        |                        |

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

As per our report of even date attached.

For and on behalf of the Board of Directors

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

**Narayan K Seshadri**  
Chairman  
[DIN: 00053563]

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

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

**Kailash Baheti**  
Chief Financial Officer

**Shabnum Zaman**  
Company Secretary

Mumbai, 11 May 2017

# Consolidated Statement of Profit and Loss

(₹ in Lacs)

|                                                                      | Note No. | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
|----------------------------------------------------------------------|----------|-----------------------------|-----------------------------|
| <b>REVENUE</b>                                                       |          |                             |                             |
| Revenue from operations                                              | 21       | 2,34,561.95                 | 2,47,777.34                 |
| Operating result from general insurance business                     | 22       | (114.48)                    | (557.80)                    |
| Other income                                                         | 23       | 5,497.69                    | 3,413.54                    |
| <b>Total revenue</b>                                                 |          | <b>2,39,945.16</b>          | <b>2,50,633.08</b>          |
| <b>EXPENSE</b>                                                       |          |                             |                             |
| Employee benefits expense                                            | 24       | 29,332.04                   | 31,721.70                   |
| Finance costs                                                        | 25       | 1,12,544.47                 | 1,19,159.57                 |
| Depreciation and amortisation expense                                | 11       | 4,850.13                    | 3,948.43                    |
| Provisions and bad debts written-off                                 | 26       | 60,685.95                   | 37,497.60                   |
| Other expenses                                                       | 27       | 27,853.45                   | 27,723.56                   |
| <b>Total expense</b>                                                 |          | <b>2,35,266.04</b>          | <b>2,20,050.86</b>          |
| <b>Profit before tax</b>                                             |          | <b>4,679.12</b>             | <b>30,582.22</b>            |
| Tax expense:                                                         |          |                             |                             |
| Current tax - current year                                           |          | 1,638.25                    | 13,780.74                   |
| - earlier year                                                       |          | (138.46)                    | (22.46)                     |
| Share of current tax of joint venture                                |          | 0.29                        | 0.66                        |
| Net current tax                                                      |          | 1,500.08                    | 13,758.94                   |
| Deferred tax                                                         |          | 1,905.81                    | (4,746.28)                  |
| Share of deferred tax of joint venture                               |          | -                           | 221.69                      |
| <b>Profit after tax</b>                                              |          | <b>1,273.23</b>             | <b>21,347.87</b>            |
| Minority Interest                                                    |          | (772.04)                    | 210.16                      |
| <b>Profit after tax and minority interest</b>                        |          | <b>2,045.27</b>             | <b>21,137.71</b>            |
| Earnings per equity share (Nominal value of ₹ 2 each fully paid up): | 30       |                             |                             |
| Basic (in ₹)                                                         |          | 0.86                        | 8.89                        |
| Diluted (in ₹)                                                       |          | 0.86                        | 8.86                        |
| Significant accounting policies                                      | 2        |                             |                             |
| Notes to the financial statements                                    | 3 - 43   |                             |                             |

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

As per our report of even date attached.

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

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

**Narayan K Seshadri**  
Chairman  
[DIN: 00053563]

**Kailash Baheti**  
Chief Financial Officer

For and on behalf of the Board of Directors

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

**Shabnum Zaman**  
Company Secretary

Mumbai, 11 May 2017

# Notes

to the Consolidated Financial Statements

## NOTE 1: COMPANY OVERVIEW:

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

## NOTE 2 (A): SIGNIFICANT ACCOUNTING POLICIES:

### (i) Principles of consolidation

- (a) Consolidated financial statements include result of Magma Fincorp Limited, the parent company, its subsidiaries and joint ventures (collectively referred to as 'the Group'). Consolidated financial statements are prepared as set out below:

| Name of the Company                                                                                          | Country of Incorporation | Consolidated as      |
|--------------------------------------------------------------------------------------------------------------|--------------------------|----------------------|
| Magma Advisory Services Limited (MASL)                                                                       | India                    | Subsidiary           |
| Magma Housing Finance Limited (MHFL) [previously Magma Housing Finance (A Company with unlimited liability)] | India                    | Step down subsidiary |
| Magma ITL Finance Limited (MITL)                                                                             | India                    | Subsidiary           |
| Jaguar Advisory Services Private Limited (JASPL)                                                             | India                    | Joint venture        |
| Magma HDI General Insurance Company Limited (MHD)                                                            | 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 MHD have been prepared in accordance with and in the manner prescribed by the regulations of the National Housing Bank and the Insurance Regulatory and Development Authority respectively and the lack of homogeneity of the business, the financial statements of the housing finance company and the general insurance company have been consolidated, to the extent possible in the format as adopted by the parent, as required by Accounting Standard (AS) 21 "Consolidated Financial Statements" and Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India and prescribed under section 133 of Companies Act, 2013.
- (g) The excess of cost to the parent company of its investment in the subsidiaries and joint ventures over the parent's portion of equity of the subsidiaries and joint ventures or vice versa is recognised in the consolidated financial statements as goodwill or capital reserve as the case may be. Goodwill arising on consolidation of a subsidiary or joint venture has been netted-off with the capital reserve of another subsidiary or joint venture and vice versa.
- (h) Minority interest's share of net profit / loss of the consolidated subsidiaries for the year is identified and adjusted against the income of the Group in

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 2 (A): SIGNIFICANT ACCOUNTING POLICIES (Contd.)

order to arrive at the net income attributable to the shareholders of the Company.

Minority interest's share of net assets of the consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.

- (i) The financial statements of the subsidiaries and joint ventures used in the consolidation are drawn up to the same reporting date as that of the Company i.e. 31 March 2017.

### (ii) Basis of preparation of consolidated financial statements

- (a) The consolidated financial statements have been prepared and presented under the historical cost convention and on the accrual basis of accounting and comply with the Accounting Standards prescribed under section 133 of the Companies Act 2013 read with Rule 7 of the Companies (Accounts) Rule, 2014 the relevant provisions of the Companies Act, 2013 (to the extent notified and applicable), the directions prescribed by the Reserve Bank of India for Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies, directions prescribed in the Housing Finance Companies (NHB) Directions, 2010 issued by the National Housing Bank, the regulations prescribed under Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015 and the guidelines issued by the Securities and Exchange Board of India (SEBI) to the extent applicable. In case of Magma HDI General Insurance Company Limited, the financial statement are drawn up in accordance with the Insurance Regulatory and Development Authority Act (IRDA), 1999, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 2002, and order and direction issued by IRDA in this behalf and the regulations framed there under read with relevant provisions of the Insurance Act, 1938 to the extent possible.

- (b) No adjustments have been made to the financial statements of MHD, the insurance joint venture on account of diverse accounting policies as the same, being insurance company, is prepared under a regulated environment in contrast to those of the

Company and hence not practicable to do so. Also differences in accounting policies followed by the other entities consolidated have been reviewed and no adjustments have been made, since the impact of these differences is not significant.

- (c) The accounting policies set out below have been applied consistently to the periods presented in these financial statements. The financial statements are presented in Indian rupees rounded off to the nearest lac upto two decimal places.
- (d) An operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. The operating cycle is considered as 12 months for classification of current and non-current assets and liabilities as required by Schedule III of the Companies Act, 2013.

### (iii) Use of estimates and judgements

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

### (iv) Assets on finance

- (a) Assets on finance includes assets given on finance / loan and amounts paid for acquiring financial assets including non-performing assets (NPAs) from other Banks / NBFCs.
- (b) Assets on finance represents amounts receivable under finance / loan agreements and are valued at net investment amount including instalments due. The balance is also net of amounts securitised / assigned.

### (v) Revenue recognition

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

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 2 (A): SIGNIFICANT ACCOUNTING POLICIES (Contd.)

performing assets (NPA) where it is recognised upon realisation as per RBI Guidelines.

### (b) Income on direct assignment / securitisation :

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

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

The Company recognises gain / excess interest spread on direct assignment / securitisation transactions in line with RBI Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated 01 September 2016. Accordingly, direct assignment / securitisation transactions effected post issuance of the said guidelines are accounted as under:

- (i) Gain / income realised on direct assignment / securitisation of loan receivables arising under premium structure is recognised over the tenure of securities issued by Special Purpose Vehicle (SPV) / agreements. Loss, if any, is recognised upfront.
- (ii) EIS under par structure of securitisation / direct assignment of loan receivables is recognised only when redeemed in cash, over the tenure of the securities issued by SPV / agreements. Loss, if any, is recognised upfront.
- (c) Interest on fixed deposits is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (d) Upfront income / expense pertaining to loan origination is amortised over the tenure of the underlying loan contracts.

- (e) Assets given by the Company under operating lease are included in fixed assets. Lease income from operating leases is recognised in the statement of profit and loss as per contractual rentals unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease income are recognised as expenses. Initial direct costs incurred specifically for an operating lease are deferred and recognised in the statement of profit and loss over the lease term in proportion to the recognition of lease income.
- (f) Overdue interest is treated to accrue on realisation, due to uncertainty of realisation and is accounted for accordingly.
- (g) In respect of NPAs acquired, recoveries in excess of consideration paid is recognised as income in accordance with RBI guidelines.
- (h) The sale of non-performing assets is accounted for as per the guidelines prescribed by RBI. On sale, the assets are derecognised from the books. If the sale proceeds are lower than the net book value (NBV) (i.e., book value less provisions held), the shortfall is charged to the Statement of Profit and Loss in the year of sale. In case of sale other than in cash, if the sale proceeds are higher than the NBV, the excess provision is written back in the year the amounts are received, as required by the RBI.
- (i) Income on Security Receipts (SRs) are recognised only after the full redemption of the entire principal amount of SRs.
- (j) Income from collection and support services is recognised as per the terms of the respective contract on accrual basis.
- (k) Income from power generation is recognised based on the units generated as per the terms of the respective power purchase agreements with the respective State Electricity Boards.
- (l) Income from dividend is accounted for on receipt basis.
- (m) All other items of income are accounted for on accrual basis.

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 2 (A): SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### (vi) Provisions for non-performing assets (NPA) and doubtful debts

#### (a) Asset financing companies

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

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

#### (b) Housing finance companies

Loans are classified as per the Housing Finance Companies (NHB) Directions, 2010 into standard and non-performing assets. Further, non-performing assets are classified into sub-standard, doubtful and loss assets based on criteria stipulated by NHB. Provisions and write-offs are carried out in accordance with the requirements of NHB guidelines. These provisioning norms are considered minimum and higher provision is made based on the perceived credit risk, wherever necessary. All loan contracts with overdues for more than 51 months as well as those which, as per the management are not likely to be recovered are considered as loss assets and written-off as bad debts. Recoveries made from previously written-off contracts are included in "Other income".

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

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

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

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

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

### (viii) Depreciation and amortisation

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

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

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

Individual assets costing less than ₹ 5,000/- are depreciated in full in the year of acquisition.

For the following class of assets, based on internal assessment, the management believes that the useful lives is as given below best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013.

|                            |         |
|----------------------------|---------|
| Desktops                   | 6 years |
| Laptops / Hand Held Device | 4 years |

Intangible assets are amortised over their estimated useful lives, not exceeding six years, on a straight line basis, commencing from the date the asset is available to the Company for its use.

### (ix) Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 2 (A): SIGNIFICANT ACCOUNTING POLICIES (Contd.)

amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

### (x) Investments

- (a) Investments are classified as non-current or current based on intention of management at the time of purchase.
- (b) Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment.
- (c) Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each investments.
- (d) Any reduction in the carrying amount and any reversal of such reduction are charged or credited to the statement of profit and loss.
- (e) Profit or loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.
- (f) Investment in Security Receipts (SRs) is recognised at lower of: (i) Net Book Value (NBV) (i.e., book value less provisions held) of the financial asset; and (ii) estimated redemption value of SRs at the end of each reporting period, as prescribed by RBI. Accordingly, in cases where the SRs issued by the Securitisation Company / Asset Reconstruction Company (SC/ARC) are limited to the actual realisation of the underlying financial assets, the net asset value, obtained from the SC/ARC, is reckoned for valuation of such investments. The SRs outstanding and not redeemed as at the end of the resolution period are treated as loss assets and are fully provided for.

### (xi) Employee benefits

#### (a) Provident fund

Contributions paid / payable to the recognised provident fund, which is a defined contribution scheme, are charged to the statement of profit and loss.

#### (b) Gratuity

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Accrued Benefit Method (same as Projected Unit Credit Method), which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on government securities as at the balance sheet date.

Actuarial gains and losses are recognised immediately in the statement of profit and loss.

#### (c) Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. Expense on non-accumulating compensated absences is recognised in the period in which the absences occur.

### (xii) Employee stock option schemes

The Employees Stock Option Scheme (the Scheme) provides for grant of the equity shares of the Company to employees. The scheme provides that employees are granted an option to subscribe to the equity shares of the Company that vest in a graded manner. The options may be exercised within the specified period. The Company follows the intrinsic value method to account for its stock based employee compensation plans. The expense or credit recognised in the statement of profit and loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 2 (A): SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### (xiii) Taxes on income

Income-tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognised in the statement of profit and loss.

#### (a) Current tax

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws.

#### (b) Deferred tax

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

#### (c) Minimum alternative tax

Minimum alternative tax ('MAT') under the provisions of the Income Tax Act, 1961 is recognised as current tax in the statement of profit and loss. The credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

### (xiv) Provision and contingencies

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis.

#### (a) Onerous Contracts

A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

#### (b) Contingencies

Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognised when it is probable that a liability has been incurred, and the amount can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

### (xv) Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

### (xvi) Derivative transactions

Fair value of derivative contracts is determined based on the appropriate valuation techniques considering the terms of the contract as at the balance sheet date. Mark to

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 2 (A): SIGNIFICANT ACCOUNTING POLICIES (Contd.)

market losses in derivative contracts are recognised in the statement of profit and loss in the period in which they arise. Mark to market gains are not recognised keeping in view the principle of prudence as enunciated in "Accounting Standard (AS) 1 - Disclosure of Accounting Policies"

### (xvii) Borrowing costs

Interest on borrowings is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable on the borrowings. Discount on commercial papers is amortised over the tenor of the commercial papers.

Brokerage and other ancillary expenditure directly attributable to a borrowing is amortised over the tenure of the respective borrowing. Unamortised borrowing costs remaining, if any, is fully expensed off as and when the related borrowing is prepaid / cancelled.

### (xviii) Operating lease

Lease payments for assets taken on an operating lease are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term.

### (xix) Earnings per share

The basic earnings per share ('EPS') is computed by dividing the net profit after tax attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax attributable to the equity shareholders for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). In computing dilutive earnings per share, only potential equity shares that are dilutive and that reduce profit / loss per share are included.

### (xx) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash-in-transit and cash on deposit with banks and corporations. The Company considers all highly liquid investments with an original maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

## NOTE 2 (B): SIGNIFICANT ACCOUNTING POLICIES - INSURANCE COMPANIES (TO THE EXTENT, DIFFERENT AND UNIQUE FROM THE PARENT)

### (i) Basis of preparation

The financial statements have been prepared and presented under the historical cost convention, on an accrual basis and in accordance with the applicable provisions of the Insurance Act, 1938, as amended by Insurance Laws (Amendment) Act, 2015, the Insurance Regulatory and Development Authority Act, 1999, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 and circulars/notifications issued by IRDAI from time to time, the applicable accounting standards referred to in section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules 2014, to the extent applicable, the provisions of the Companies Act, 2013, in the manner so required and conform to the statutory provisions in regard to general insurance operations in India.

