

Notice

To all the Members of the Company

Notice is hereby given that the 30th Annual General Meeting of the Shareholders of the Company shall be held at Gyan Manch, 11, Pretoria Street, Kolkata – 700 071 at 3 P.M on Thursday, 15th July, 2010 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2010, the Audited Balance Sheet as at that date together with the Report of the Directors and the Auditors thereon.
2. To declare Dividend on Equity and Preference Shares.
3. To appoint a Director in place of Mr. Shrawan Kumar Todi who retires from the office by rotation and being eligible, offers himself for re-election.
4. To appoint a Director in place of Mr. Narayan K Seshadri who retires from the office by rotation and being eligible, offers himself for re-election.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:-

6. SUBDIVISION OF EQUITY SHARES OF THE COMPANY

“RESOLVED THAT pursuant to the provisions of Section 16, 94 and other applicable provisions, if any, of the Companies Act, 1956 and Article 55 of the Articles of Association of the Company and subject to such other approvals, consents, permissions and sanctions as may be necessary, the existing 3,50,00,000 (Three Crores Fifty Lacs) Equity Shares of Rs. 10/- (Rupees Ten) each be sub-divided into 17,50,00,000 (Seventeen Crores and Fifty Lacs) Equity Shares of the face value of Rs. 2/- (Rupees Two) each and consequently the Authorised Share

Capital of the Company of Rs. 285,00,00,000/- (Rupees Two Hundred Eighty Five Crores only) would comprise 17,50,00,000 (Seventeen Crores and Fifty Lacs) Equity Shares of the face value of Rs. 2/- (Rupees Two) each and 2,50,00,000 (Two Crores Fifty Lacs) Preference Shares of Rs. 100/- each (Rupees One Hundred) each, and Clause V in the Memorandum of Association of the Company would be accordingly altered and the altered Clause V of the Memorandum of Association shall be read as follows:-

“The Authorised Shares Capital of the Company is 285,00,00,000/- (Rupees Two Hundred Eighty Five Crores only) divided into 17,50,00,000 (Seventeen Crores and Fifty Lacs) Equity Shares of the face value of Rs. 2/- (Rupees Two) each and 2,50,00,000 (Two Crores Fifty Lacs) Preference Shares of Rs. 100/- each (Rupees One Hundred) each with power to increase or reduce the Share Capital of the Company and to divide the shares in the share capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate and/or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company.”

RESOLVED FURTHER that pursuant to the sub-division of the Equity Shares of the Company, the 25869620 (Two Crores Fifty Eight Lacs Sixty Nine Thousand Six Hundred and Twenty) Issued, Subscribed and Paid-Up Equity Shares of Rs. 10/- each shall stand sub-divided into 12,93,48,100 (Twelve Crores Ninety Three Lakhs Forty Eight Thousand and One Hundred only) Equity Shares of face value of Rs. 2/- (Rupees Two) each.

RESOLVED FURTHER that the Share Certificates in relation to such of the issued Equity Shares of the Company as are in physical form be cancelled and fresh certificates be issued in lieu thereof with regard to the sub-divided Equity Shares in accordance with the provisions of the Companies (Issue of Share Certificate) Rules, 1960 and in case of shareholders who hold

the Equity Shares shall be credited to the respective beneficiary accounts of the shareholders with their respective Depository Participants and the Company shall take such corporate action as may be necessary in relation to the existing Equity Shares

RESOLVED FURTHER that to give effect to this resolution, the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors (whether existing or that may be constituted) or any Director or any other officer(s) of the Company; AND for the purpose of giving effect to this resolution, the Board acting on its own or through a

Committee of Directors or an other person duly authorized in this regard by the Board/ Committee, be and is hereby authorized to do all such acts, deeds, matters and things as may be deemed necessary and take such other steps that are incidental and ancillary in this regard”

By Order of the Board of Directors
For MAGMA FINCORP LIMITED

Kolkata - 700 016.
Dated : 14th June,2010

GIRISH BHATIA
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. 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 TIME FOR HOLDING THE MEETING.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from Friday, the 9th July, 2010 to Thursday, the 15th July, 2010 (both days inclusive).
3. Explanatory Statement pursuant to the section 173 (2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Annual General Meeting is enclosed.
4. Dividend on Equity Shares, if declared at the meeting will be paid to those members, whose names shall appear in the Company's Register of Members at the close of working hours of the Company as on Thursday, the 8th July, 2010. In

respect of the shares held in Electronic Form, the Dividend will be paid to those persons whose names shall appear as beneficial owners as at the end of the business hours on Thursday, the 8th July, 2010 as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited.

5. Dividends which remain unpaid / unclaimed over a period of seven years will have to be transferred by the Company to Investor Education and Protection Fund of the Central Government under Sections 205A & 205C of the Companies Act, 1956. Accordingly, all unpaid / unclaimed amounts in respect of dividends paid by the Company for the period ended 31st March, 2003 have to be transferred to the said fund. Shareholders are advised to encash the unpaid Dividend Warrants for the period ended 31st March, 2003 or any subsequent year, before transfer to the above referred Fund. 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	Erstwhile "Magma Leasing Limited" (MLL)		Erstwhile "Shrachi Infrastructure Finance Limited"	
	Date of Declaration	Due for Transfer	Date of Declaration	Due for Transfer
2002-2003	24-09-2003	23-10-2010	-	-
2003-2004	30-09-2004	29-10-2011	-	-
2004-2005 (INTERIM)	-	-	31-01-2005	01-03-2012
2004-2005	29-07-2005	28-08-2012	26-08-2005	25-09-2012
2005-2006	31-07-2006	30-08-2013	25-08-2006	24-09-2013
2006-2007	04-09-2007	03-10-2014	Since merged with erstwhile MLL with effect from 01-04-2006	
2007-2008	23-08-2008	22-09-2015	Since merged with erstwhile MLL with effect from 01-04-2006	
2008-2009	11-09-2009	10-10-2016	Since merged with erstwhile MLL with effect from 01-04-2006	

6. Securities and Exchange Board of India (SEBI) has made it mandatory for all the Companies to use the bank account details furnished by the Depositories for distributing dividends through Electronic Clearing Service (ECS) to the investors wherever ECS and bank details are available. Members are advised to avail ECS facility whereby the dividend will be directly credited electronically to their respective Bank Accounts. Members holding the Company's shares in dematerialized mode are requested to provide ECS particulars to their respective Depository Participants, if they have not done so already. Members holding the Company's shares in physical form who have not opted for ECS are requested to provide their ECS particulars in the enclosed 'ECS Mandate Form' and forward the same duly filled in and signed to the Company's Registrar and Share Transfer Agent at the earliest to avail this facility.
7. Members holding shares in physical form are requested to intimate change in their registered address 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 Registrar and Share Transfer Agent and in case of members holding their shares in electronic form, this information should be given to their Depository Participants immediately.
8. 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 109A of the Companies Act, 1956, may submit the prescribed particulars in Form 2B, to the Company.
9. 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 Annual General Meeting to the Company Secretary at the Registered Office of the Company.
10. 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.
11. 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.
12. Members who are holding shares in identical order of names in more than one folio are requested to write to the Company, enclosing their share certificates, to enable the Company to consolidate their holdings in one folio.
13. As per the requirement of Clause 49 of the Listing Agreement on Corporate Governance for appointment of Directors/reappointment of the retiring Directors, a statement containing details of the concerned Directors is given below:

Details of directors seeking appointment at the Annual General Meeting

Name	Mr. Shrawan Kumar Todi	Mr. Narayan K Seshadri
Date of birth	15 August 1941	13 April 1957
Date of appointment	12 April 2007	31 October 2006
Qualification	M.Com	FCA
Expertise in specific functional area	As the non-executive Vice-Chairman, he guides and supports the Board in achieving corporate goals.	He has over 30 years' experience and specialises in corporate strategy, organisational transformation and growth of companies in India and overseas. He held leadership positions in Arthur Andersen and KPMG before establishing his investment advisory and private equity business.
List of outside *Directorships held excluding Alternate Directorship.	<ol style="list-style-type: none"> 1.AMRI Hospitals Limited 2.Bhaskar Shrachhi Alloys Limited 3.Bengal NRI Complex Limited 4.Bengal Shrachhi Housing Development Limited 5. Bengal Tools Limited 6.Emami Limited 7.Emami Paper Mills Limited 8.Murlidhar Ratanlal Exports Limited 9.South City Projects (Kolkata) Limited 10.Web Development Company Limited 11.Bengal Anmol South City Infrastructure Limited 12.Bengal South City Matrix Infrastructure Limited 13.Liberty Pharma Limited 	<ol style="list-style-type: none"> 1. Development Credit Bank Limited 2. PI Industries Limited 3. Kalpataru Power Transmission Ltd 4. WABCO-TVS (India) Limited 5. SBI Capital Markets Limited
Membership/ Chairmanship of **Committees of the Board of Directors of the Company	None	None
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 <ol style="list-style-type: none"> 1. Emami Paper Mills Limited 2. Emami Limited 	Chairman of the Audit Committee of <ol style="list-style-type: none"> 1. Development Credit Bank Limited 2.WABCO-TVS (India) Limited Member of the Audit Committee of : <ol style="list-style-type: none"> 1. PI Industries Limited 2. Kalpataru Power Transmission Ltd Member of the Shareholders'/Investors' Grievance Redressal Committee of : WABCO-TVS (India) Limited
Number of shares held in the Company	55,196	Nil

By Order of the Board of Directors
For MAGMA FINCORP LIMITED

GIRISH BHATIA
Company Secretary

Kolkata - 700 016.
Dated : 14th June,2010

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Annexed to the Notice convening the 30th Annual General Meeting to be held at Gyan Manch, 11, Pretoria Street, Kolkata – 700 071 at 3 P.M on Thursday, 15th July, 2010

ITEM NO 6

The existing Authorised Share Capital of the Company is Rs. 285,00,00,000/- (Rupees Two Hundred Eighty Five Crores only) divided into 3,50,00,000 (Three Crores Fifty Lacs) Equity Shares of Rs. 10/- (Rupees Ten) each and 2,50,00,000 (Two Crores Fifty Lacs) Preference Shares of Rs. 100/- each (Rupees One Hundred) each and the present Issued, Subscribed and Paid-up Equity Share Capital of the Company is Rs. 258,696,200/- (Rupees Twenty Five Crores Eighty Six Lacs Ninety Six Thousand and Two Hundred) consisting of 25869620 Nos (Two Crores Fifty Eight Lacs Sixty Nine Thousand Six Hundred and Twenty) of Equity Shares of Rs. 10/- each.

In order to facilitate easy accessibility to the Company's Equity Shares by investors and enhance the liquidity of the Company's shares on the Stock Exchanges, it is proposed to re-organise the Authorised Equity Share Capital as well as the Issued , Subscribed and Paid-up Equity Share Capital by sub-dividing the Equity Shares of the face value of Rs. 10/- (Rupees Ten) each into Equity Shares of the face value of Rs. 2/- (Rupees Two) each.

Accordingly, the Equity Shares comprised in the Authorised Share Capital of the Company will be divided into 17,50,00,000 (Seventeen Crores and Fifty Lacs) Equity Shares of the face value of Rs. 2/- (Rupees Two) each. The Issued , Subscribed and Paid-up Equity Share Capital of the Company will also be sub-divided into 12,93,48,100 (Twelve Crores Ninety Three Lakhs Forty Eight Thousand and One Hundred only) Equity Shares of face value of Rs. 2/- (Rupees Two) each.

Consequent to the sub-division of shares, it is necessary to alter the Capital Clause- Clause V in the Memorandum of Association of the Company.

A copy of the Memorandum of Association of the Company showing proposed alterations is available for inspection by the members of the Company at the Registered Office between 10.30 a.m and 12.30 p.m on any working day of the Company.

The Board recommends the proposed resolution for your approval.

The Directors of the Company may be deemed to be interested in the above resolutions of the Notice to the extent of their respective shareholdings, if any, in the Company.

Kolkata - 700 016.
Dated : 14th June,2010

By Order of the Board of Directors
For MAGMA FINCORP LIMITED

GIRISH BHATIA
Company Secretary

MAGMA FINCORP LIMITED

Registered Office : "MAGMA HOUSE", 24, Park Street, Kolkata - 700 016.