### (ii) Revenue recognition

#### (a) Premium

Premium (net of service tax), on direct business and reinsurance accepted, is recognized as income over the contract period or the period of risk, whichever is appropriate. Any subsequent revisions to or cancellations of premiums are recognized in the year in which they occur.

#### (b) Premium / discount on purchase of investments

Accretion of discount and amortisation of premium relating to debt securities is recognised over the holding / maturity period on a straight-line basis.

#### (c) Profit / loss on sale of securities

Profit/loss on sale/redemption of securities is recognized on trade date basis. In determining the profit/loss on sale/redemption of securities, the cost of securities is arrived at on weighted average cost basis. Further, in case of mutual funds the profit and loss also includes accumulated changes in the fair value previously recognized in the fair value change account and includes effects on accumulated fair value changes, previously recognized, for specific investments sold/redeemed during the year. Sale consideration for the purpose of realised gain/loss is net of brokerage and taxes, if any, and excludes interest received on sales.

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 2 (B): SIGNIFICANT ACCOUNTING POLICIES - INSURANCE COMPANIES (TO THE EXTENT, DIFFERENT AND UNIQUE FROM THE PARENT) (Contd.)

### (d) Commission on reinsurance ceded

Commission on reinsurance ceded is recognised as income in the year in which reinsurance premium is ceded.

Profit commission under reinsurance treaties wherever applicable, is recognised on accrual basis. Any subsequent revisions of profit commission are recognised for in the year in which final determination of the profits are intimated by the reinsurers.

### (e) Dividend income

Dividend income is recognized when the right to receive the dividend is established.

### (iii) Reinsurance ceded

Reinsurance premium ceded is accounted in the year in which the risk commences and over the period of risk in accordance with the treaty arrangements with the reinsurers. Any subsequent revision to or cancellations of premiums are accounted for in the year in which they occur.

Premium on excess of loss reinsurance cover is accounted as per the terms of reinsurance agreements.

### (iv) Acquisition costs

Acquisition costs are costs that vary with and are primarily related to acquisition of insurance contracts including reinsurance accepted and are expensed in the year in which they are incurred.

### (v) Premium received in advance

Premium received in advance represents premium received in respect of policies issued during the year, where the risk commences subsequent to the balance sheet date.

### (vi) Reserve for unexpired risk

Reserve for unexpired risk is made on the amount representing that part of the net premium written which attributable to, and to be allocated to the succeeding accounting period using 1/365 method.

### (vii) Reserve for premium deficiency

Premium deficiency reserve (PDR) is recognized if the cost of expected net claim cost, related expenses and maintenance cost exceeds the sum of related premium carried forward to subsequent accounting period as the reserve for unexpired risk. Premium deficiency reserve is recognised for the

Company at reportable segmental revenue account level (i.e. Fire, Marine and Miscellaneous) excluding Motor Third Party portfolio including erstwhile Motor Pool, Declined Risks Pool. The expected claim cost is calculated and duly certified by the Appointed Actuary and Mentor to the Appointed Actuary of the Company.

### (viii) Claims incurred

Claims incurred comprise claims paid (net of salvage and other recoveries), change in estimated liability for outstanding claims made following a loss occurrence reported and change in estimated liability for claims Incurred But Not Reported ('IBNR') and claims Incurred But Not Enough Reported ('IBNER') net of amounts receivable from reinsurers/coinsurers. Further, claims incurred also include specific claim settlement costs such as survey / legal fees and other directly attributable costs.

Claims (net of amounts receivable from reinsurers/coinsurers) are recognised on the date of intimation on management estimates of ultimate amounts likely to be paid on each claim based on the past experience. These estimates are progressively revalidated on availability of further information.

IBNR represents that amount of claims that may have been incurred during the accounting period but have not been reported or claimed. The IBNR provision also includes provision, if any, required for claims IBNER. Estimated liability for claims Incurred But Not Reported ('IBNR') and claims Incurred But Not Enough Reported ('IBNER') is based on actuarial estimate duly certified by the appointed actuary and Mentor to the appointed actuary of the Company in accordance with guidelines issued by IRDAI and acturial practice standard issued by the Institute of Actuaries of India

### (ix) Depreciation and amortisation

Intangible assets are amortised over their estimated useful lives, not exceeding ten years, on a straight-line basis, commencing from the date the asset is available to the Company for its use.

### (x) Investments

Investments are carried at weighted average cost and includes brokerage, securities transactions tax, stamp duty and other charges incidental to transactions and excludes pre-acquisition interest, if any.

### (a) Classification

Investments maturing within twelve months from balance sheet date or investments made with the

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 2 (B): SIGNIFICANT ACCOUNTING POLICIES - INSURANCE COMPANIES (TO THE EXTENT, DIFFERENT AND UNIQUE FROM THE PARENT) (Contd.)

specific intention to dispose off within twelve months from balance sheet date are classified as short-term investments. Investments other than short term investments are classified as long-term investments.

### (b) Valuation

#### Debt securities

All debt securities are shown at weighted average cost subject to amortization of premium or accretion of discount on straight line basis in the revenue accounts and profit & loss account over the period of maturity/holding.

#### Mutual fund

Investment in Mutual Funds units are stated at latest available Net Asset Value (NAV) at the Balance Sheet date. Unrealized gains/losses are credited / debited to fair value change account.

#### Fair value change account

In accordance with the Regulations, any unrealized gains/losses arising due to change in fair value of mutual fund investments are accounted in "Fair Value Change Account" and carried forward in the Balance Sheet and is not available for distribution.

#### Impairment of investment

The Company assesses at each Balance Sheet date whether there is any indication that any investment in units of mutual funds is impaired. If any such indication exists, the carrying value of such investment is reduced to its recoverable amount and the impairment loss is recognized in the revenue(s)/profit and loss account. If at the Balance Sheet date there is any indication that a previously assessed impairment loss no longer exists, then such loss is reversed and investment is restated to that extent.

### (xi) Allocation of income and expenses

- (a) Investment Income has been allocated between revenue accounts and profit and loss account on the basis of the ratio of average policyholders funds to average shareholders funds respectively; average being the balance at the beginning of the year and at the end of the year. Further, investment income between policyholders is allocated on the basis of the ratio of

average policyholders' funds comprising reserves for unexpired risks, IBNR, IBNER, PDR, outstanding claims and other liabilities (net of other assets).

- (b) Expenses, which are attributable and identifiable to the business segments, are directly charged to relevant business segment.
- (c) Other expenses, that are not identifiable to a segment, are allocated on the basis of ratio of gross written premium in each business class.
- (d) Expenses related to investment activities are charged to statement of profit and loss.

### (xii) Foreign currency transactions

Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of transaction. Monetary items denominated in foreign currencies at the year end are reinstated at the year end rates. Non-monetary foreign currency items are carried at cost. Any gain or loss on account of exchange difference either on settlement or on translation is recognized in the statement of profit and loss and revenue accounts as applicable.

### (xiii) Share Issue Expenses

Share issue expenses are charged to Profit and Loss account.

### (xiv) Terrorism Pool

In accordance with the requirements of IRDAI, the Company, together with other Insurance Companies, participates in the Terrorism Pool. This Pool is managed by the General Insurance Corporation of India ("GIC"). Amount collected as Terrorism premium in accordance with the requirements of the Tariff Advisory Committee ("TAC") are ceded at 100% of the Terrorism Premium collected to the Terrorism Pool.

In accordance with the Terms of the Agreement, GIC, retrocedes, to the company, terrorism premium to the extent of the Company's share in the risk, which is recorded as reinsurance accepted. Such reinsurance accepted is recorded based on quarterly statements received from the GIC. The reinsurance accepted on account of terrorism pool has been recorded in accordance with the Last statement received from the GIC. The company has created liability, to the extent of 100% of premium (net of claims and expenses) retroceded to the company during the year, through reserve for unexpired risks.

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 3 : SHARE CAPITAL

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | (₹ in Lacs)            |                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Authorised</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                        |                        |
| 26,50,00,000 (2016: 26,50,00,000) Equity shares of ₹ 2/- each                                                                                                                                                                                                                                                                                                                                                                                                                              | 5,300.00               | 5,300.00               |
| 5,43,00,000 (2016: 5,43,00,000) Preference shares of ₹ 100/- each                                                                                                                                                                                                                                                                                                                                                                                                                          | 54,300.00              | 54,300.00              |
| 4,00,00,000 (2016: 4,00,00,000) Preference shares of ₹ 10/- each                                                                                                                                                                                                                                                                                                                                                                                                                           | 4,000.00               | 4,000.00               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>63,600.00</b>       | <b>63,600.00</b>       |
| <b>Issued, subscribed and paid-up</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                        |                        |
| <b>Equity share capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                        |                        |
| 23,69,59,672 (2016: 23,68,28,672) Equity shares of ₹ 2/- each, fully paid up.                                                                                                                                                                                                                                                                                                                                                                                                              | 4,739.19               | 4,736.57               |
| <b>Preference share capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                        |                        |
| - (2016: 6,500,999) 6 months US Dollar Libor plus 3.25% Cumulative non-convertible redeemable preference shares of ₹100 each (paid-up value per share reduced to ₹ Nil on redemption of fifth and final annual installments of ₹ 20/- each per share). Allotted at par on 26 March 2007 and redeemable at par in US Dollar over five equal annual installments of US Dollar 3 million each, for the first time on 1 April 2012 until all preference shares are redeemed i.e. 1 April 2016. | -                      | 1,300.20               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>4,739.19</b>        | <b>6,036.77</b>        |

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

|                                                                                                                                 | (₹ in Lacs)         |                 |                     |                 |
|---------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------|---------------------|-----------------|
|                                                                                                                                 | As at 31 March 2017 |                 | As at 31 March 2016 |                 |
|                                                                                                                                 | No. of shares       | Amount          | No. of shares       | Amount          |
| <b>Equity shares</b>                                                                                                            |                     |                 |                     |                 |
| <b>Opening balance</b>                                                                                                          | 23,68,28,672        | 4,736.57        | 19,04,25,875        | 3,808.52        |
| Equity shares issued during the year vide preferential issue                                                                    | -                   | -               | 4,62,96,297         | 925.92          |
| Equity shares issued on exercise of ESOPs during the year                                                                       | 1,31,000            | 2.62            | 1,06,500            | 2.13            |
| <b>Closing balance</b>                                                                                                          | <b>23,69,59,672</b> | <b>4,739.19</b> | <b>23,68,28,672</b> | <b>4,736.57</b> |
| <b>Preference shares</b>                                                                                                        |                     |                 |                     |                 |
| <b>Opening balance</b>                                                                                                          | 65,00,999           | 1,300.20        | 4,91,56,555         | 13,255.96       |
| 6 months US Dollar Libor plus 3.25% preference shares redeemed during the year (20% annually)                                   | (65,00,999)         | (1,300.20)      | -                   | (1,300.20)      |
| 9.60 % Preference shares redeemed during the year                                                                               | -                   | -               | (10,00,000)         | (1,000.00)      |
| 12.00% Preference shares redeemed during the year                                                                               | -                   | -               | (25,00,000)         | (2,500.00)      |
| 11.00 % Preference shares redeemed during the year                                                                              | -                   | -               | (36,00,000)         | (3,600.00)      |
| 0.01% Non-redeemable non-cumulative non-participating compulsorily convertible preference shares - purchased by holding company | -                   | -               | (3,55,55,556)       | (3,555.56)      |
| <b>Closing balance</b>                                                                                                          | <b>-</b>            | <b>-</b>        | <b>65,00,999</b>    | <b>1,300.20</b> |

### Equity shares

The Company has only one class of equity shares having a par value of ₹ 2/- each. Each holder of equity share is entitled to one vote per share.

The Company declares and pays dividend on equity shares in Indian rupees.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company,

after distribution to preference shareholders. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance Sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Company has not appropriated dividend on shares on recommendation of the Board and would record the same as a liability on the date

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 3 : SHARE CAPITAL (Contd.)

of approval by the shareholders at the ensuing Annual General Meeting. However, the proposed dividend as at 31 March 2016 was accounted for as liability in accordance with the then existing Accounting Standard.

During the year, the Company has allotted on 13 August 2016 and 08 February 2017, 90,000 equity shares and 26,000 equity shares respectively of the face value of ₹ 2/- each to the eligible employees of the Company and on 26 April 2016, 15,000 equity shares of the face value of ₹ 2/- each to an eligible ex-employee of the Company, under Employee Stock Option Plan pursuant to SEBI (ESOS and ESPS) Guidelines, 1999, and with corresponding provision of SEBI (Share Based Employee Benefits) Regulations 2014, as amended from time to time. Consequent to the said allotment, the total paid-up equity share capital of the Company stands increased to 23,69,59,672 equity shares of ₹ 2/- each aggregating to ₹ 4,739.19 lacs.

During the year ended 31 March 2017, the amount of per share dividend recommended by the Board as distribution to equity shareholders is ₹ 0.80 (40%) per equity share of the face value of ₹ 2/- each. Total dividend on 23,69,59,672 equity shares for the year ended 31 March 2017 would amount to ₹ 2,281.59 lacs including corporate dividend tax of ₹ 385.92 lacs.

### Preference shares

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

65,00,999 cumulative non-convertible redeemable preference shares of ₹ 100/- each aggregating to ₹ 6,501.00 lacs (equivalent to USD 15 Million) allotted at par on 26 March 2007 are entitled to fixed dividend at the rate equivalent to 6 months US Dollar Libor applicable on the respective dates i.e. 30 December or 29

June depending upon the actual date of payment plus 3.25% on subscription amount of USD 15 Million.

In the event of liquidation of the Company, the holders of preference shares will have priority over equity shares in payment of dividend and repayment of capital.

In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance Sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Company has not appropriated dividend on shares on recommendation of the Board and would record the same as a liability on the date of approval by the shareholders at the ensuing Annual General Meeting. However, the proposed dividend as at 31 March 2016 was accounted for as liability in accordance with the then existing Accounting Standard.

For the financial year ended 31 March 2016, the Company has provided for dividend in financial statements based on the 6 months US Dollar Libor applicable as on 30 December 2015 and closing exchange rate applicable as on 31 March 2016 and which was liable to vary depending on the actual date of payment of the dividend. Accordingly, the excess dividend and tax thereon of ₹ 2.50 lacs (2016: ₹ 7.30 lacs) provided with respect to above preference shares for the previous financial year ended 31 March 2016 has been adjusted in the current year with consequent impact on earnings per share for the year.

The Company has redeemed ₹ 1,300.20 lacs being fifth and final annual installment of ₹ 20/- per share in respect of 65,00,999 cumulative non-convertible redeemable preference shares of ₹ 100/- per share on 04 April 2016. The above preference shares were redeemed out of the proceeds of the issue of equity shares made for the purposes in the earlier years which inter-alia include redemption of preference shares and accordingly, no transfer has been made to capital redemption reserve.

### Shares allotted as fully paid-up without payment being received in cash / by way of bonus shares:

The Company has not issued bonus shares or shares for consideration other than cash during the five year period immediately preceding the reporting date.