14th June,2010

Dear Shareholder,

Payment of Dividend through National-ECS

Currently, as per directive from Securities and Exchange Board of India, all Companies use Electronic Clearing Service (ECS) facility introduced by Reserve Bank of India (RBI) for distributing dividends and other cash benefits to investors, wherever available. In this system, the investor's bank account is directly credited with the dividend amount based on the information provided by the Company, under advice to the investor.

As per RBI notification, with effect from October 1, 2009, the remittance of money through ECS is replaced by National Electronic Clearing Service (NECS) and banks have been instructed to move to the NECS platform with immediate effect. The advantages of NECS over ECS include faster credit of remittances to beneficiary's account, coverage of more bank branches and ease of operations for remitting agencies.

NECS essentially operates on the new and unique bank account number allotted by banks post implementation of Core Banking Solutions (CBS) for centralized processing of inward instructions and efficiency in handling bulk transactions.

In this regard, since you hold shares in electronic form, please furnish the new Bank Account Number allotted to you by your bank after implementation of CBS, along with a photocopy of a cheque pertaining to the concerned account, to your Depository Participant (DP), at your earliest convenience.

If you do not provide your new account number allotted after implementation of CBS by your bank, to your DP, please note that ECS to your old account may either be rejected or returned.

Please ignore this communication in case you have already submitted the necessary details to your DP.

Assuring you of our best services at all times.

Yours faithfully,

For MAGMA FINCORP LIMITED

GIRISH BHATIA
Company Secretary

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 ECS

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

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

1 Registered Folio No. : _____

2 Particulars of Bank

a. Name of the Bank : _____

b. Branch Address : _____

*c. 9 digit Code Number :

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 of the Bank and Branch
 as appearing on the
 MICR cheque issued
 by the Bank

d. Account type : Savings Current Cash Credit
 Please tick)

e. Ledger Folio No. (if any)
 of your Bank Account : _____

f. Account No. : _____

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

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

Delete whichever is not applicable





MAGMA FINCORP LIMITED

Registered Office : "MAGMA HOUSE", 24, Park Street, Kolkata - 700 016.

ATTENDANCE SLIP

Ledger Folio No.

D. P. ID *

No. of Shares held

Client ID *

1. Full name of Member/Proxy

2. If Proxy, full name of Member

I hereby record my presence at the Thirtieth Annual General Meeting of the Members of the Company held at Gyan Manch, 11, Pretoria Street, Kolkata – 700 071 at 3 P.M on Thursday, 15th July, 2010, and at any adjournment thereof.

Date

Signature

Important : This attendance slip should be signed and handed over at the entrance of the Meeting Hall.

* Applicable for Members holding shares in Electronic Form



MAGMA FINCORP LIMITED

Registered Office : "MAGMA HOUSE", 24, Park Street, Kolkata - 700 016.

PROXY FORM

Ledger Folio No.

D. P. ID *

No. of Shares held

Client ID *

I/We _____ of _____

_____ being a member/members of
Magma Fincorp Limited hereby appoint _____ of
_____ (or failing
him/her _____ of _____)

as my/our proxy to attend and vote for me/us on my/our behalf at the Thirtieth Annual General Meeting of the Members of the Company held at Gyan Manch, 11, Pretoria Street, Kolkata – 700 071 at 3 P.M on Thursday, 15th July, 2010, and at any adjournment thereof.

Signed this day of 2010



Signature of Proxy

Note : 1) This instrument of Proxy must be deposited at the Registered Office of the Company not less than forty eight hours before the time for holding the meeting.

2) A Proxy need not be a member.

* Applicable for Members holding shares in Electronic Form





Dear Shareholders,

14th June,2010

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



Corporate information

Board of Directors:

Mayank Poddar *Chairman*

Sanjay Chamria *Vice Chairman and Managing Director*

Shrawan Kumar Todi *Vice Chairman*

Ravi Todi *Joint Managing Director*

Ved Prakash Taneja

Neil Graeme Brown

Narayan K Seshadri

Nabankur Gupta

Kailash Nath Bhandari

Company Secretary:

Girish Bhatia

Bankers:

- Punjab National Bank
- State Bank of India
- ICICI Bank Limited
- Axis Bank Limited
- HSBC Limited
- UCO Bank
- Oriental Bank of Commerce
- United Bank of India
- Corporation Bank
- IDBI Bank Limited
- Indian Bank
- Bank of Baroda
- Union Bank of India
- Bank of India
- Dena Bank
- Andhra Bank
- State Bank of Hyderabad
- State Bank of Mysore

- Syndicate Bank
- Punjab & Sind Bank
- Central Bank of India
- Lakshmi Vilas Bank
- State Bank of Patiala
- Indian Overseas Bank
- Allahabad Bank
- Bank of Maharashtra

Financial Institutions / Mutual Funds:

- FMO, Netherlands (Nederlandse Financierings-Maatschappij-Voorontwikkelingslanden N.V.)
- Industrial Renewable Energy Development Association
- Small Industries Development Bank of India
- LIC Mutual Fund
- Fortis Mutual Fund
- Axis Mutual Fund
- Religare Mutual Fund
- UTI Mutual Fund
- Deutsche Mutual Fund
- J P Morgan Mutual Fund
- Taurus Mutual Fund

Statutory Auditors:

S.S. Kothari & Co.

Chartered Accountants

India Steamship House

21, Old Court House Street

Kolkata-700 001

Registered Office:

"MAGMA HOUSE"

24, Park Street, Kolkata-700 016



Directors' Report

Mayank Poddar | Chairman

Dear Shareholders

Your Directors have pleasure in presenting the 30th Annual Report on the audited accounts of the Company for the year ended 31 March 2010. The summarised financial results are given below

Financial results

(Rs. in lacs)

	Year ended 31 March 2010	Year ended 31 March 2009
Total income	70,300.89	62,548.41
Profit before interest and depreciation	45,207.66	37,972.66
Less: Interest and finance charges	31,624.96	28,536.23
Less: Depreciation	3,278.58	3,423.90
Profit before tax	10,304.12	6,012.53
Provision for taxation	3,834.20	1,320.00
Provision for deferred tax	(176.11)	788.29
Profit after tax	6,646.03	3,904.24
Add: Surplus brought forward	6,677.91	4,522.60
Balance available for appropriation	13,323.94	8,426.84
- Statutory reserves	1,330.00	790.00
- General reserve	500.00	-
- On preference shares	599.28	601.86
- On equity shares	517.39	217.77
- Dividend tax	185.30	139.30
Balance carried forward to the next year	10,191.97	6,677.91
Net worth	46,458.69	41,251.47
Earning per equity share (Rs.)		
-Basic	27.31	14.69
-Diluted	27.25	14.66
Book value per equity share (Rs.)	160.02	135.26

Business

Emerging relatively unscathed from the global financial crisis in 2008-09, the Indian economy continued to do well and is estimated to have grown at 7.2 percent during FY 2009-10, as compared to 6.7 percent during FY 2008-09. Though WPI based inflation was close to zero during the first half of 2009-10 the trend reversed in second half and headline WPI inflation reached as high as 9.9 percent in February 2010 on account of deficient monsoon and waning base effect. In comparison, high food prices kept consumer price inflation, as measured through various consumer price indices, to increase steadily from around 9.6 percent in February 2009 to 14.9 percent in March 2010.

Growth in sales of new vehicles showed a healthy growth during 2009-10. All India sales of new commercial vehicles registered a robust growth of 38.3 percent during 2009-10, as compared to a de-growth of 21.7 percent during 2008-09 while sales of new cars recorded a growth of 25.6 percent, as compared to a almost flat growth of just 0.1 percent during 2008-09.

On the backdrop of the robust growth in primary sales, Magma recorded total disbursements of Rs. 4,483 cr during FY 2009-10, resulting in 24.9 percent growth over the Rs. 3,590 cr achieved during FY 2008-09. Aided by growth in disbursements, build up of on-book assets and increasing contribution from high yield products such as Suvidha (Used CV), Tractors and SME Loans, total income increased to Rs. 703.01 cr, representing a 12 percent increase over Rs. 625.48 cr recorded for 2008-09.

Driven by higher business volumes, increased loan assets, improved operating efficiency and asset quality, operational profits increased further to Rs. 103.04 cr during the year, compared to Rs. 60.13 cr for 2008-09, an increase of 71 percent.

Profit after tax recorded an impressive 70 percent increase, from Rs. 39.04 cr in 2008-09 to Rs. 66.46 cr in 2009-10.

Over the years, the Company has made investments in eco-friendly wind power generation. As at the end of financial year 2009-10, the Company had an installed capacity of 17.5 MW in wind turbine generators.

Insurance joint venture:

During this fiscal, the Company had signed a Joint Venture Agreement with HDI Gerling International Holding AG for the purpose of entering into General Insurance Business in India. The requisite statutory compliances as is required of the Company are being complied with.

Dividend

Your Directors recommend a tax-free dividend of 20 percent, i.e. Rs. 2 per Equity Share on 2,58,69,620 Equity Shares of Rs. 10 each; a 9.70 percent dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100 each; a 5 percent dividend on 30,00,000 Cumulative Non-convertible Redeemable Preference Shares of Rs. 100 each and a 3.68 percent dividend on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100 each for the year, a 0.50 percent dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100 each for the previous year ended 31 March 2009 and differential dividend of Rs. 19,48,071/- on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100 each for the financial years 2006-07, 2007-08 and 2008-09 which represents difference of dividends payable as per dollar-denominated value of the preference shares, over the dividends paid on rupee-denominated value of preference shares, subject to your approval at the ensuing Annual General Meeting.

Employee Stock Option Scheme

Your Company formulated and implemented an ESOP scheme ('Magma Employees Stock Option Plan 2007') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The details of options granted and outstanding as on 31 March 2010 along with other particulars as required by Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Auditor's Certificate required to be placed at the forthcoming Annual General Meeting pursuant to Clause 14 of the said guidelines are set out in the Annexure to the Report

Pursuant to the Plan, 3,50,800 stock options were granted to

the eligible employees in October 2007 out of which 88,300 stock options have lapsed and 78750 stock options stand vested till 31 March 2010.

Capital – issuances and redemptions

Equity and Preference shares

After the close of the Financial Year:

The Company has allotted 20,00,000. (Twenty Lacs) warrants to one of the Promoter entities upon receipt of initial contribution of Rs. 12.50 cr representing 25 percent of the issue price as stipulated under the SEBI Guidelines, carrying an option / entitlement to subscribe to equivalent number of equity shares at a price of Rs. 250/- per Equity Share, on a future date not exceeding 18 months from the date of issue of such warrants in terms of provisions of SEBI Guidelines for Preferential Issue (Chapter VII of the SEBI (Issue and Disclosure Requirements) Regulations,2009).

The Company has raised a sum of Rs. 122.42 cr through the Qualified Institutional Placement (QIP) route by way of issue of 4067220 Equity shares of Rs. 10/- each for cash at a price of Rs. 301/- per equity share (including premium of Rs.291/- per equity share) to a host of Institutional Investors who are Qualified Institutional Buyers .

The Company has allotted 25,260 Equity shares of Rs. 10/- each at a price of Rs. 180/- per share (including a premium of Rs. 170/- per share) to the eligible employees under Magma Employee Stock Option Plan 2007("the Scheme") against the exercise of stock options by them.

The existing issued, subscribed and paid-up Equity Share Capital of your Company stands at 2,58,69,620 Equity Shares of Rs. 10 each aggregating Rs. 258,696,200/-

Debt

Subordinated Debt

During the year, the Company issued 480 Unsecured Redeemable Non-Convertible Subordinated Debt in the nature of Debentures of Rs. 10,00,000 each, aggregating Rs. 48 cr and after the close of the financial year the Company has further issued 320 Unsecured Redeemable Non-Convertible Subordinated Debt in the nature of Debentures of Rs. 10,00,000

each, aggregating Rs. 32 cr.