### Shareholders holding more than 5% shares

| Name of the shareholder                                              | As at 31 March 2017 |               | As at 31 March 2016 |               |
|----------------------------------------------------------------------|---------------------|---------------|---------------------|---------------|
|                                                                      | %                   | No. of shares | %                   | No. of shares |
| <b>Equity shares</b>                                                 |                     |               |                     |               |
| Zend Mauritius VC Investments Limited                                | 14.47               | 3,42,76,629   | 14.47               | 3,42,76,629   |
| Microfirm Capital Private Limited                                    | 14.36               | 3,40,15,928   | 14.36               | 3,40,15,928   |
| Celica Developers Private Limited                                    | 12.42               | 2,94,34,455   | 12.43               | 2,94,34,455   |
| India Value Fund V LLP                                               | 11.92               | 2,82,55,524   | -                   | -             |
| International Finance Corporation                                    | 9.71                | 2,30,00,000   | 9.71                | 2,30,00,000   |
| Lavender Investments Limited                                         | 7.96                | 1,88,51,431   | 7.96                | 1,88,51,431   |
| LeapFrog Financial Inclusion India Holdings Limited                  | 7.82                | 1,85,18,519   | 7.82                | 1,85,18,519   |
| Indium V (Mauritius) Holdings Limited                                | -                   | -             | 8.60                | 2,03,55,524   |
| <b>Preference shares (Cumulative non-convertible redeemable)</b>     |                     |               |                     |               |
| Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. | -                   | -             | 100.00              | 65,00,999     |

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 3 : SHARE CAPITAL (Contd.)

### Employee stock options

The Company instituted the Magma Employee Stock Option Plan (MESOP) in 2007 and Magma Restricted Stock Option Plan 2014 (MRSOP) in 2014, which were approved by the Board of Directors.

#### MESOP, 2007

Under MESOP, the Company provided for the creation and issue of 10,00,000 options, that would eventually convert into equity shares of ₹ 10/- each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of and at the exercise price determined by the Nomination and Remuneration Committee of the Board of Directors. The options generally vest in a graded manner over a five year period and are exercisable within 3 years from the date of vesting. Following the sub-division of one equity share of the face value of ₹ 10/- each into five equity shares of the face value of ₹ 2/- each during the financial year ended 31 March 2011, the number of options increased from 10,00,000 to 50,00,000.

During the year, the Nomination and Remuneration Committee of the Board of Directors has granted 1,25,000 options (2016: Nil) under MESOP 2007 at an exercise price of ₹ 60/- per share to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹ 2/- each).

|                                                         | (in nos.)                   |                             |
|---------------------------------------------------------|-----------------------------|-----------------------------|
|                                                         | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| <b>Outstanding options at the beginning of the year</b> | 2,87,500                    | 6,36,500                    |
| Granted during the year                                 | 1,25,000                    | -                           |
| Exercised during the year                               | 1,31,000                    | 1,06,500                    |
| Lapsed during the year                                  | 67,500                      | 2,42,500                    |
| Forfeited during the year                               | -                           | -                           |
| <b>Outstanding options at the end of the year</b>       | <b>2,14,000</b>             | <b>2,87,500</b>             |
| Options vested and exercisable at the end of the year   | 59,000                      | 1,30,000                    |

#### MRSOP 2014

Under MRSOP, the Company provided for the creation and issue of 50,00,000 options, that would eventually convert into equity shares of ₹ 2/- each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of the Nomination and Remuneration Committee of the Board of Directors and at the exercise price of the face value of ₹ 2/- each. The options will vest in a graded manner and are exercisable within 3 years from the date of vesting.

During the year, the Nomination and Remuneration Committee of the Board of Directors has granted Nil options (2016: 2,50,000) under MRSOP 2014 at an exercise price of ₹ 2/- per share to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹ 2/- each).

|                                                         | (in nos.)                   |                             |
|---------------------------------------------------------|-----------------------------|-----------------------------|
|                                                         | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| <b>Outstanding options at the beginning of the year</b> | 6,70,000                    | 6,00,000                    |
| Granted during the year                                 | -                           | 2,50,000                    |
| Exercised during the year                               | -                           | -                           |
| Lapsed during the year                                  | 3,50,000                    | 1,80,000                    |
| Forfeited during the year                               | -                           | -                           |
| <b>Outstanding options at the end of the year</b>       | <b>3,20,000</b>             | <b>6,70,000</b>             |
| Options vested and exercisable at the end of the year   | -                           | -                           |

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 3 : SHARE CAPITAL (Contd.)

The weighted average fair value of each option of Magma Fincorp Limited was ₹ 71.93 (2016: ₹ 69.20) using the Black-Scholes model with the following assumptions:

|                         | Units | As at<br>31 March 2017 | As at<br>31 March 2016 |
|-------------------------|-------|------------------------|------------------------|
| Grant date share price  | ₹     | 56.85 - 108.00         | 56.85 - 100.00         |
| Exercise price          | ₹     | 2.00 - 60.00           | 2.00 - 60.00           |
| Dividend yield          | %     | 0.61 - 1.06            | 0.61 - 1.20            |
| Expected life           | years | 4.42 - 4.80            | 4.16 - 4.80            |
| Risk free interest rate | %     | 6.92 - 8.35            | 7.78 - 8.57            |
| Volatility              | %     | 42.00 - 58.13          | 41.83 - 58.13          |

### Equity shares reserved for issue under options

(₹ in Lacs)

|                          | No. of options granted | Exercise price (₹) | As at 31 March 2017 |        | As at 31 March 2016 |        |
|--------------------------|------------------------|--------------------|---------------------|--------|---------------------|--------|
|                          |                        |                    | No. of options      | Amount | No. of options      | Amount |
| <b>Under MESOP 2007:</b> |                        |                    |                     |        |                     |        |
| Tranche II               | 2,50,000               | 60.00              | 40,000              | 0.80   | 1,27,500            | 2.55   |
| Tranche III              | 50,000                 | 60.00              | -                   | -      | 15,000              | 0.30   |
| Tranche V                | 1,50,000               | 60.00              | 14,000              | 0.28   | 20,000              | 0.40   |
| Tranche VI               | 50,000                 | 60.00              | 35,000              | 0.70   | 50,000              | 1.00   |
| Tranche VIII             | 1,75,000               | 60.00              | -                   | -      | 75,000              | 1.50   |
| Tranche XI               | 1,25,000               | 60.00              | 1,25,000            | 2.50   | -                   | -      |
| <b>Under MRSOP 2014:</b> |                        |                    |                     |        |                     |        |
| Tranche I (A)            | 6,50,000               | 2.00               | 3,20,000            | 6.40   | 4,20,000            | 8.40   |
| Tranche I (B)            | 2,50,000               | 2.00               | -                   | -      | 2,50,000            | 5.00   |

The Company has recorded compensation cost for all grants using the intrinsic value based method of accounting, in line with prescribed SEBI guidelines.

Had compensation been determined under the fair value approach described in the Guidance Note on, "Accounting for employee share based payments" issued by the Institute of Chartered Accountant of India ('ICAI'), the Company's net profit and basic and diluted earnings per share would have reduced to the proforma amounts as indicated.

| Particulars                                                        | Unit      | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
|--------------------------------------------------------------------|-----------|-----------------------------|-----------------------------|
| Net profit for equity shareholders                                 | ₹ in Lacs | 2,041.88                    | 20,622.31                   |
| Stock-based employee compensation expense (intrinsic value method) | ₹ in Lacs | (37.60)                     | 230.82                      |
| Stock-based employee compensation expense (fair value method)      | ₹ in Lacs | 16.75                       | (238.50)                    |
| Proforma net profit                                                | ₹ in Lacs | 2,021.03                    | 20,614.63                   |
| Basic earnings per share (Face value: ₹ 2/-) as reported           | ₹         | 0.86                        | 8.89                        |
| Proforma basic earnings per share (Face value: ₹ 2/-)              | ₹         | 0.85                        | 8.88                        |
| Diluted earnings per share (Face value: ₹ 2/-) as reported         | ₹         | 0.86                        | 8.86                        |
| Proforma diluted earnings per share (Face value: ₹ 2/-)            | ₹         | 0.85                        | 8.85                        |

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 4 : RESERVES AND SURPLUS

|                                                                                                             | (₹ in Lacs)            |                        |
|-------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
|                                                                                                             | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Capital reserve</b>                                                                                      | <b>480.22</b>          | <b>480.22</b>          |
| <b>Capital redemption reserve</b>                                                                           | <b>1,421.84</b>        | <b>1,421.84</b>        |
| <b>Securities premium reserve</b>                                                                           |                        |                        |
| Opening balance                                                                                             | 1,15,755.70            | 80,025.11              |
| Add: On equity shares issued during the year vide preferential issue                                        | -                      | 49,074.07              |
| Add: On equity shares issued on exercise of ESOPs during the year                                           | 84.28                  | 79.70                  |
| Less: Adjustment for purchase of preference shares of Magma Advisory Services Limited                       | -                      | 12,444.44              |
| Less: On preference share redeemed during the year                                                          | -                      | 250.00                 |
| Less: Share issue expenses                                                                                  | -                      | 728.74                 |
|                                                                                                             | <b>1,15,839.98</b>     | <b>1,15,755.70</b>     |
| <b>Employee share option outstanding</b>                                                                    |                        |                        |
| Gross employee share compensation cost for options granted in earlier years                                 | 283.40                 | 73.87                  |
| Less: Transferred to securities premium reserve on allotment of shares                                      | 8.31                   | 21.29                  |
| Add: Deferred employee compensation cost                                                                    | (37.60)                | 230.82                 |
|                                                                                                             | <b>237.49</b>          | <b>283.40</b>          |
| <b>Amalgamation reserve account</b>                                                                         | <b>106.48</b>          | <b>106.48</b>          |
| <b>Statutory reserve</b>                                                                                    |                        |                        |
| <b>(created pursuant to Section 45-IC of the Reserve Bank of India Act, 1934)</b>                           |                        |                        |
| Opening balance                                                                                             | 24,210.00              | 20,290.00              |
| Add: Transfer from surplus in the statement of profit and loss                                              | 130.00                 | 3,920.00               |
|                                                                                                             | <b>24,340.00</b>       | <b>24,210.00</b>       |
| <b>Statutory reserve</b>                                                                                    |                        |                        |
| <b>(created pursuant to Section 29C of the National Housing Bank Act, 1987)</b>                             |                        |                        |
| Opening balance                                                                                             | 1,583.07               | 683.07                 |
| Add: Transfer from surplus in the statement of profit and loss                                              | 670.05                 | 900.00                 |
|                                                                                                             | <b>2,253.12</b>        | <b>1,583.07</b>        |
| <b>General reserve</b>                                                                                      |                        |                        |
| Opening balance                                                                                             | 11,390.00              | 9,510.00               |
| Add: Transfer from surplus in the statement of profit and loss                                              | -                      | 1,880.00               |
|                                                                                                             | <b>11,390.00</b>       | <b>11,390.00</b>       |
| <b>Surplus (balance in the statement of profit and loss)</b>                                                |                        |                        |
| Opening balance                                                                                             | 55,160.75              | 42,725.31              |
| Impact of pre-acquisition surplus on change of share holding in Magma HDI General Insurance Company Limited | -                      | 1,239.67               |
| Profit for the year                                                                                         | 2,045.27               | 21,137.71              |
| <b>Amount available for appropriations</b>                                                                  | <b>57,206.02</b>       | <b>65,102.69</b>       |
| <b>Appropriations</b>                                                                                       |                        |                        |
| Proposed dividend on preference shares*                                                                     | 2.08                   | 428.23                 |
| Tax on proposed preference dividend as above*                                                               | 0.42                   | 87.17                  |
| Proposed dividend on equity shares**                                                                        | -                      | 2,265.36               |
| Tax on proposed equity dividend as above*                                                                   | -                      | 461.18                 |
| Transfer to statutory reserve (as per Reserve Bank of India Act, 1934)                                      | 130.00                 | 3,920.00               |
| Transfer to statutory reserve (as per National Housing Bank Act, 1987)                                      | 670.05                 | 900.00                 |
| Transfer to general reserve                                                                                 | -                      | 1,880.00               |
|                                                                                                             | <b>56,403.47</b>       | <b>55,160.75</b>       |
|                                                                                                             | <b>2,12,472.60</b>     | <b>2,10,391.46</b>     |

\* In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance Sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Company has not appropriated proposed dividend (including tax) on equity and preference shares in the financial year ended 31 March 2017.

\*\* Dividend for year ended 31 March 2016 includes dividend on equity shares allotted post 31 March 2016 and tax thereon.

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 5 : LONG-TERM BORROWINGS

(₹ in Lacs)

|                                                                            | Security<br>as per | As at<br>31 March 2017 | As at<br>31 March 2016 |
|----------------------------------------------------------------------------|--------------------|------------------------|------------------------|
| <b>Debentures</b>                                                          |                    |                        |                        |
| <b>Secured</b>                                                             |                    |                        |                        |
| Redeemable non-convertible debentures                                      | (a)                | 16,000.00              | 59,000.00              |
|                                                                            |                    | <b>16,000.00</b>       | <b>59,000.00</b>       |
| <b>Unsecured</b>                                                           |                    |                        |                        |
| Subordinated non-convertible perpetual debentures                          |                    | 13,310.00              | 11,250.00              |
| Subordinated redeemable non-convertible debentures                         |                    | 78,030.00              | 77,430.00              |
|                                                                            |                    | <b>91,340.00</b>       | <b>88,680.00</b>       |
| <b>Term loan</b>                                                           |                    |                        |                        |
| <b>Secured *</b>                                                           |                    |                        |                        |
| from banks                                                                 | (b) and (c)        | 1,92,740.23            | 1,69,205.55            |
| from others (financial institutions)                                       | (b) and (c)        | 836.89                 | 13,726.31              |
|                                                                            |                    | <b>1,93,577.12</b>     | <b>1,82,931.86</b>     |
| <b>Unsecured</b>                                                           |                    |                        |                        |
| from banks                                                                 |                    | 10,000.00              | -                      |
| from others                                                                |                    | -                      | 700.41                 |
|                                                                            |                    | <b>10,000.00</b>       | <b>700.41</b>          |
| <b>Share of borrowings of joint venture</b>                                |                    | 12.31                  | 3.90                   |
|                                                                            |                    | <b>3,10,929.43</b>     | <b>3,31,316.17</b>     |
| * Aggregate of loans guaranteed by Director (including current maturities) |                    | 796.50                 | 1,329.40               |

### Nature of security

- Debentures are secured by mortgage of Company's immovable property situated at (i) Village - Mehrun, Taluk and District - Jalgaon in the state of Maharashtra, 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.
- Term loans from Banks / Financial Institutions are secured by way of hypothecation of designated Assets on finance and future rentals receivable therefrom.
- Term loans related to wind mills owned by the Company are secured by means of mortgage of the wind mills, assignment of the related receivables, and a bank guarantee in favour of the lending institution alongwith personal guarantee of a Director.

### Details of debentures

#### Terms of maturity of secured redeemable non-convertible debentures

(₹ in Lacs)

| Maturity schedule | Interest rate range (p.a.) |                 | As at 31 March 2017 |                    | As at 31 March 2016 |                    |
|-------------------|----------------------------|-----------------|---------------------|--------------------|---------------------|--------------------|
|                   | 31 March 2017              | 31 March 2016   | Long-term           | Current maturities | Long-term           | Current maturities |
| >5 Years          | 9.00% - 10.10%             | 10.00% - 10.10% | 6,000.00            | -                  | 3,000.00            | -                  |
| 3 - 5 Years       | 9.55% - 10.00%             | 10.00%          | 6,000.00            | -                  | 3,500.00            | -                  |
| 1 - 3 Years       | 10.33%                     | 9.63 % - 10.80% | 4,000.00            | -                  | 52,500.00           | -                  |
| 0 - 1 Years       | 9.63 % - 10.80%            | 9.50 % - 11.50% | -                   | 48,500.00          | -                   | 61,730.00          |
|                   |                            |                 | <b>16,000.00</b>    | <b>48,500.00</b>   | <b>59,000.00</b>    | <b>61,730.00</b>   |

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

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 5 : LONG-TERM BORROWINGS (Contd.)

Terms of maturity of unsecured subordinated non-convertible perpetual debentures

(₹ in Lacs)

| Maturity schedule | Interest rate range (p.a.) |                  | As at 31 March 2017 |                    | As at 31 March 2016 |                    |
|-------------------|----------------------------|------------------|---------------------|--------------------|---------------------|--------------------|
|                   | 31 March 2017              | 31 March 2016    | Long-term           | Current maturities | Long-term           | Current maturities |
| > 5 Years         | 11.50% - 12.10%            | 12.00 % - 12.10% | 7,810.00            | -                  | 5,750.00            | -                  |
| 3 - 5 Years       | 12.50%                     | 12.50 % - 13.75% | 2,500.00            | -                  | 5,500.00            | -                  |
| 1 - 3 Years       | 13.50% - 13.75%            | -                | 3,000.00            | -                  | -                   | -                  |
|                   |                            |                  | <b>13,310.00</b>    | <b>-</b>           | <b>11,250.00</b>    | <b>-</b>           |

These debentures are perpetual in nature and the Company has a 'Call Option' only after a minimum period of 10 years from the date of issue subject to RBI regulations.

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

Terms of maturity of unsecured subordinated redeemable non-convertible debentures

(₹ in Lacs)

| Maturity schedule | Interest rate range (p.a.) |                  | As at 31 March 2017 |                    | As at 31 March 2016 |                    |
|-------------------|----------------------------|------------------|---------------------|--------------------|---------------------|--------------------|
|                   | 31 March 2017              | 31 March 2016    | Long-term           | Current maturities | Long-term           | Current maturities |
| > 5 Years         | 10.25% - 11.50%            | 10.70 % - 11.50% | 21,000.00           | -                  | 32,700.00           | -                  |
| 3 - 5 Years       | 11.00% - 11.45%            | 11.00%           | 23,000.00           | -                  | 13,000.00           | -                  |
| 1 - 3 Years       | 11.00% - 11.75%            | 11.20% - 12.00%  | 34,030.00           | -                  | 31,730.00           | -                  |
| 0 - 1 Years       | 11.75% - 12.00%            | 11.50%           | -                   | 10,700.00          | -                   | 500.00             |
|                   |                            |                  | <b>78,030.00</b>    | <b>10,700.00</b>   | <b>77,430.00</b>    | <b>500.00</b>      |

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

Terms of repayment of term loans

(₹ in Lacs)

| Maturity schedule | Interest rate range (p.a.) |                | As at 31 March 2017 |                    | As at 31 March 2016 |                    |
|-------------------|----------------------------|----------------|---------------------|--------------------|---------------------|--------------------|
|                   | 31 March 2017              | 31 March 2016  | Long-term           | Current maturities | Long-term           | Current maturities |
| <b>Secured</b>    |                            |                |                     |                    |                     |                    |
| > 5 Years         | 9.30% - 9.70%              | -              | 3,762.31            | -                  | -                   | -                  |
| 3 - 5 Years       | 9.30% - 12.00%             | 9.85% - 12.25% | 47,301.80           | -                  | 56,770.13           | -                  |
| 1 - 3 Years       | 9.30% - 12.25%             | 9.85% - 12.25% | 1,42,525.32         | -                  | 1,26,161.73         | -                  |
| 0 - 1 Years       | 9.70% - 12.25%             | 9.85% - 12.25% | -                   | 89,379.29          | -                   | 90,551.13          |
|                   |                            |                | <b>1,93,589.43</b>  | <b>89,379.29</b>   | <b>1,82,931.86</b>  | <b>90,551.13</b>   |
| <b>Unsecured</b>  |                            |                |                     |                    |                     |                    |
| > 5 Years         | 11.00%                     | -              | 10,000.00           | -                  | -                   | -                  |
| 1 - 3 Years       | -                          | 12.00%         | -                   | -                  | 700.41              | -                  |
|                   |                            |                | <b>10,000.00</b>    | <b>-</b>           | <b>700.41</b>       | <b>-</b>           |

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

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 6 : LONG-TERM PROVISIONS

|                                              | (₹ in Lacs)            |                        |
|----------------------------------------------|------------------------|------------------------|
|                                              | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Provision for employee benefits</b>       |                        |                        |
| Provision for gratuity                       | 45.07                  | 132.16                 |
| Provision for compensated absences           | 876.41                 | 821.28                 |
| <b>Other provisions</b>                      |                        |                        |
| Provision for non-performing assets          | 19,086.02              | 31,305.78              |
| Contingent provision against standard assets | 2,580.00               | 2,660.00               |
|                                              | <b>22,587.50</b>       | <b>34,919.22</b>       |

## NOTE 7: SHORT-TERM BORROWINGS

|                                     |                    |                        | (₹ in Lacs)            |
|-------------------------------------|--------------------|------------------------|------------------------|
|                                     | Security<br>as per | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Term loan</b>                    |                    |                        |                        |
| <b>Secured</b>                      |                    |                        |                        |
| from banks                          | (a)                | 5,000.00               | 7,500.00               |
|                                     |                    | <b>5,000.00</b>        | <b>7,500.00</b>        |
| <b>Commercial papers</b>            |                    |                        |                        |
| <b>Unsecured</b>                    |                    |                        |                        |
| Face value                          |                    | 61,000.00              | 75,600.00              |
| Less: Unmatured discounting charges |                    | 924.93                 | 1,728.42               |
|                                     |                    | <b>60,075.07</b>       | <b>73,871.58</b>       |
| <b>Loans from banks</b>             |                    |                        |                        |
| <b>Secured</b>                      |                    |                        |                        |
| Cash credit facilities              | (b)                | 1,25,447.93            | 2,56,084.00            |
| Working capital demand loans        | (b)                | 3,57,499.99            | 3,63,000.00            |
|                                     |                    | <b>4,82,947.92</b>     | <b>6,19,084.00</b>     |
|                                     |                    | <b>5,48,022.99</b>     | <b>7,00,455.58</b>     |

### Terms of repayment of term loans

|                   | (₹ in Lacs)                |               |                 |                 |
|-------------------|----------------------------|---------------|-----------------|-----------------|
| Maturity schedule | Interest rate range (p.a.) |               | As at           | As at           |
|                   | 31 March 2017              | 31 March 2016 | 31 March 2017   | 31 March 2016   |
| <b>Secured</b>    |                            |               |                 |                 |
| 0 - 1 Years       | 9.85%                      | 10.85%        | 5,000.00        | 7,500.00        |
|                   |                            |               | <b>5,000.00</b> | <b>7,500.00</b> |

### Details of unsecured commercial papers

| Number of units | Face value<br>(₹ in lacs) | Interest terms | As at<br>31 March 2017 | As at<br>31 March 2016 |
|-----------------|---------------------------|----------------|------------------------|------------------------|
| 12,200          | 5                         | Fixed          | 60,075.07              | -                      |
| 15,120          | 5                         | Fixed          | -                      | 73,871.58              |
|                 |                           |                | <b>60,075.07</b>       | <b>73,871.58</b>       |

The above commercial papers carry interest rates ranging from 7.61 % p.a. to 8.95 % p.a. with maturity ranging from 1 months to 3 months (2016: from 8.95 % p.a. to 11.00 % p.a. with maturity ranging from 1 months to 8 months.)

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 7: SHORT-TERM BORROWINGS (Contd.)

### Details of cash credit facilities and working capital demand loans

The cash credit facilities are repayable on demand and carry interest rates ranging from 9.00 % p.a. to 12.00 % p.a. (2016: from 9.25 % p.a. to 12.25 % p.a.). Working capital demand loans are repayable on demand and carry interest rates ranging from 8.15% p.a. to 10.30% p.a. (2016: from 9.55% p.a. to 10.45% p.a.). As per the prevalent practice, cash credit facilities and working capital demand loans are renewed on a year to year basis and therefore, are revolving in nature.

### Nature of security

- Term loans from banks are secured by way of first charge ranking pari-passu over entire housing and property loans, both present & future.
- Cash credit facilities and working capital demand loans from Banks are secured by hypothecation of the Company's finance/loan assets, plant and machinery and future rental income therefrom and other current assets excluding those from real estate (expressly excluding those equipments, plant, machinery, spare parts etc. and future rental income therefrom which have been or will be purchased out of the term loans and / or refinance facility from Financial Institutions, Banks or any other finance organisation). These are collaterally secured by equitable mortgage of immovable properties.

## NOTE 8 : TRADE PAYABLES

|                                      | (₹ in Lacs)            |                        |
|--------------------------------------|------------------------|------------------------|
|                                      | As at<br>31 March 2017 | As at<br>31 March 2016 |
| Due to micro and small enterprises * | -                      | -                      |
| Due to others                        | 19,758.14              | 18,320.97              |
|                                      | <b>19,758.14</b>       | <b>18,320.97</b>       |
| <b>Share of joint venture</b>        | 1.91                   | 14.10                  |
|                                      | <b>19,760.05</b>       | <b>18,335.07</b>       |

\* The Company has no dues to micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006, as at 31 March 2017 and 31 March 2016. This information is required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006, and has been determined to the extent such parties have been identified on the basis of information available with the Company.

## NOTE 9 : OTHER CURRENT LIABILITIES

|                                                           | (₹ in Lacs)            |                        |
|-----------------------------------------------------------|------------------------|------------------------|
|                                                           | As at<br>31 March 2017 | As at<br>31 March 2016 |
| Current maturities of long-term borrowings [Note 5]       | 1,48,579.29            | 1,52,781.13            |
| Interest accrued but not due on borrowings                | 9,665.87               | 11,945.36              |
| Unpaid dividend*                                          | 32.28                  | 28.54                  |
| Unclaimed matured deposits and interest accrued thereon * | -                      | 0.13                   |
| <b>Other liabilities</b>                                  |                        |                        |
| Temporary book overdraft                                  | 2,090.45               | 4,362.75               |
| Advances and deposits from customers                      | 7,630.82               | 8,369.22               |
| Statutory liabilities                                     | 714.36                 | 851.75                 |
| Director's commission payable                             | -                      | 160.00                 |
| Pending remittance on assignment                          | 25,566.04              | 25,698.45              |
| Other payables                                            | 8,126.70               | 6,680.60               |
|                                                           | <b>2,02,405.81</b>     | <b>2,10,877.93</b>     |
| <b>Share of joint venture</b>                             | 26,278.94              | 22,786.00              |
|                                                           | <b>2,28,684.75</b>     | <b>2,33,663.93</b>     |

\* Balance would be credited to Investor Education and Protection Fund as and when due.

\* Represents liability transferred to and vested in the Company pursuant to the amalgamation of erstwhile Shrachi Infrastructure Finance Limited with the Company in the financial year 2006-07. The Company, in accordance with Reserve Bank of India directives, had transferred the entire outstanding amount together with interest to an escrow account. Unclaimed balance has been credited to Investor Education and Protection Fund.

## Notes

to the Consolidated Financial Statements (Continued)

### NOTE 10 : SHORT-TERM PROVISIONS

|                                              | (₹ in Lacs)            |                        |
|----------------------------------------------|------------------------|------------------------|
|                                              | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Provision for employee benefits</b>       |                        |                        |
| Provision for gratuity                       | 0.28                   | 0.89                   |
| Provision for compensated absences           | 90.59                  | 83.89                  |
| <b>Other provisions</b>                      |                        |                        |
| Contingent provision against standard assets | 1,460.00               | 1,440.00               |
| Proposed dividend (including tax thereon)    | -                      | 2,788.58               |
| Provision for taxation                       | 84.13                  | 1,572.36               |
|                                              | <b>1,635.00</b>        | <b>5,885.72</b>        |
| <b>Share of joint venture</b>                | 7,268.73               | 7,254.54               |
|                                              | <b>8,903.73</b>        | <b>13,140.26</b>       |

### 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              |                 |                 | As at<br>31 March<br>2017 | Depreciation and amortisation |                 |               | As at<br>31 March<br>2017 | Net block<br>As at<br>31 March<br>2017 |
|                                        | As at<br>1 April<br>2016 | Additions       | Deletions       |                           | As at<br>1 April<br>2016      | For the year    | Deletions     |                           |                                        |
| <b>Tangible assets</b>                 |                          |                 |                 |                           |                               |                 |               |                           |                                        |
| <b>Fixed assets for own use</b>        |                          |                 |                 |                           |                               |                 |               |                           |                                        |
| 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                               |
| <b>Sub-total</b>                       | <b>26,663.58</b>         | <b>1,064.33</b> | <b>450.91</b>   | <b>27,277.00</b>          | <b>13,739.20</b>              | <b>2,305.50</b> | <b>378.55</b> | <b>15,666.15</b>          | <b>11,610.85</b>                       |
| <b>Fixed assets on operating lease</b> |                          |                 |                 |                           |                               |                 |               |                           |                                        |
| 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                               |
| <b>Sub-total</b>                       | <b>5,834.04</b>          | <b>4,389.18</b> | <b>702.18</b>   | <b>9,521.04</b>           | <b>1,347.75</b>               | <b>1,742.11</b> | <b>320.49</b> | <b>2,769.37</b>           | <b>6,751.67</b>                        |
| <b>Total</b>                           | <b>32,497.62</b>         | <b>5,453.51</b> | <b>1,153.09</b> | <b>36,798.04</b>          | <b>15,086.95</b>              | <b>4,047.61</b> | <b>699.04</b> | <b>18,435.52</b>          | <b>18,362.52</b>                       |
| <b>Intangible assets</b>               |                          |                 |                 |                           |                               |                 |               |                           |                                        |
| <b>Fixed assets for own use</b>        |                          |                 |                 |                           |                               |                 |               |                           |                                        |
| 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                    | -                                      |
| <b>Total</b>                           | <b>5,394.90</b>          | <b>814.87</b>   | <b>-</b>        | <b>6,209.77</b>           | <b>2,528.21</b>               | <b>802.52</b>   | <b>-</b>      | <b>3,330.73</b>           | <b>2,879.04</b>                        |
| <b>Total</b>                           | <b>37,892.52</b>         | <b>6,268.38</b> | <b>1,153.09</b> | <b>43,007.81</b>          | <b>17,615.16</b>              | <b>4,850.13</b> | <b>699.04</b> | <b>21,766.25</b>          | <b>21,241.56</b>                       |
| <b>Share of joint venture</b>          | <b>279.66</b>            | <b>327.36</b>   | <b>9.52</b>     | <b>597.50</b>             | <b>135.43</b>                 | <b>53.62</b>    | <b>2.42</b>   | <b>186.63</b>             | <b>410.87</b>                          |
| <b>Grand total</b>                     | <b>38,172.18</b>         | <b>6,595.74</b> | <b>1,162.61</b> | <b>43,605.31</b>          | <b>17,750.59</b>              | <b>4,903.75</b> | <b>701.46</b> | <b>21,952.88</b>          | <b>21,652.43</b>                       |

\* Registration of title for 3 buildings is pending.

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 11 : FIXED ASSETS (Contd.)