Perpetual Debt

During the year, the Company issued 300 Unsecured Subordinated Perpetual Bonds in the nature of Debentures of Rs. 10,00,000 each, aggregating Rs. 30 cr

Consolidated financial statements

In accordance with the requirements under Clause 32 of the Stock Exchange Listing Agreement, your Company prepared consolidated financial statements in accordance with Accounting Standard-21 issued by The Institute of Chartered Accountants of India. The consolidated financial statements form a part of the Annual Report.

Corporate Governance

Your Company has consistently been complying with the Corporate Governance Code prescribed by SEBI and a detailed report on Corporate Governance together with a certificate of compliance from the statutory auditors, as required by Clause 49 of the Stock Exchange Listing Agreement, forms a part of this Annual Report.

Directors' responsibility statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors confirm

- That in the preparation of the annual accounts, the applicable accounting standards have been followed by your Company along with proper explanation relating to material departures, if any
- Having selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31 March 2010 and of the profit of the Company for the period under review
- That proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, if any, have been taken

- That the annual accounts have been prepared on a going concern basis

RBI regulations – compliance

Your Company continues to carry on its business of non-banking finance Company as a non-deposit taking Company and follows prudent financial management norms as applicable and continues to progressively follow the internationally accepted accounting principles on revenue recognition, provisioning and asset classification which are more stringent than the guidelines prescribed by the RBI. A detailed note is appended in Schedule 16 Notes to Accounts. The gross and net NPA's stood at nil and nil respectively. Your Company appended a statement containing particulars as required in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 in Note 2(xxvii), Schedule 16, Notes to Accounts and additional disclosures required for NBFCs-ND-SI in terms of notification dated 1 August 2008 issued by the RBI in Note 2(xxvi), Schedule 16 Notes to Accounts.

Subsidiaries

Magma ITL Finance Limited, a subsidiary of the Company and the Company's joint venture with International Tractors Limited, manufacturers of Sonalika Brand of Tractors is registered with the RBI as a non-deposit taking NBFC. The Company has earned a PBT of Rs.7.42 cr for the year ended 31 March 2010.

Magma Consumer Finance Private Limited ceased to be a subsidiary of your Company w.e.f. 22 March 2010

Information regarding the subsidiaries, in accordance with the provisions of Section 212 of the Companies Act, 1956 is enclosed as an Annexure to this Report.

Directors

Mr. Shrawan Kumar Todi and Mr. Narayan K Seshadri retire at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Disclosures in respect of these Directors as stipulated under Clause 49 of the Listing Agreement are provided in the Report on Corporate Governance forming a part of the Annual Report.

Auditors

M/s. S. S. Kothari & Company, Chartered Accountants, Kolkata, retire at the conclusion of the forthcoming Annual General Meeting and have expressed their willingness to be reappointed. They confirmed that their reappointment, if made, would be covered within the ceiling specified under Section 224(1B) of the Companies Act, 1956.

Investor Education and Protection Fund

During the year under review, your Company transferred a sum of Rs. 409418/- to the Investor Education and Protection Fund (IEPF), the amount which was due and payable and remained unclaimed and unpaid for a period of seven years, as provided in Section 205A(5) of the Companies Act, 1956.

Statutory information

- 1) Your Company does not have any activity relating to conservation of energy or technology absorption.
- 2) The Company does not have any foreign exchange earnings. The foreign exchange outgo of the Company is furnished in Note No. 2 (xxi) , Schedule 16, Notes to Accounts.
- 3) Information in respect of employees of the Company who are in receipt of remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956 is given in Annexure attached to the Report.
- 4) The comments in the Auditors' Report read with Notes to Accounts (Schedule 16) are self-explanatory.

Appreciation

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

For and on behalf of the Board

Kolkata
31 May 2010

Mayank Poddar
Chairman

Annexure to Directors' Report

As amended and forming part of the Directors' Report for the year ended 31 March 2010

Particulars of Employees under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975

1. Employed throughout the year and in receipt of remuneration aggregating Rs. 24,00,000 or more per annum.

Name	Age (in years)	Qualification	Designation and nature of duties	Date of commencement of employment	Experience (years)	Remuneration (in Rs.)	Particulars of last employment, last post, employer
Mayank Poddar	56	B.Com	Executive Chairman	1 July 1996	36	5,585,922	Managing Director Calcutta Credit Corporation Limited (erstwhile)
Sanjay Chamria	45	FCA	Vice Chairman and Managing Director	1 January 1992	25	5,591,045	Chief Executive Magma Leasing Limited (erstwhile)
Ravi Todi	40	B.Com	Joint Managing Director	12 April 2007	21	4,659,386	Shrachi Infrastructure Finance Limited (erstwhile) Managing Director
Alok Kumar Dhuliya	51	M.Com, LLB	Vice President and Head – Legal	16 August 1990	23	2,725,095	Consortium Finance Limited (erstwhile) Asst General Manager
Ashutosh Shukla	47	FCA	Senior Vice President and National Head – ARD	1 October 1992	28	3,851,951	Consortium Finance Limited (erstwhile) General Manager
Barun Roy	64	B.Tech, (IIT), PG in Business Management	Senior Vice President and Chief Information Officer	29 November 2003	41	2,470,820	HMA Starware Chief Operating Officer
Biraj Kumar Sarkar	61	BA (Eco)	Senior Vice President and Head - Insurance	18 March 2008	33	4,859,835	Oriental Insurance Company Limited General Manager
Brahmajyoti Mukherjee	52	B-Tech from IIT, PGDIE from National Productivity Council	Senior Vice President and Chief People Officer	16 August 2006	30	4,088,343	Hindalco Industries Limited Vice President
Debashish Sanyal	44	B.Sc, MBA	Vice President and National Sales Head – Insurance	16 July 2001	20	2,928,511	Bajaj Auto Limited as Area Sales Manager
Dipankar Bhattacharya	42	B.Sc; MBA	Associate Vice President and Zonal Collection Head-North	2nd May 2001	10	2,444,917	Escorts Finance Ltd as Assistant Vice President
Guru Prasad Pattanaik	50	ACA	Senior Vice President and National Collection Head	17 April 2000	29	4,222,991	Nicco Uco Financial Services Ltd Vice President