Following are the changes in the carrying value of the fixed assets for the year ended 31 March 2016

(₹ in Lacs)

| Description of assets                  | Gross block              |                 |                 | Depreciation and amortisation |                          |                 |                 | Net block                 |                           |
|----------------------------------------|--------------------------|-----------------|-----------------|-------------------------------|--------------------------|-----------------|-----------------|---------------------------|---------------------------|
|                                        | As at<br>1 April<br>2015 | Additions       | Deletions       | As at<br>31 March<br>2016     | As at<br>1 April<br>2015 | For the<br>year | Deletions       | As at<br>31 March<br>2016 | As at<br>31 March<br>2016 |
| <b>Tangible assets</b>                 |                          |                 |                 |                               |                          |                 |                 |                           |                           |
| <b>Fixed assets for own use</b>        |                          |                 |                 |                               |                          |                 |                 |                           |                           |
| Land                                   | 30.26                    | -               | -               | 30.26                         | -                        | -               | -               | -                         | 30.26                     |
| Buildings*                             | 3,518.83                 | -               | 1,332.00        | 2,186.83                      | 1,155.28                 | 55.76           | 592.20          | 618.84                    | 1,567.99                  |
| Wind mills                             | 9,701.29                 | -               | -               | 9,701.29                      | 3,766.96                 | 411.60          | -               | 4,178.56                  | 5,522.73                  |
| Furniture and fixtures                 | 2,616.14                 | 70.92           | 45.12           | 2,641.94                      | 1,326.06                 | 276.82          | 25.49           | 1,577.39                  | 1,064.55                  |
| Vehicles                               | 304.71                   | 59.88           | 92.45           | 272.14                        | 147.80                   | 32.10           | 73.73           | 106.17                    | 165.97                    |
| Office equipments                      | 7,887.53                 | 825.40          | 159.88          | 8,553.05                      | 4,186.99                 | 1,215.80        | 148.99          | 5,253.80                  | 3,299.25                  |
| Leasehold improvements                 | 3,197.54                 | 153.94          | 73.41           | 3,278.07                      | 1,695.73                 | 346.63          | 37.92           | 2,004.44                  | 1,273.63                  |
| <b>Sub-total</b>                       | <b>27,256.30</b>         | <b>1,110.14</b> | <b>1,702.86</b> | <b>26,663.58</b>              | <b>12,278.82</b>         | <b>2,338.71</b> | <b>878.33</b>   | <b>13,739.20</b>          | <b>12,924.38</b>          |
| <b>Fixed assets on operating lease</b> |                          |                 |                 |                               |                          |                 |                 |                           |                           |
| Buildings                              | 11.00                    | -               | -               | 11.00                         | 2.05                     | 0.17            | -               | 2.22                      | 8.78                      |
| Vehicles                               | 2,779.30                 | 3,506.06        | 462.32          | 5,823.04                      | 524.00                   | 972.86          | 151.33          | 1,345.53                  | 4,477.51                  |
| <b>Sub-total</b>                       | <b>2,790.30</b>          | <b>3,506.06</b> | <b>462.32</b>   | <b>5,834.04</b>               | <b>526.05</b>            | <b>973.03</b>   | <b>151.33</b>   | <b>1,347.75</b>           | <b>4,486.29</b>           |
| <b>Total</b>                           | <b>30,046.60</b>         | <b>4,616.20</b> | <b>2,165.18</b> | <b>32,497.62</b>              | <b>12,804.87</b>         | <b>3,311.74</b> | <b>1,029.66</b> | <b>15,086.95</b>          | <b>17,410.67</b>          |
| <b>Intangible assets</b>               |                          |                 |                 |                               |                          |                 |                 |                           |                           |
| <b>Fixed assets for own use</b>        |                          |                 |                 |                               |                          |                 |                 |                           |                           |
| Computer software                      | 3,448.79                 | 1,146.11        | -               | 4,594.90                      | 1,091.52                 | 636.69          | -               | 1,728.21                  | 2,866.69                  |
| Business and commercial rights         | 800.00                   | -               | -               | 800.00                        | 800.00                   | -               | -               | 800.00                    | -                         |
| <b>Total</b>                           | <b>4,248.79</b>          | <b>1,146.11</b> | <b>-</b>        | <b>5,394.90</b>               | <b>1,891.52</b>          | <b>636.69</b>   | <b>-</b>        | <b>2,528.21</b>           | <b>2,866.69</b>           |
| <b>Total</b>                           | <b>34,295.39</b>         | <b>5,762.31</b> | <b>2,165.18</b> | <b>37,892.52</b>              | <b>14,696.39</b>         | <b>3,948.43</b> | <b>1,029.66</b> | <b>17,615.16</b>          | <b>20,277.36</b>          |
| <b>Share of joint venture</b>          | <b>224.69</b>            | <b>55.38</b>    | <b>0.41</b>     | <b>279.66</b>                 | <b>73.10</b>             | <b>62.43</b>    | <b>0.10</b>     | <b>135.43</b>             | <b>144.23</b>             |
| <b>Grand total</b>                     | <b>34,520.08</b>         | <b>5,817.69</b> | <b>2,165.59</b> | <b>38,172.18</b>              | <b>14,769.49</b>         | <b>4,010.86</b> | <b>1,029.76</b> | <b>17,750.59</b>          | <b>20,421.59</b>          |

\* Registration of title for 3 buildings is pending.

## NOTE 12 : NON-CURRENT INVESTMENTS

(₹ in Lacs)

|                                                            | As at<br>31 March 2017 | As at<br>31 March 2016 |
|------------------------------------------------------------|------------------------|------------------------|
| <b>Other investment (at cost)</b>                          |                        |                        |
| <b>Investment in equity shares</b>                         |                        |                        |
| Quoted (Fully paid-up of ₹ 10/- each)                      | 1.12                   | 1.12                   |
| Unquoted (Fully paid-up of ₹ 10/- each)                    |                        |                        |
| In others                                                  | 422.04                 | 422.04                 |
| <b>Investment in Government securities</b>                 |                        |                        |
| Unquoted (₹ 0.16 lac pledged with sales tax authorities)   | 0.16                   | 0.16                   |
| <b>Others</b>                                              |                        |                        |
| In pass through certificates *                             | 5,241.20               | 2,881.78               |
| In security receipts (of ₹ 1,000/- each)                   | 8,641.93               | -                      |
|                                                            | <b>14,306.45</b>       | <b>3,305.10</b>        |
| Aggregate provision for diminution in value of investments | (1.05)                 | (1.05)                 |
|                                                            | <b>14,305.40</b>       | <b>3,304.05</b>        |

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 12 : NON-CURRENT INVESTMENTS (Contd.)

|                                              | (₹ in Lacs)            |                        |
|----------------------------------------------|------------------------|------------------------|
|                                              | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Share of joint venture</b>                | 32,987.50              | 29,111.12              |
|                                              | <b>47,292.90</b>       | <b>32,415.17</b>       |
| Aggregate book value of quoted investments   | 1.12                   | 1.12                   |
| Aggregate market value of quoted investments | 0.28                   | 0.33                   |
| Aggregate book value of unquoted investments | 14,305.33              | 3,303.98               |

\* The Company has invested in the Pass Through Certificates (PTCs) on the assets securitised by it, as Minimum Retention Ratio, as prescribed in the guidelines issued by Reserve Bank of India from time to time. Current portion of pass through certificates has been included under 'Current Investments' [Note 16] and amounts to ₹ 5,148.61 lacs (2016: ₹ 3,266.60 lacs).

## NOTE 13 : DEFERRED TAX ASSETS (NET)

|                                                      | (₹ in Lacs)            |                        |
|------------------------------------------------------|------------------------|------------------------|
|                                                      | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Deferred tax assets</b>                           |                        |                        |
| Contingent provision against standard assets         | 1,342.79               | 1,418.92               |
| Provision for non-performing assets                  | 6,055.68               | 10,949.21              |
| Unabsorbed depreciation and amortisation             | 3,585.25               | -                      |
| Others                                               | 379.78                 | 424.33                 |
|                                                      | <b>11,363.50</b>       | <b>12,792.46</b>       |
| <b>Deferred tax liabilities</b>                      |                        |                        |
| Fixed assets                                         | 3,172.35               | 2,677.91               |
| Unamortised expenses (net)                           | 5,822.69               | 5,746.15               |
| Others                                               | 803.10                 | 897.23                 |
|                                                      | <b>9,798.14</b>        | <b>9,321.29</b>        |
| <b>Share of deferred tax assets of joint venture</b> | 408.98                 | 408.98                 |
| <b>Deferred tax assets (net)</b>                     | <b>1,974.34</b>        | <b>3,880.15</b>        |

## NOTE 14 : LONG-TERM LOANS AND ADVANCES

|                                       | (₹ in Lacs)            |                        |
|---------------------------------------|------------------------|------------------------|
|                                       | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Assets on finance*</b>             |                        |                        |
| Secured, considered good*             | 6,78,671.93            | 8,12,038.99            |
| Secured, considered doubtful*         | 22,931.81              | 55,627.39              |
| Unsecured, considered good            | 80,833.20              | 81,876.88              |
|                                       | <b>7,82,436.94</b>     | <b>9,49,543.26</b>     |
| <b>Others</b>                         |                        |                        |
| <b>Unsecured, considered good</b>     |                        |                        |
| Capital advances                      | 118.78                 | 12.36                  |
| Loans to staff                        | 103.54                 | 126.98                 |
| Loans and advances to related parties | 163.05                 | 169.34                 |
| Tax advances and deduction at source  | 8,322.35               | 408.48                 |
| Security deposits                     | 1,026.45               | 853.27                 |
|                                       | <b>9,734.17</b>        | <b>1,570.43</b>        |

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 14 : LONG-TERM LOANS AND ADVANCES (Contd.)

|                                                                  | (₹ in Lacs)            |                        |
|------------------------------------------------------------------|------------------------|------------------------|
|                                                                  | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Unsecured, considered doubtful</b>                            |                        |                        |
| <b>Other loans and advances</b>                                  |                        |                        |
| Advances recoverable in cash or kind or for value to be received | 500.00                 | 332.00                 |
| Less: Provision against loans and advances                       | 500.00                 | 332.00                 |
|                                                                  | -                      | -                      |
| <b>Share of joint venture</b>                                    | 96.76                  | 102.58                 |
|                                                                  | <b>7,92,267.87</b>     | <b>9,51,216.27</b>     |

\* Assets on finance is net of amounts securitised/assigned aggregating to ₹ 4,13,253.04 lacs (2016: ₹ 4,08,431.81 lacs).

\* Secured by underlying assets financed.

## NOTE 15 : OTHER NON-CURRENT ASSETS

|                                                  | (₹ in Lacs)            |                        |
|--------------------------------------------------|------------------------|------------------------|
|                                                  | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Others</b>                                    |                        |                        |
| Non-current bank balances *                      | 9,518.09               | 2,023.21               |
| Unamortised borrowings costs                     | 1,843.32               | 1,247.03               |
| Unamortised loan origination costs (net)         | 7,399.87               | 6,958.54               |
| Gratuity (excess of plan assets over obligation) | 178.09                 | 303.05                 |
|                                                  | <b>18,939.37</b>       | <b>10,531.83</b>       |
| <b>Share of joint venture</b>                    | 822.23                 | 2,960.01               |
|                                                  | <b>19,761.60</b>       | <b>13,491.84</b>       |

\* Balances with banks held as security against borrowings, guarantees amounts to ₹ 475.17 lacs (2016: ₹ 312.28 lacs) and as cash collateral for securitisation / direct assignments of receivables amounts to ₹ 9,042.92 lacs (2016: ₹ 1,633.26 lacs).

## NOTE 16 : CURRENT INVESTMENTS

|                                                                            | (₹ in Lacs)            |                        |
|----------------------------------------------------------------------------|------------------------|------------------------|
|                                                                            | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Other investment</b>                                                    |                        |                        |
| <b>Investment in mutual funds (valued at lower of cost and fair value)</b> |                        |                        |
| Quoted                                                                     | 10.79                  | 2.09                   |
| <b>Others (at cost)</b>                                                    |                        |                        |
| In Pass through certificates * [Note 12]                                   | 5,148.61               | 3,266.60               |
|                                                                            | <b>5,159.40</b>        | <b>3,268.69</b>        |
| <b>Share of joint venture</b>                                              | 2,196.65               | 4,283.93               |
|                                                                            | <b>7,356.05</b>        | <b>7,552.62</b>        |
| Aggregate book value of quoted investments                                 | 10.79                  | 2.09                   |
| Aggregate market value of quoted investments                               | 2.72                   | 2.72                   |
| Aggregate book value of unquoted investments                               | 5,148.61               | 3,266.60               |

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 17 : TRADE RECEIVABLES

|                                                                                               | (₹ in Lacs)            |                        |
|-----------------------------------------------------------------------------------------------|------------------------|------------------------|
|                                                                                               | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Unsecured, considered good</b>                                                             |                        |                        |
| Debts outstanding for a period exceeding six months from the date they became due for payment | -                      | 221.67                 |
| Other debts                                                                                   | 674.93                 | 483.66                 |
|                                                                                               | <b>674.93</b>          | <b>705.33</b>          |

## NOTE 18 : CASH AND BANK BALANCES

|                                                                                  | (₹ in Lacs)            |                        |
|----------------------------------------------------------------------------------|------------------------|------------------------|
|                                                                                  | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Cash and cash equivalents</b>                                                 |                        |                        |
| Cash in hand                                                                     | 5,433.66               | 6,420.91               |
| <b>Balances with banks</b>                                                       |                        |                        |
| In current and cash credit accounts                                              | 6,411.06               | 13,867.81              |
| In deposits with original maturity of three months or less                       | 1,624.27               | 1,530.36               |
| <b>Share of joint venture of cash and cash equivalents</b>                       | <b>700.64</b>          | <b>482.99</b>          |
|                                                                                  | <b>14,169.63</b>       | <b>22,302.07</b>       |
| <b>Other bank balances *</b>                                                     |                        |                        |
| In unpaid dividend account                                                       | 32.28                  | 28.54                  |
| In deposits with original maturity of three months or less                       | 522.00                 | -                      |
| In deposits with original maturity of more than three months to twelve months    | 11,116.63              | 13,781.86              |
| Current maturities of deposits with original maturity of more than twelve months | 7,208.74               | 4,192.00               |
| <b>Share of joint venture of other bank balances</b>                             | <b>2,281.68</b>        | <b>533.99</b>          |
|                                                                                  | <b>21,161.33</b>       | <b>18,536.39</b>       |
|                                                                                  | <b>35,330.96</b>       | <b>40,838.46</b>       |

\* Balances with banks held as security against borrowings, guarantees amounts to ₹ 2,058.83 lacs (2016: ₹ 1,842.73 lacs) and as cash collateral for securitisation / direct assignment of receivables amounts to ₹ 16,347.65 lacs (2016: ₹ 14,439.46 lacs). Fixed deposits accounts with more than twelve months maturity amounting to ₹ 9518.09 lacs (2016: ₹ 2,023.21 lacs) included under 'Other non-current assets' [Note 15].

## NOTE 19 : SHORT-TERM LOANS AND ADVANCES

|                                                                  | (₹ in Lacs)            |                        |
|------------------------------------------------------------------|------------------------|------------------------|
|                                                                  | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Asset on finance</b>                                          |                        |                        |
| Secured, considered good*                                        | 2,97,690.68            | 3,63,780.66            |
| Unsecured, considered good                                       | 1,09,926.12            | 92,081.24              |
|                                                                  | <b>4,07,616.80</b>     | <b>4,55,861.90</b>     |
| <b>Others</b>                                                    |                        |                        |
| <b>Unsecured, considered good</b>                                |                        |                        |
| Loan and advances to related parties                             | 391.69                 | 743.85                 |
| Other loans and advances                                         |                        |                        |
| Loans to staff                                                   | 452.03                 | 282.69                 |
| Advances recoverable in cash or kind or for value to be received | 1,604.80               | 2,682.77               |
| Prepaid expenses                                                 | 717.91                 | 770.59                 |
| Balances with statutory / government authorities                 | 1,226.31               | 1,284.14               |
|                                                                  | <b>4,392.74</b>        | <b>5,764.04</b>        |
|                                                                  | <b>4,12,009.54</b>     | <b>4,61,625.94</b>     |

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 19 : SHORT-TERM LOANS AND ADVANCES (Contd.)

|                        | (₹ in Lacs)            |                        |
|------------------------|------------------------|------------------------|
|                        | As at<br>31 March 2017 | As at<br>31 March 2016 |
| Share of joint venture | 1,966.70               | 567.83                 |
|                        | <b>4,13,976.24</b>     | <b>4,62,193.77</b>     |

\* Secured by underlying assets financed.

## NOTE 20 : OTHER CURRENT ASSETS

|                                          | (₹ in Lacs)            |                        |
|------------------------------------------|------------------------|------------------------|
|                                          | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Others</b>                            |                        |                        |
| Accrued interest / financial charges     | 1,806.63               | 1,844.37               |
| Unamortised borrowings costs             | 1,286.97               | 1,244.89               |
| Unamortised loan origination costs (net) | 6,842.40               | 7,079.59               |
| Others                                   | 66.14                  | 190.43                 |
|                                          | <b>10,002.14</b>       | <b>10,359.28</b>       |
| Share of joint venture                   | 2,358.45               | 1,953.07               |
|                                          | <b>12,360.59</b>       | <b>12,312.35</b>       |

## NOTE 21 : REVENUE FROM OPERATIONS

|                                           | (₹ in Lacs)                 |                             |
|-------------------------------------------|-----------------------------|-----------------------------|
|                                           | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| <b>Interest / finance income</b>          |                             |                             |
| On assets on finance                      | 2,10,963.21                 | 2,27,445.74                 |
| On securitisation and assignment of loans | 8,598.36                    | 1,988.47                    |
| On pass through certificates              | 679.68                      | 408.76                      |
| On fixed deposits                         | 1,887.98                    | 2,469.56                    |
| On loans and margins                      | 874.23                      | 926.37                      |
|                                           | <b>2,23,003.46</b>          | <b>2,33,238.90</b>          |
| <b>Other financial income</b>             |                             |                             |
| Lease rentals                             | 2,438.63                    | 1,325.84                    |
| Collection and support services           | 2,106.55                    | 3,786.84                    |
| Foreclosure charges                       | 3,810.09                    | 3,935.80                    |
| Income on non-convertible debenture       | -                           | 2,199.99                    |
| Others                                    | 2,454.90                    | 2,570.44                    |
|                                           | <b>10,810.17</b>            | <b>13,818.91</b>            |
| Share of joint venture                    | 748.32                      | 719.53                      |
|                                           | <b>2,34,561.95</b>          | <b>2,47,777.34</b>          |

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 22 : OPERATING RESULT FROM GENERAL INSURANCE BUSINESS

|                                                           | (₹ in Lacs)                 |                             |
|-----------------------------------------------------------|-----------------------------|-----------------------------|
|                                                           | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| <b>Premium income</b>                                     |                             |                             |
| Premiums earned (net)                                     | 13,442.58                   | 14,799.67                   |
| Interest, dividend and rent (gross)                       | 2,368.85                    | 2,174.21                    |
| Profit / (loss) on sale / redemption of investments (net) | 272.45                      | 197.49                      |
| Others                                                    | 33.22                       | 16.64                       |
|                                                           | <b>16,117.10</b>            | <b>17,188.01</b>            |
| <b>Operating expense</b>                                  |                             |                             |
| Claims incurred (net)                                     | 10,636.96                   | 12,632.01                   |
| Commission (net)                                          | (178.07)                    | 44.48                       |
| Contribution to solatium fund                             | 7.84                        | 6.32                        |
| Operating expenses related to insurance business          | 5,820.13                    | 4,999.60                    |
| Premium deficiency                                        | (55.28)                     | 63.40                       |
|                                                           | <b>16,231.58</b>            | <b>17,745.81</b>            |
|                                                           | <b>(114.48)</b>             | <b>(557.80)</b>             |

## NOTE 23 : OTHER INCOME

|                                             | (₹ in Lacs)                 |                             |
|---------------------------------------------|-----------------------------|-----------------------------|
|                                             | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| Sale of power                               | 1,108.90                    | 1,034.07                    |
| Insurance commission                        | 480.87                      | 626.76                      |
| Commission income                           | 673.49                      | -                           |
| Gain on sale of fixed assets (net)          | 9.70                        | -                           |
| Gain on sale of investments (net)           | -                           | 5.27                        |
| Rental income                               | 2.61                        | 2.63                        |
| Excess provision on investment written back | -                           | 34.53                       |
| Bad debt recoveries                         | 2,593.89                    | 1,530.72                    |
| Miscellaneous income                        | 545.01                      | 118.62                      |
|                                             | <b>5,414.47</b>             | <b>3,352.60</b>             |
| <b>Share of joint venture</b>               | 83.22                       | 60.94                       |
|                                             | <b>5,497.69</b>             | <b>3,413.54</b>             |

## NOTE 24 : EMPLOYEE BENEFITS EXPENSE

|                                           | (₹ in Lacs)                 |                             |
|-------------------------------------------|-----------------------------|-----------------------------|
|                                           | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| Salaries and wages                        | 26,757.98                   | 29,048.19                   |
| Contribution to provident and other funds | 1,574.08                    | 1,318.32                    |
| Employee share based compensation expense | (37.91)                     | 230.82                      |
| Staff welfare expenses                    | 977.21                      | 1,124.37                    |
|                                           | <b>29,271.36</b>            | <b>31,721.70</b>            |
| <b>Share of joint venture</b>             | 60.68                       | -                           |
|                                           | <b>29,332.04</b>            | <b>31,721.70</b>            |

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 25 : FINANCE COSTS

|                                                               | (₹ in Lacs)                 |                             |
|---------------------------------------------------------------|-----------------------------|-----------------------------|
|                                                               | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| <b>Interest expense</b>                                       |                             |                             |
| On debentures                                                 | 19,948.81                   | 26,492.82                   |
| On term loans                                                 | 30,902.80                   | 26,432.79                   |
| On cash credit and working capital facilities                 | 45,059.47                   | 43,902.55                   |
| On others                                                     | 109.08                      | 352.91                      |
| <b>Discount on commercial papers</b>                          | 12,387.35                   | 17,452.70                   |
| <b>Other borrowing costs</b>                                  | 4,160.06                    | 4,502.70                    |
| <b>Mark-to-market (profit) / loss on derivative contracts</b> | (23.10)                     | 23.10                       |
|                                                               | <b>1,12,544.47</b>          | <b>1,19,159.57</b>          |

## NOTE 26 : PROVISIONS AND BAD DEBTS WRITTEN-OFF

|                                                      | (₹ in Lacs)                 |                             |
|------------------------------------------------------|-----------------------------|-----------------------------|
|                                                      | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| Bad debts written-off                                | 21,130.03                   | 25,752.03                   |
| Net loss / (gain) on sale of non-performing assets * | 21,146.71                   | -                           |
| Provision for non-performing assets                  | 18,469.21                   | 11,635.57                   |
| Contingent provision against standard assets         | (60.00)                     | 110.00                      |
|                                                      | <b>60,685.95</b>            | <b>37,497.60</b>            |

\* Net of reversals of provision on sale of non-performing assets ₹ 30,688.97 lacs.

## NOTE 27 : OTHER EXPENSES

|                                                       | (₹ in Lacs)                 |                             |
|-------------------------------------------------------|-----------------------------|-----------------------------|
|                                                       | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| Rent                                                  | 1,688.86                    | 1,802.94                    |
| Brokerage and commission                              | 11,178.34                   | 12,255.73                   |
| Rates and taxes                                       | 73.76                       | 79.94                       |
| Insurance                                             | 113.06                      | 102.98                      |
| Advertisement and publicity                           | 303.70                      | 389.30                      |
| Travelling and conveyance                             | 2,216.66                    | 2,588.21                    |
| Repairs and maintenance                               |                             |                             |
| - machinery                                           | 371.92                      | 241.98                      |
| - others                                              | 1,259.45                    | 1,187.20                    |
| Payment to Directors                                  |                             |                             |
| - fees                                                | 20.01                       | 15.43                       |
| - commission                                          | 12.40                       | 170.50                      |
| Professional fees                                     | 1,972.67                    | 1,948.51                    |
| Legal charges                                         | 2,097.11                    | 1,855.52                    |
| Printing and stationery                               | 534.91                      | 584.89                      |
| Communication                                         | 1,434.95                    | 1,398.47                    |
| Electricity charges                                   | 696.42                      | 656.33                      |
| Corporate social responsibility expenditure [Note 40] | 384.64                      | 355.71                      |
| Loss on sale of fixed assets (net)                    | -                           | 2.30                        |
| Capital work in progress written-off                  | 690.13                      | -                           |
| Miscellaneous expenses                                | 2,774.99                    | 2,034.82                    |
|                                                       | <b>27,823.98</b>            | <b>27,670.76</b>            |
| <b>Share of joint venture</b>                         | 29.47                       | 52.80                       |
|                                                       | <b>27,853.45</b>            | <b>27,723.56</b>            |

# 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                               |
| <b>Revenue</b>                              |                                     |                            |                               |                                     |
| (i) External and other income               | 2,38,023.17<br>(2,49,118.20)        | 692.27<br>(173.90)         | 1,229.72<br>(1,340.98)        | 2,39,945.16<br>(2,50,633.08)        |
| (ii) Inter-segment                          | 331.21<br>(406.14)                  | (331.21)<br>(406.14)       | -<br>(-)                      | -<br>(-)                            |
| <b>Total revenue</b>                        | <b>2,38,354.38</b><br>(2,49,524.34) | <b>361.06</b><br>(-232.24) | <b>1,229.72</b><br>(1,340.98) | <b>2,39,945.16</b><br>(2,50,633.08) |
| <b>Result - Profit / (loss) before tax</b>  | <b>4,106.74</b><br>(30,680.16)      | <b>294.76</b><br>(-238.40) | <b>277.62</b><br>(140.46)     | <b>4,679.12</b><br>(30,582.22)      |
| <b>Other information</b>                    |                                     |                            |                               |                                     |
| Segment assets                              | 13,09,673.86<br>(15,05,583.66)      | 43,154.01<br>(39,379.41)   | 6,693.54<br>(7,352.01)        | 13,59,521.41<br>(15,52,315.08)      |
| Segment liabilities                         | 11,04,197.80<br>(12,99,975.96)      | 33,879.61<br>(30,363.93)   | 811.04<br>(1,353.55)          | 11,38,888.45<br>(13,31,693.44)      |
| Capital expenditure                         | 6,268.38<br>(5,762.31)              | 327.36<br>(55.38)          | -<br>(-)                      | 6,595.74<br>(5,817.69)              |
| Depreciation and amortisation               | 4,439.74<br>(3,046.46)              | 53.62<br>(-)               | 410.39<br>(410.48)            | 4,903.75<br>(3,456.94)              |
| Non-cash expenses (other than depreciation) | 18,348.20<br>(11,999.49)            | -<br>(-)                   | -<br>(-)                      | 18,348.20<br>(11,999.49)            |

Previous year's figures are stated in brackets.

- (i) The segment information is based on the consolidated financial statements.
- (ii) The reportable segment of the group are further described as below:
- Finance and mortgages - this includes asset and housing finance.
  - General insurance - this includes general insurance business.
  - Others - includes windmill and other allied activities.

- (b) All the companies included in above reporting operate within India. Hence geographic segment is not applicable.

## NOTE 29 : LEASE TRANSACTIONS IN THE CAPACITY OF LESSEE

Lease rental expense under non-cancellable operating lease during the year amounted to ₹ 65.19 lacs (2016: ₹ 29.17 lacs) [share of joint venture ₹ 21.85 lacs (2016: ₹ Nil)]. Future minimum lease payments under non-cancellable operating lease is as below:

|                                                   | (₹ in Lacs)            |                        |
|---------------------------------------------------|------------------------|------------------------|
|                                                   | As at<br>31 March 2017 | As at<br>31 March 2016 |
| Not later than one year                           | 84.18                  | 43.26                  |
| Later than one year but not later than five years | 87.16                  | 123.01                 |
| Later than five years                             | -                      | 42.15                  |

Additionally, the Company uses the office facilities under cancellable operating leases. The rental expense under cancellable operating lease during the year amounts to ₹ 2,095.33 lacs (2016: ₹ 1,956.45 lacs) [share of joint venture ₹ 101.67 lacs (2016: ₹ 41.69 lacs)].

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 30 : EARNINGS PER SHARE (EPS)

The computation of EPS is set out below:

|                                                                                                                                                                                                    | Units     | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------------------------|-----------------------------|
| <b>Basic and Diluted</b>                                                                                                                                                                           |           |                             |                             |
| (a) (i) Weighted average number of equity shares (Face value of ₹ 2/- per share) for basic EPS                                                                                                     | Nos.      | 23,69,03,308                | 23,20,96,351                |
| (ii) Weighted average number of equity shares for diluted EPS [after considering 4.03 lacs shares (2016: 7.43 lacs) resulting from assumed exercise of employee stock options and equity warrants] | Nos.      | 23,73,06,305                | 23,28,39,048                |
| (b) Net profit after tax                                                                                                                                                                           | ₹ in Lacs | 2,045.27                    | 21,137.71                   |
| (c) Less : Preference dividend including tax thereon                                                                                                                                               | ₹ in Lacs | 3.39                        | 515.40                      |
| (d) (i) Net profit for equity shareholders for basic EPS                                                                                                                                           | ₹ in Lacs | 2,041.88                    | 20,622.31                   |
| (ii) Net profit for equity shareholders for diluted EPS                                                                                                                                            | ₹ in Lacs | 2,041.88                    | 20,622.31                   |
| (e) (i) Earnings per share (Face value of ₹ 2/- per share) – basic                                                                                                                                 | ₹         | 0.86                        | 8.89                        |
| (ii) Earnings per share (Face value of ₹ 2/- per share) – diluted                                                                                                                                  | ₹         | 0.86                        | 8.86                        |

## NOTE 31 : RELATED PARTY DISCLOSURES

Related party disclosures as at and for the year ended 31 March 2017.

| (A) Names of the related parties where control exists | Nature of Relationship            |
|-------------------------------------------------------|-----------------------------------|
| i. Mr. Narayan K Seshadri                             | Chairman & Independent Director   |
| ii. Mr. Sanjay Chamria                                | Vice Chairman & Managing Director |
| iii. Mr. Mayank Poddar                                | Whole Time Director               |
| iv. Mr. Sanjay Nayar                                  | Director                          |
| v. Mrs. Ritva Kaarina Laukkanen                       | Director                          |

### (B) Others - With whom transactions have taken place during the year

| Names of other Related parties                     | Nature of Relationship                                                                      |
|----------------------------------------------------|---------------------------------------------------------------------------------------------|
| i. Celica Developers Private Limited               | Private Company in which Director or his relative is Member or Director                     |
| ii. Tranzmute Capital & Management Private Limited | Private Company in which Director or his relative is Member or Director                     |
| iii. Microfirm Capital Private Limited             | Private Company in which Director or his relative is Member or Director                     |
| iv. Devsar Vyapaar Private Limited                 | Private Company in which Director or his relative is Member or Director                     |
| v. Pragati Sales LLP                               | Firm in which Director or his relative is a Partner                                         |
| vi. Magma Consumer Finance Private Limited         | Private Company in which Director or his relative is Member or Director                     |
| vii. Finance Industry Development Council          | Private Company in which Director or his relative is Member or Director                     |
| viii. Mr. Neil Graeme Brown                        | Independent Director (upto 06 May 2016)                                                     |
| ix. Mr. Nabankur Gupta                             | Independent Director                                                                        |
| x. Mr. Satya Brata Ganguly                         | Independent Director                                                                        |
| xi. Mr. V K Viswanathan                            | Independent Director (w.e.f. 13 August 2016)                                                |
| xii. Mrs. Shabnum Zaman                            | Company Secretary (w.e.f. 02 August 2015)                                                   |
| xiii. Mr. Atul Bansal                              | Chief Financial Officer (upto 03 November 2016)                                             |
| xiv. Mr. Kailash Baheti                            | Company Secretary (upto 01 August 2015) & Chief Financial Officer (w.e.f. 04 November 2016) |
| xv. Mr. Harshvardhan Chamria                       | Relative of Key Managerial Personnel                                                        |

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 31 : RELATED PARTY DISCLOSURES (Contd.)