Name	Age (in years)	Qualification	Designation and nature of duties	Date of commencement of employment	Experience (years)	Remuneration (in Rs.)	Particulars of last employment, last post, employer
Mahendra Bagrodia	38	B.Com; CA	Vice President and Business Head - North	9 October 2000	23	2,999,061	Tijaya Enterprises Limited as General Manager (Commercial & Finance)
Pratap Paode	42	B.E (Mechanical)	Senior Vice President and National Sales Head – CE and Suidha	1 April 2008	20	4,838,080	Citicorp Finance (India) Limited, Vice President
Rohit Sharma	37	BA; PGDBM; Diploma in Sales & Mktng	Vice President and National Recovery Head – SME	23 May 2008	17	3,376,050	GE Money as AVP Collections
Sailesh Mohta	44	B.Com, CA	Vice President and Business Head– East	22 January 1996	21	3,156,966	STP Ltd - Deputy Manager
Sethunath C	39	M.Com, MBA	Vice President and National Sales Head - SME	24 March 2008	14	2,926,076	GE Money India as Vice President
Sumit Mukherjee	40	B.Com	Vice President and National Credit & Risk Head	8 April 2008	19	3,585,312	Citicorp Finance (India) Limited, Vice President
Valerian Dolphie Barboza	44	B.com; PGDBM	Vice President and Business Head – West	1 October 2008	21	3,941,176	GE Capital Transportation Financial Services Ltd as Vice President & National Program Manager
V. Lakshmi Narasimhan	45	FCS, LLB, PGDBM	Senior Vice President and National Business Head	1 November 1990	25	3,793,420	Consortium Finance Limited (erstwhile) General Manager and Company Secretary

2. Employed for a part of the year and in receipt of remuneration aggregating Rs. 2,00,000 or more per month.

Name	Age (in years)	Qualification	Designation and nature of duties	Date of commencement of employment	Experience (years)	Remuneration (in Rs.)	Particulars of last employment, last post, employer
Anju Madeka	49	CA, Advance Financial Management from Wharton School	Chief Financial Officer	6 October 2009	26	2,403,764	Marico Ltd as Chief Financial Officer

Notes:

- All the appointments except for Mr. Mayank Poddar, Mr. Sanjay Chamria and Mr. Ravi Todi are non-contractual and are terminable by notice on either side.
- Gross remuneration comprises salary, medical reimbursement, leave travel concession, housing, Company's contribution to provident fund, pension and gratuity fund, monetary value of other perquisites computed on the basis of the Income Tax Act and Rules, leave encashment and

performance bonus.

- All appointments were made in accordance with the terms and conditions as per Company Rules.
- None of the above employee is a relative of any Director of the Company.

For and on behalf of the Board

Kolkata
31 May 2010

Mayank Poddar
Chairman

Annexure to Directors' Report

Statement as at 31 March 2010, pursuant to Clause 12 (Disclosure in the Directors' Report) of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

a. Employee Stock Option Scheme

The details of options as required by the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out herein below.

The Company instituted "Magma Employees Stock Option Scheme 2007" for the employees of the Company. The vesting options are 30 percent, 30 percent, 20 percent and 20 percent of the total options granted after 24, 36, 48 and 60 months, respectively, from the date of grant.

Serial number	Description	Details
1	Number of options granted	350,800 Each option is equivalent to one equity share of face value of Rs. 10 each of the Company
2	Pricing formula	Closing market price of the day immediately prior to the date of grant of option
3	Options vested	78,750
4	Options exercised as at the year end	Nil
5	Total number of equity shares of Rs. 10 each arising as a result of exercise of options	NA
6	Options lapsed as at the year end	88,300
7	Variation in terms of options	Nil
8	Money realised by exercise of options	Nil
9	Total number of options in force as at the year end	262,500
10	Employee-wise details of options granted to	
(i)	Senior managerial personnel	Details in appendix
(ii)	Any other employee who received a grant in any one year of option amounting to 5 percent or more of the options granted during that year	Nil
(iii)	Identified employees who were granted options during any one year, equal to or exceeding 1 percent of the issued capital of the Company at the time of grant	Nil
11	Diluted earnings per share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS 20) 'Earnings per Share'	Rs. 27.25
12	Method of calculation of employee compensation cost	The Company calculated the employee compensation cost using the intrinsic value method of accounting to account for Options granted.
13	Difference between the employee compensation cost so computed in 12 above and the employee compensation cost that shall have been recognised if it had used the fair value of the options	The employee compensation cost that shall have been recognised if the Company had used fair value of options is Rs. 103.85 lacs
14	Exercise price of the options	Rs. 180

Serial number	Description	Details	
15	The impact of this difference on profits and on the EPS of the Company		
		Basic	Diluted
		Net income (Rs. in lacs)	5,947.38
		Add: Employee cost intrinsic value (Rs. in lacs)	49.08
		Less: Employee cost fair value (Rs. in lacs)	103.85
		Adjusted net income (Rs. in lacs)	5,892.61
		Earning per share	
		As reported (Rs.)	27.31
		As adjusted (Rs.)	27.06
16	Fair value of each options based on black scholes methodology	Rs. 151.60	
	Assumptions		
	Risk free rate	7.67 percent	
	Expected life of options	4.80 years	
	Expected volatility	73.94 percent	
	Expected dividend	3.03 percent	

APPENDIX

List of senior management employees to whom stock options were granted on 12 October 2007

Name of the employee	Designations	Stock options granted
Mr. Ashutosh Shukla	Senior Vice President	34,000
Mr. Brahmajyoti Mukherjee	Senior Vice President	34,000
Mr. V. Lakshmi Narasimhan	Senior Vice President	34,000
Mr. Guru Prasad Pattanaik	Senior Vice President	25,000

For and on behalf of the Board

Kolkata, 31 May 2010

Mayank Poddar
Chairman

Auditor's Certificate as required under Clause 14 of the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999

We have examined the books of account and other relevant records of Magma Fincorp Limited having its Registered Office at "Magma House", 24 Park Street, Kolkata – 700 016 and based on the information and explanations given to us, we certify that in our opinion, the Company has implemented the Employee Stock Option Scheme in accordance with SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 and in accordance with the special resolution passed by the Company in the Extra-Ordinary General Meeting held on 5 June 2007.

India Steamship House
21, Old Court House Street,
Kolkata – 700 001
31 May 2010

For S. S. Kothari & Co.
Chartered Accountants
(R. N. Bardhan)
Partner
Membership No. 17270

Statement of interest in Subsidiary Company

Pursuant to Section 212(1)(e) of the Companies Act, 1956

(in Rs.)

Name of the Subsidiary Company	Magma ITL Finance Limited
Financial year to which the accounts relate	31 March 2010
Holding Company's interest –	
– Number of shares held – Equity (Rs. 10 each)	1,10,99,400
– Extent of holding	73.99 percent
The net aggregate amount of subsidiaries' profit / (loss) so far as it concerns the holding Company.	
(a) Dealt with in the accounts of the Company for the subsidiaries' financial year ended 31 March 2010	Nil
(b) i) Not dealt with in the accounts of the Company for the subsidiaries' financial year ended 31 March 2010	35,968,015
ii) For previous financial years since it became a subsidiary	1,849,052

Note: Magma Consumer Finance Private Limited, ceased to be a subsidiary of the Company on and with effect from 22 March 2010. Hence, the financial figures in relation to the same have not been considered in the above.

For and on behalf of the Board

Kolkata, 31 May 2010

Mayank Poddar
Chairman

Report of the Directors 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 shareholder 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

2.1 Composition and size

The Board of Directors comprised nine members at the end of the financial year, headed by an Executive Chairman. Of these, six were Non-Executive Directors. There were five Independent

Directors who accounted for over 55 percent of the Board's strength (against the requirement of minimum 50 percent under the Listing Agreement). The Non-Executive Directors are eminent professionals, with extensive experience in the business and industry.

2.2 Pecuniary or business transaction

There were no materially relevant pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company during the year.

The status of attendance of each Director at Board meetings and the last Annual General Meeting (AGM) held on 11 September 2009 and the number of companies and committees where each of them is a Director / Member as on 31 March 2010 is given below

Director	Promoter/ Executive/ Non-Executive/ Independent	Materially significant, pecuniary or business relationship with the Company	Board meeting attended/ held	Attendance at the last AGM	Sitting fee paid	Directorship in other Companies incorporated in India(*)	Number of committees (other than Magma Fincorp Limited) in which Chairman/member(**)		No of shares held in the Company
							Chairman	Member	
Mayank Poddar	Promoter, Executive	Executive Chairman	4/6	No	No	1	Nil	Nil	Nil
Sanjay Chamria	Promoter, Executive	Vice Chairman and Managing Director	5/6	Yes	No	3	Nil	Nil	Nil
Shrawan Kumar Todi	Promoter- Non-Executive	Vice Chairman	6/6	Yes	Yes	13	2	Nil	55,196
Ravi Todi	Promoter, Executive	Joint Managing Director	5/6	Yes	No	8	-	3	35,012
Ved Prakash Taneja	Independent, Non-Executive	-	6/6	Yes	Yes	Nil	Nil	Nil	Nil
Neil Greame Brown	Independent, Non-Executive	-	1/6	No	Yes	Nil	Nil	Nil	Nil
Narayan Seshadri	Independent, Non-Executive	-	5/6	No	Yes	4	2	3	Nil
Nabankur Gupta	Independent, Non-Executive	-	3/6	No	Yes	9	2	2	Nil
Kailash Nath Bhandari	Independent, Non-Executive	-	3/6	No	Yes	10	1	2	Nil

(*) Excludes Directorships in Indian Private Limited Companies, Foreign Companies, Companies u/s 25 of the Companies Act, 1956

(**) Includes only Audit Committee and Shareholders'/Investors' Grievance Redressal Committee

2.3 Number of Board meetings

During 2009-10, Magma's Board met six times on 16 April 2009, 30 June 2009, 31 July 2009, 23 October 2009, 12 January 2010 and 13 March 2010.

2.4 Disclosure regarding appointment or reappointment of Directors

Brief resumes along with additional information required under Clause 49 of the Listing Agreement for the Directors seeking appointment / reappointment is as under

Name	Mr. Shrawan Kumar Todi	Mr. Narayan K Seshadri
Date of birth	15 August 1941	13 April 1957
Date of appointment	12 April 2007	31 October 2006
Qualification	M.Com	FCA
Expertise in specific functional area	As the Non-Executive Vice-Chairman, he guides and supports the Board in achieving corporate goals.	He has over 30 years' experience and specialises in corporate strategy, organisational transformation and growth of companies in India and overseas. He held leadership positions in Arthur Andersen and KPMG before establishing his investment advisory and private equity business.
List of outside *Directorships held excluding Alternate Directorship.	<ol style="list-style-type: none"> 1. AMRI Hospitals Limited 2. Bhaskar Shrachi Alloys Limited 3. Bengal NRI Complex Limited 4. Bengal Shrachi Housing Development Limited 5. Bengal Tools Limited 6. Emami Limited 7. Emami Paper Mills Limited 8. Murlidhar Ratanlal Exports Limited 9. South City Projects (Kolkata) Limited 10. Web Development Company Limited 11. Bengal Anmol South City Infrastructure Limited 12. Bengal South City Matrix Infrastructure Limited 13. Liberty Pharma Limited 	<ol style="list-style-type: none"> 1. Development Credit Bank Limited 2. PI Industries Limited 3. Kalpataru Power Transmission Ltd 4. WABCO-TVS (India) Limited 5. SBI Capital Market Limited
Membership/ Chairmanship of ** Committees of the Board of Directors of the Company	None	None
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 <ol style="list-style-type: none"> 1. Emami Paper Mills Limited 2. Emami Limited 	Chairman of the Audit Committee of <ol style="list-style-type: none"> 1. Development Credit Bank Limited 2. WABCO-TVS (India) Limited Member of the Audit Committee of : <ol style="list-style-type: none"> 1. PI Industries Limited 2. Kalpataru Power Transmission Ltd Member of the Shareholders'/Investors' Grievance Redressal Committee of : <ol style="list-style-type: none"> WABCO-TVS (India) Limited
Number of shares held in the Company	55,196	Nil

(*) Excludes Directorships in Indian private limited companies, foreign companies, companies u/s 25 of the Companies Act, 1956

(**) Includes only Audit Committee and Shareholders'/Investors' Grievance Redressal Committee