(₹ in Lacs)

| Name of related party                                             | Nature of transaction                                            | Transaction value for the year ended 31 March 2017 | Outstanding amount as at 31 March 2017 | Transaction value for the year ended 31 March 2016 | Outstanding amount as at 31 March 2016 |
|-------------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------|----------------------------------------|----------------------------------------------------|----------------------------------------|
| <b>A) Private company in which Director is Member or Director</b> |                                                                  |                                                    |                                        |                                                    |                                        |
| 1. Celica Developers Private Limited                              | Long-term loans and advances given                               | 24.19                                              | 163.05                                 | 30.24                                              | 169.34                                 |
|                                                                   | Refund of long-term loans and advances given                     | 30.48                                              | -                                      | -                                                  | -                                      |
|                                                                   | Investment in Non Convertible Debenture                          | -                                                  | -                                      | 20,700.00                                          | -                                      |
|                                                                   | Redemption of Non Convertible Debenture                          | -                                                  | -                                      | 20,700.00                                          | -                                      |
|                                                                   | Income on Non Convertible Debenture                              | -                                                  | -                                      | 2,199.99                                           | -                                      |
|                                                                   | Purchase of preference shares of Magma Advisory Services Limited | -                                                  | -                                      | 24,888.89                                          | -                                      |
|                                                                   | Unsecured loan taken                                             | -                                                  | -                                      | 2,190.00                                           | -                                      |
|                                                                   | Refund of Unsecured loan taken                                   | -                                                  | -                                      | 2,192.51                                           | -                                      |
|                                                                   | Interest expense                                                 | -                                                  | -                                      | 2.51                                               | -                                      |
|                                                                   | Rent expense                                                     | 411.43                                             | -                                      | 348.31                                             | -                                      |
|                                                                   | Equity dividend paid                                             | -                                                  | -                                      | 235.48                                             | -                                      |
|                                                                   | Corporate policy issued                                          | 2.11                                               | -                                      | 1.53                                               | -                                      |
| 2. Tranzmute Capital & Management Private                         | Refund of long-term loans and advances given                     | -                                                  | -                                      | 40.50                                              | -                                      |
|                                                                   | Electricity charges paid                                         | -                                                  | -                                      | 0.67                                               | -                                      |
|                                                                   | Telephone charges paid                                           | -                                                  | -                                      | 0.94                                               | -                                      |
| 3. Finance Industry Development Council                           | Annual subscription                                              | 1.15                                               | -                                      | 0.56                                               | -                                      |
| 4. Microfirm Capital Private Limited                              | Equity dividend paid                                             | -                                                  | -                                      | 272.13                                             | -                                      |
|                                                                   | Unsecured loan taken (including interest)                        | -                                                  | -                                      | 685.95                                             | -                                      |
|                                                                   | Refund of unsecured loan taken (including interest)              | -                                                  | -                                      | 943.37                                             | -                                      |
|                                                                   | Investment in Redeemable Cumulative Preference shares            | -                                                  | 1,271.14                               | -                                                  | 1,271.14                               |
|                                                                   | Interest expense                                                 | -                                                  | -                                      | 34.95                                              | -                                      |
|                                                                   | Dividend income                                                  | 0.01                                               | -                                      | -                                                  | -                                      |
| 5. Pragati Sales LLP                                              | Unsecured loan taken (including interest)                        | -                                                  | -                                      | 72.19                                              | -                                      |
|                                                                   | Refund of unsecured loan taken (including interest)              | -                                                  | -                                      | 110.83                                             | -                                      |
|                                                                   | Interest expense                                                 | -                                                  | -                                      | 4.19                                               | -                                      |
| 6. Magma Consumer Finance Private Limited                         | Unsecured loan taken (including interest)                        | -                                                  | -                                      | 1,704.86                                           | -                                      |
|                                                                   | Refund of unsecured loan taken (including interest)              | -                                                  | -                                      | 1,704.86                                           | -                                      |
|                                                                   | Sale of assets                                                   | 14.44                                              | -                                      | -                                                  | -                                      |
|                                                                   | Interest expense                                                 | -                                                  | -                                      | 29.86                                              | -                                      |
| 7. Devsar Vyapaar Private Limited                                 | Unsecured loan taken (including interest)                        | -                                                  | -                                      | 202.89                                             | -                                      |
|                                                                   | Refund of unsecured loan taken (including interest)              | -                                                  | -                                      | 866.41                                             | -                                      |
|                                                                   | Interest expense                                                 | -                                                  | -                                      | 87.39                                              | -                                      |

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 31 : RELATED PARTY DISCLOSURES (Contd.)

(₹ in Lacs)

| Name of related party              | Nature of transaction             | Transaction value for the year ended 31 March 2017 | Outstanding amount as at 31 March 2017 | Transaction value for the year ended 31 March 2016 | Outstanding amount as at 31 March 2016 |
|------------------------------------|-----------------------------------|----------------------------------------------------|----------------------------------------|----------------------------------------------------|----------------------------------------|
| <b>B) Key management personnel</b> |                                   |                                                    |                                        |                                                    |                                        |
| 1. Mr. Mayank Poddar               | Rent expense                      | 2.03                                               | -                                      | 1.88                                               | -                                      |
|                                    | Directors' remuneration           | 150.00                                             | -                                      | 150.00                                             | -                                      |
|                                    | Premium for policies underwritten | 0.06                                               | -                                      | -                                                  | -                                      |
| 2. Mr. Sanjay Chamria              | Director's remuneration           | 150.00                                             | -                                      | 150.00                                             | -                                      |
|                                    | Provision for commission          | -                                                  | -                                      | 160.00                                             | 160.00                                 |
| 3. Mr. Kailash Baheti              | Salary                            | 97.48                                              | -                                      | 37.48                                              | -                                      |
| 4. Mrs. Shabnum Zaman              | Salary                            | 19.13                                              | -                                      | 10.49                                              | -                                      |
| 5. Mr. Atul Bansal                 | Salary                            | 84.34                                              | -                                      | 154.74                                             | -                                      |
| <b>C) Directors</b>                |                                   |                                                    |                                        |                                                    |                                        |
| 1. Mr. Neil Graeme Brown           | Sitting fees                      | -                                                  | -                                      | 1.20                                               | -                                      |
|                                    | Commission *                      | -                                                  | -                                      | 35.00                                              | 35.00                                  |
| 2. Mr. Narayan K Seshadri          | Sitting fees                      | 2.90                                               | -                                      | 2.20                                               | -                                      |
|                                    | Commission *                      | -                                                  | -                                      | 75.00                                              | 75.00                                  |
| 3. Mr. Nabankur Gupta              | Sitting fees                      | 2.60                                               | -                                      | 1.60                                               | -                                      |
|                                    | Commission *                      | -                                                  | -                                      | 30.00                                              | 30.00                                  |
| 4. Mr. Satya Brata Ganguly         | Sitting fees                      | 7.80                                               | -                                      | 5.80                                               | -                                      |
|                                    | Commission *                      | -                                                  | -                                      | 20.00                                              | 20.00                                  |
| 5. Mr. V K Viswanathan             | Sitting fees                      | 3.52                                               | -                                      | -                                                  | -                                      |
| 6. Mr. Sanjay Nayar                | Sitting fees                      | 0.80                                               | -                                      | 1.40                                               | -                                      |
| 7. Mrs. Ritva Kaarina Laukkanen    | Sitting fees                      | 0.80                                               | -                                      | 0.60                                               | -                                      |
| <b>D) Relatives of Directors</b>   |                                   |                                                    |                                        |                                                    |                                        |
| 1. Mr. Harshvardhan Chamria        | Salary                            | 77.92                                              | -                                      | 38.78                                              | -                                      |

Related parties identified includes related parties as per section 2(76) of the Companies Act, 2013.

Transactions with related parties have been identified on the basis of related party transactions disclosed in financial statement of the respective subsidiary and joint venture entities.

\* Commission provided in financial year 2015-16 has been fully paid in financial year 2016-17.

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 32 : EMPLOYEE BENEFITS

### Gratuity Benefit Plan

The following tables set out the status of the gratuity plan as required under Accounting Standard (AS) 15 (revised) on Employee Benefits.

#### (a) Reconciliation of opening and closing balances of the present value of defined benefit obligation

|                                            | (₹ in Lacs)                 |                             |
|--------------------------------------------|-----------------------------|-----------------------------|
|                                            | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| Opening defined benefit obligation         | 1,497.07                    | 1,405.47                    |
| Obligation received from previous employer | -                           | -                           |
| Current service cost                       | 272.54                      | 234.83                      |
| Interest cost                              | 108.27                      | 100.96                      |
| Actuarial losses /(gains)                  | 203.41                      | 8.34                        |
| Benefits paid                              | (243.08)                    | (252.53)                    |
| <b>Closing defined benefit obligation</b>  | <b>1,838.21</b>             | <b>1,497.07</b>             |
| <b>Share of joint venture</b>              | <b>61.87</b>                | <b>45.84</b>                |

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

|                                              | (₹ in Lacs)                 |                             |
|----------------------------------------------|-----------------------------|-----------------------------|
|                                              | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| Opening fair value of the plan assets        | 1,667.07                    | 1,590.33                    |
| Expected return on plan assets               | 137.74                      | 123.64                      |
| Contributions by employer                    | 382.42                      | 189.84                      |
| Actuarial (losses) / gains                   | -                           | -                           |
| Benefits paid                                | (216.28)                    | (236.74)                    |
| <b>Closing fair value of the plan assets</b> | <b>1,970.95</b>             | <b>1,667.07</b>             |
| <b>Share of joint venture</b>                | <b>56.95</b>                | <b>58.80</b>                |

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

|                               | (₹ in Lacs)            |                        |
|-------------------------------|------------------------|------------------------|
|                               | As at<br>31 March 2017 | As at<br>31 March 2016 |
| Defined benefit obligation    | (1,838.21)             | (1,497.07)             |
| Fair value of plan assets     | 1,970.95               | 1,667.07               |
| <b>Net asset</b>              | <b>132.74</b>          | <b>170.00</b>          |
| <b>Share of joint venture</b> | <b>(4.92)</b>          | <b>12.96</b>           |

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 32 : EMPLOYEE BENEFITS (Contd.)

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

|                                                             | (₹ in Lacs)                 |                             |
|-------------------------------------------------------------|-----------------------------|-----------------------------|
|                                                             | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| Current service cost                                        | 272.54                      | 234.83                      |
| Interest on defined benefit obligation                      | 108.27                      | 100.96                      |
| Net actuarial losses / (gains) recognised                   | 203.41                      | 8.34                        |
| Expected return on plan assets                              | (137.74)                    | (123.64)                    |
| <b>Net expense included in "Employee benefits expenses"</b> | <b>446.48</b>               | <b>220.49</b>               |
| <b>Share of joint venture</b>                               | <b>35.40</b>                | <b>9.20</b>                 |

### (e) Summary of actuarial assumptions\*

|                 | As at<br>31 March 2017 | As at<br>31 March 2016 |
|-----------------|------------------------|------------------------|
| Discount rate   | 7.28%                  | 7.87%                  |
| Salary increase | 5.00%                  | 5.00%                  |
| Withdrawal Rate | 4.20%                  | 4.20%                  |

\*includes assumptions for joint venture entity

- (f) **Expected rate of return on plan assets:** This is based on the expectation of the average long-term rate of return expected on investments of the fund during the estimated term of the obligations.
- (g) **Discount rate:** The discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of the obligations.
- (h) **Salary escalation rate:** The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.
- (i) **Experience adjustments\***

|                                                                                   | (₹ in Lacs)   |               |               |               |               |
|-----------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
|                                                                                   | 31 March 2017 | 31 March 2016 | 31 March 2015 | 31 March 2014 | 31 March 2013 |
| Present value of defined benefit obligation                                       | (1,838.21)    | (1,497.07)    | (1,405.47)    | (1,011.18)    | (862.62)      |
| Fair value of plan assets                                                         | 1,970.95      | 1,667.07      | 1,590.33      | 1,346.06      | 1,090.09      |
| Funded status [surplus/(deficit)]                                                 | 132.74        | 170.00        | 184.86        | 334.88        | 227.47        |
| Experience (gain)/loss adjustment on plan liabilities                             | 71.95         | 3.88          | 73.50         | 66.05         | 56.36         |
| Experience gain/(loss) adjustment on plan assets                                  | -             | -             | (5.53)        | -             | (6.57)        |
| Experience (gain)/loss adjustment on plan liabilities due to change in assumption | 131.46        | 4.46          | 202.02        | (93.20)       | 43.40         |

\* Gratuity is applicable to the subsidiary companies from financial year ended 31 March 2014 and therefore disclosure has been made from the aforesaid year for the subsidiaries.

### Share of joint venture

|                                                                                   | (₹ in Lacs)   |               |               |               |               |
|-----------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
|                                                                                   | 31 March 2017 | 31 March 2016 | 31 March 2015 | 31 March 2014 | 31 March 2013 |
| Present value of defined benefit obligation                                       | (61.87)       | (45.84)       | (31.61)       | (17.75)       | (15.80)       |
| Fair value of plan assets                                                         | 56.95         | 58.80         | 33.78         | 26.37         | 16.16         |
| Funded status [surplus/(deficit)]                                                 | (4.92)        | 12.96         | 2.17          | 8.63          | 0.36          |
| Experience (gain)/loss adjustment on plan liabilities                             | (0.02)        | (3.20)        | 2.36          | (0.53)        | -             |
| Experience gain/(loss) adjustment on plan assets                                  | (13.98)       | -             | -             | -             | 0.19          |
| Experience (gain)/loss adjustment on plan liabilities due to change in assumption | 4.61          | 0.17          | 3.95          | (1.53)        | -             |

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 33 : CASH FLOW STATEMENT

Due to the different methods of computing cash flows adopted by one of the joint venture carrying on the business of insurance, which is mandated by the Insurance Regulatory and Development Authority, consolidated cash flows for the year could be better viewed when summarised as follows:

|                                                           | (₹ in Lacs)                 |                             |
|-----------------------------------------------------------|-----------------------------|-----------------------------|
|                                                           | Year ended<br>31 March 2017 | Year ended<br>31 March 2016 |
| From operating activities                                 | 2,94,864.53                 | 73,281.47                   |
| From investing activities                                 | (18,565.15)                 | (25,412.58)                 |
| From financing activities                                 | (2,84,431.82)               | (49,826.59)                 |
| Net increase / (decrease) in cash and cash equivalents    | (8,132.44)                  | (1,957.70)                  |
| Cash and cash equivalents as at the beginning of the year | 22,302.07                   | 24,259.77                   |
| Cash and cash equivalents as at the end of the year       | 14,169.63                   | 22,302.07                   |

## NOTE 34 : CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

### (a) Contingent liabilities

|                                                              | (₹ in Lacs)            |                        |
|--------------------------------------------------------------|------------------------|------------------------|
|                                                              | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>1 Claims against the Company not acknowledged as debt</b> |                        |                        |
| (i) Income tax matters under dispute                         | 295.12                 | 319.86                 |
| (ii) VAT matters under dispute                               | 240.49                 | 242.33                 |
| (iii) Service tax matters under dispute                      | 452.50                 | 115.00                 |
| (iv) Legal cases against the company *                       | 116.32                 | 329.43                 |
| <b>2 Guarantees</b>                                          |                        |                        |
| (i) Unexpired bank guarantee                                 | 30,524.06              | 24,549.84              |

\* The Company is also involved in other law suits, claims, investigations and proceedings, including collection and repossession related matters, which arise in the ordinary course of business. However, there are no significant claims on such cases.

### (b) Commitments

|                                                                                                                                                       | (₹ in Lacs)            |                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
|                                                                                                                                                       | As at<br>31 March 2017 | As at<br>31 March 2016 |
| 1 Estimated amount of contracts remaining to be executed on capital account and not provided for [share of joint venture ₹ 202.10 lacs (2016: ₹ Nil)] | 1,074.81               | 582.89                 |
| 2 Redemption of preference shares (including premium)                                                                                                 | -                      | 1,300.20               |
| 3 Undisbursed housing / other loans                                                                                                                   | 3,747.15               | 10,309.83              |

(c) The Company has a process whereby periodically all long-term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision required under any Law / Accounting Standard / RBI Regulation for material foreseeable losses on such long term contracts has been made in the books of account.

## NOTE 35 : MOVEMENT OF PROVISION FOR NON-PERFORMING ASSETS

|                                                               | (₹ in Lacs)            |                        |
|---------------------------------------------------------------|------------------------|------------------------|
|                                                               | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>Provision for non-performing assets</b>                    |                        |                        |
| Balance as per last financial statements                      | 31,305.78              | 19,670.21              |
| Add: Provision made during the year (net)                     | 18,469.21              | 11,635.57              |
| Less: Reversals of provision on sale of non-performing assets | 30,688.97              | -                      |
|                                                               | <b>19,086.02</b>       | <b>31,305.78</b>       |

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 35 : MOVEMENT OF PROVISION FOR NON-PERFORMING ASSETS (Contd.)

The Company classifies non-performing assets (NPAs) at 4 months overdue and is compliant with the requirement for the financial year ending 31 March 2017 as per the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated 01 September 2016. These provisioning norms are considered the minimum and additional provision is made based on perceived credit risk where necessary.

During the financial year ended 31 March 2017, the Company has recorded an additional provision of ₹ 2,375.00 lacs towards NPAs which are more than 15 months overdue. This additional provision is in line with the RBI guidelines on NPA provisioning norms applicable for the year ending 31 March 2018. Accordingly, the profit before tax for the financial year ended 31 March 2017, is lower to the extent of ₹ 2,375.00 lacs.

## NOTE 36 :

Statement containing salient features of the financial statement of subsidiaries, pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014 is given below:

### (a) Financial information of subsidiaries (including step-down subsidiary) for the year ended 31 March 2017:

|                                                               | (₹ in Lacs)                     |                               |                           |
|---------------------------------------------------------------|---------------------------------|-------------------------------|---------------------------|
|                                                               | Magma Advisory Services Limited | Magma Housing Finance Limited | Magma ITL Finance Limited |
| Share capital                                                 | 5,666.67                        | 14,810.25                     | 4,500.00                  |
| Reserves and surplus                                          | 16,342.17                       | 12,691.57                     | 8,651.52                  |
| Total assets                                                  | 22,011.64                       | 1,60,463.79                   | 63,507.95                 |
| Total liabilities                                             | 22,011.64                       | 1,60,463.79                   | 63,507.95                 |
| Investments                                                   | 21,981.73                       | 1,225.46                      | 727.88                    |
| Turnover / total income                                       | 96.04                           | 25,097.88                     | 13,782.62                 |
| Profit before taxation                                        | (0.56)                          | 5,197.88                      | (1,884.71)                |
| Provision for taxation                                        | 0.37                            | 1,823.94                      | 1,084.52                  |
| Profit after taxation                                         | (0.93)                          | 3,373.94                      | (2,969.23)                |
| Proposed dividend (including tax thereon)                     | -                               | -                             | -                         |
| % of shareholding (including investment through subsidiaries) | 100%                            | 100%                          | 74%                       |

### (b) Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to joint ventures as at 31 March 2017:

| Name of joint ventures                                                      | Units     | Magma HDI General Insurance Company Limited* | Jaguar Advisory Services Private Limited     |
|-----------------------------------------------------------------------------|-----------|----------------------------------------------|----------------------------------------------|
| 1 Shares of joint ventures held by the Company on the year end              |           |                                              |                                              |
| No. of shares                                                               | Nos.      | 4,62,50,000                                  | 11,000                                       |
| Amount of investment in joint ventures                                      | ₹ in lacs | 7,400.00                                     | 2.20                                         |
| Extent of holding                                                           | %         | 41.11%                                       | 48.89%                                       |
| 2 Description of how there is significant influence                         |           | Holding more than 20% of the paid up capital | Holding more than 20% of the paid up capital |
| 3 Networth attributable to shareholding as per latest audited balance sheet | ₹ in lacs | 9,274.40                                     | 2,378.98                                     |
| 4 Profit for the year                                                       |           |                                              |                                              |
| i. Considered in consolidation                                              | ₹ in lacs | 259.12                                       | 0.65                                         |
| ii. Not considered in consolidation                                         | ₹ in lacs | 371.15                                       | 0.68                                         |

The Company did not have any associate companies in the current year.

\* Extent of holding includes investment held through Jaguar Advisory Services Private Limited.

## to the Consolidated Financial Statements (Continued)

The Company's share of each of the assets, liabilities, income, expenses, etc. (each without elimination of the effect of transactions between the Company and the Joint Ventures) related to its interest in these joint ventures, based on the audited financial statements are as follows:

|                                                  |                        | (₹ in Lacs)            |
|--------------------------------------------------|------------------------|------------------------|
|                                                  | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>EQUITY AND LIABILITIES</b>                    |                        |                        |
| <b>Shareholders' funds</b>                       |                        |                        |
| Share capital                                    | 4,626.12               | 4,626.12               |
| Reserves and surplus                             | 7,025.68               | 6,765.91               |
| Fair value change account                        | 1.58                   | 1.78                   |
| <b>Non-current liabilities</b>                   |                        |                        |
| Long-term borrowings                             | 12.31                  | 3.90                   |
| <b>Current liabilities</b>                       |                        |                        |
| Trade payables                                   | 1.91                   | 14.10                  |
| Other current liabilities                        | 26,598.74              | 23,093.27              |
| Short-term provisions                            | 7,268.73               | 7,254.54               |
| <b>ASSETS</b>                                    |                        |                        |
| <b>Non-current assets</b>                        |                        |                        |
| Fixed assets                                     | 615.45                 | 255.09                 |
| Non-current investment                           | 34,087.53              | 30,211.15              |
| Deferred tax assets (net)                        | 408.98                 | 408.98                 |
| Long-term loans and advances                     | 96.76                  | 102.58                 |
| Other non-current assets                         | 822.23                 | 2,960.01               |
| <b>Current assets</b>                            |                        |                        |
| Current investment                               | 2,196.65               | 4,283.93               |
| Cash and bank balances                           | 2,982.32               | 1,016.98               |
| Short-term loans and advances                    | 1,966.70               | 567.83                 |
| Other current assets                             | 2,358.45               | 1,953.07               |
|                                                  |                        | (₹ in Lacs)            |
|                                                  | As at<br>31 March 2017 | As at<br>31 March 2016 |
| <b>REVENUE</b>                                   |                        |                        |
| Revenue from operations                          | 748.32                 | 719.53                 |
| Operating result from general insurance business | (445.69)               | (963.94)               |
| Other income                                     | 83.22                  | 60.94                  |
| <b>EXPENSE</b>                                   |                        |                        |
| Employee benefits expense                        | 60.68                  | -                      |
| Other expenses                                   | 29.47                  | 52.80                  |

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 38 : DISCLOSURE REQUIRED UNDER SCHEDULE III OF COMPANIES ACT, 2013

(₹ in Lacs)

| Name of the entity in the Group                                                                    | Net Asset                       |                    | Shares in profit or loss            |                 |
|----------------------------------------------------------------------------------------------------|---------------------------------|--------------------|-------------------------------------|-----------------|
|                                                                                                    | As % of consolidated net assets | Amount             | As % of consolidated profit or loss | Amount          |
| <b>A) Parent</b>                                                                                   |                                 |                    |                                     |                 |
| 1 Magma Fincorp Limited                                                                            | 92.37 %                         | 2,03,789.38        | 47.88 %                             | 609.68          |
| <b>B) Subsidiaries</b>                                                                             |                                 |                    |                                     |                 |
| <b>Indian</b>                                                                                      |                                 |                    |                                     |                 |
| 1 Magma Advisory Services Limited (MASL)                                                           | 1.26 %                          | 2,770.85           | 264.92 %                            | 3,373.01        |
| 2 Magma ITL Finance Limited (MITL)                                                                 | 2.90 %                          | 6,401.99           | (172.60)%                           | (2,197.19)      |
| <b>Foreign</b>                                                                                     |                                 | Not Applicable     |                                     | Not Applicable  |
| <b>Minority interests in all subsidiaries</b>                                                      | 1.55 %                          | 3,419.59           | (60.60)%                            | (772.04)        |
| <b>C) Associates (Investment as per the equity method)</b>                                         |                                 |                    |                                     |                 |
| <b>Indian</b>                                                                                      |                                 | Not Applicable     |                                     | Not Applicable  |
| <b>Foreign</b>                                                                                     |                                 | Not Applicable     |                                     | Not Applicable  |
| <b>D) Joint Venture (as per proportionate consolidation / investment as per the equity method)</b> |                                 |                    |                                     |                 |
| <b>Indian</b>                                                                                      |                                 |                    |                                     |                 |
| 1 Jaguar Advisory Services Private Limited (JASPL)                                                 | 1.08 %                          | 2,376.78           | 0.05 %                              | 0.65            |
| 2 Magma HDI General Insurance Company Limited (MHDI)                                               | 0.85 %                          | 1,874.37           | 20.35 %                             | 259.12          |
| <b>Foreign</b>                                                                                     |                                 | Not Applicable     |                                     | Not Applicable  |
| <b>Total</b>                                                                                       | <b>100.00 %</b>                 | <b>2,20,632.96</b> | <b>100.00 %</b>                     | <b>1,273.23</b> |

## NOTE 39 : DISCLOSURES RELATING TO SPECIFIED BANK NOTES (SBN) IN TERMS OF THE NOTIFICATION ISSUED BY MCA

Details of Specified Bank Notes (SBN) held and transacted during the period 08 November 2016 to 30 December 2016

(₹ in Lacs)

| Name of joint ventures                        | SBNs   | Other Denomination Notes * | Total     |
|-----------------------------------------------|--------|----------------------------|-----------|
| Closing cash in hand as on 08 November 2016 * | 857.20 | 57.45                      | 914.65    |
| Add: Permitted receipts **                    | -      | 29,215.81                  | 29,215.81 |
| Less: Permitted payments                      | -      | 35.50                      | 35.50     |
| Less: Amount deposited in Banks ***           | 857.20 | 28,332.84                  | 29,190.04 |
| Closing cash in hand as on 30 December 2016 * | -      | 904.92                     | 904.92    |

\*Based on the daily cash register and petty cash summary statement maintained across the branches.

\* Includes balance in State Bank of India eZ Card and replenishment in transit.

\*\* Includes direct cash deposits made by the customers in Company's bank accounts vide RBI Circular No. DCM (Plg) No. 1226/10.27.00/2016-17 dated 08 November 2016 under Section 3(c)(v). Also includes withdrawal from bank.

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

# Notes

to the Consolidated Financial Statements (Continued)

## NOTE 40 : CORPORATE SOCIAL RESPONSIBILITY (CSR)

A CSR committee has been formed by the Company as per the Companies Act, 2013. CSR expenses have been incurred through out the year on the activities as specified in Schedule VII of the said Act.

- a) Gross amount required to be spent by the Company during the year is ₹ 493.25 lacs.
- b) Amount spent during the year on CSR activities

|                                            | (₹ in Lacs) |                        |        |
|--------------------------------------------|-------------|------------------------|--------|
|                                            | In cash     | Yet to be paid in cash | Total  |
| (i) Construction/ acquisition of any asset | -           | -                      | -      |
| (ii) On purposes other than (i) above      | 353.64      | 31.00                  | 384.64 |

During earlier year while calculating the eligibility amount in CSR, balance of provision for non-performing assets and provision for standard assets were added back to derive at the book profit. Going by the provisions of Section 198 of the Companies Act, 2013, the Company is not required to add back the balance of provision for non-performing assets and provision for standard assets, hence the same has not been considered while calculating the revised eligibility criteria for CSR.

## NOTE 41 : ADDITIONAL DISCLOSURE ON STEP DOWN SUBSIDIARY

The step-down subsidiary of the Company i.e. Magma Housing Finance (A Public Company with Unlimited Liability) has been converted from an Unlimited Liability Company into a Company limited by shares vide Certificate of Incorporation dated 19 December, 2016 issued by Registrar of Companies, Delhi (RoC). Subsequent to the conversion, the name of the step-down subsidiary has been changed to Magma Housing Finance Limited vide Certificate of Incorporation dated 07 April 2017 issued by Registrar of Companies, Delhi (RoC).

## NOTE 42 : DERIVATIVE TRANSACTION

The Company has recognised gain of ₹ 23.10 lacs (2016: ₹ loss 23.10 lacs) relating to derivative financial instrument. The Company does not have any unhedged foreign currency exposure.

## NOTE 43 : PREVIOUS YEAR'S FIGURE

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

As per our report of even date attached.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Regn. No. 101248W/W-100022

**Jayanta Mukhopadhyay**

Partner

Membership No. 055757

Kolkata, 11 May 2017

**Narayan K Seshadri**

Chairman

[DIN: 00053563]

**Kailash Baheti**

Chief Financial Officer

For and on behalf of the Board of Directors

**Sanjay Chamria**

Vice Chairman & Managing Director

[DIN: 00009894]

**Shabnum Zaman**

Company Secretary

Mumbai, 11 May 2017

## NOTES

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## NOTES

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