2.5 Remuneration of Directors

The Independent and Non-Executive Directors were paid sitting fees of Rs. 20,000 per meeting of the Board and Rs. 15,000 per meeting of the Audit Committee and Rs. 1,000 per meeting of Shareholders/Investor Grievance Committee attended by them. The details of the remuneration paid to the Directors during the financial year ending 31 March 2010

Directors	Salary and allowances	Perquisites	Sitting fee	Total
Mr. Mayank Poddar	35,04,231	20,81,691	-	55,85,922
Mr. Sanjay Chamria	35,04,231	20,86,814	-	55,91,045
Mr. Ravi Todi	29,15,520	17,43,866	-	46,59,386
Mr. Shrawan Kumar Todi	-	-	120,000	1,20,000
Mr. Ved Prakash Taneja	-	-	189,000	1,89,000
Mr. Neil Graeme Brown	-	-	35,000	35,000
Mr. Narayan K Seshadri	-	-	100,000	1,00,000
Mr. Nabankur Gupta	-	-	60,000	60,000
Mr. Kailash Nath Bhandari	-	-	60,000	60,000
Total	99,23,982	59,12,371	5,64,000	1,64,00,353

2.6 Information supplied to the Board

The following information is regularly placed before the Board

1. Annual operating plans 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 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. Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business
8. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend and delay in share transfer, among others.
9. Minutes and financial results of the subsidiary Company M/s Magma ITL Finance Limited

3. Committees

Magma at present has five committees of the Board: - Audit Committee, Shareholders / Investors Grievance Committee, Nomination and Remuneration Committee, Management Committee and Fair Practices Committee. The terms of reference of these Committees is decided by the Board. Signed minutes of the Committee meetings are placed before the Board. 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 are wide enough to cover the matters specified under Clause 49 of the Listing Agreement, the Reserve Bank of India Guidelines, as well as Section 292A of the Companies Act 1956, which included the following

- To oversee Company's financial reporting process and the disclosure of its financial information to ensure that financial statement is correct, sufficient and credible
- To recommend the appointment and removal of external auditor, fixing of audit fees and also approval for payment for any other services
- To review with the management, the annual financial statements before submission to the Board focusing

primarily on -

- Any change in the accounting policies and practices
- Major accounting entries based on exercise of judgment by the management
- Qualifications in draft Audit Report
- Significant adjustments arising out of audit
- The going concern assumption
- Compliance with accounting standards
- Compliance with stock exchanges and legal requirements concerning financial statements
- Any related party transactions i.e., transaction of the Company of material nature, with promoters or the management and their subsidiaries or relatives, among others, that may have potential conflicts with the interests of the Company at large
- To review with the management, external and internal auditors, the adequacy of internal control systems, which includes
 - Review the adequacy of internal audit function, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
 - To discuss with internal auditors any significant findings and follow up thereon
 - To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board
 - To discuss with external auditors, before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern
- To review the Company's financial and risk management policies

- To look into the reasons for substantial default in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors

3.1.2 Composition

At present, three Directors of the Company are members of the Audit Committee, of which two are Independent Directors. Mr. Ved Prakash Taneja is the Chairman of the Committee while Mr. Neil Graeme Brown and Mr. Mayank Poddar are the other members of the Committee. Both Mr. Ved Prakash Taneja and Mr. Neil Graeme Brown are Independent Directors. Mr. Girish Bhatia, Company Secretary, is acting as the Secretary to the said Committee.

3.1.3 Meeting and the attendance during the year

The Audit Committee of Directors met four times during the year under review on 30 June 2009, 30 July 2009, 22 October 2009 and 12 January 2010

Name of the Directors	Number of meetings attended
Mr. Ved Prakash Taneja	4
Mr. Mayank Poddar	4
Mr. Neil Graeme Brown	1

3.2 Management Committee

3.2.1 Terms of reference

The Management Committee reviews operations from time to time and also formulates and reviews corporate objectives and strategies including long range plans for expansion / diversification of the Company's activities within the Board's approved directions / framework.

3.2.2 Composition

- a. Mr. Mayank Poddar
- b. Mr. Sanjay Chamria
- c. Mr. Ved Prakash Taneja

3.2.3 Meeting and the attendance during the year

The Management Committee of Directors met 28 times during the year under review on 18 April 2009, 8 May 2009, 9 June 2009, 19 June 2009, 4 July 2009, 22 July 2009, 1 August 2009,

17 August 2009, 7 September 2009, 22 September 2009, 10 October 2009, 16 October 2009, 27 October 2009, 9 November 2009, 16 November 2009, 24 November 2009, 7 December 2009, 15 December 2009, 12 January 2010, 4 February 2010, 12 February 2010, 24 February 2010, 4 March 2010, 12 March, 22 March 2010, 24 March 2010, 29 March 2010 and 31 March 2010.

Name of the Directors	Number of meetings attended
Mr. Mayank Poddar	26
Mr. Sanjay Chamria	25
Mr. Ved Prakash Taneja	5

3.3 Shareholders/Investors Grievance Committee

3.3.1 Terms of reference

- To 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
- To redress shareholders and investors complaints relating to transfer of shares, non-receipt of Balance Sheet and non-receipt of declared dividends, among others.
- To monitor the compliance of Code of prevention of insider trading framed by the Company.
- To effect dematerialisation and re-materialisation of shares of the Company

3.3.2 Composition

- a. Mr. Mayank Poddar
- b. Mr. Sanjay Chamria
- c. Mr. Ved Prakash Taneja

Mr. Ved Prakash Taneja, Independent Director, acts as the Chairman of the Shareholders/Investors Grievance Committee.

The Committee met 9 times during the financial year ended 31 March 2010 on 4 May 2009, 20 July 2009, 31 August 2009, 5 October 2009, 1 December 2009, 11 January 2010, 4 February 2010, 24 February 2010 and 19 March 2010 to discharge its functions. The members attended the meetings as follows:

Name of the Directors	Number of meetings attended
Mr. Mayank Poddar	8
Mr. Sanjay Chamria	9
Mr. Ved Prakash Taneja	9

M/s. Niche Technologies Private Limited, D-551, Bagree Market, 71, B. R. B. Road, Kolkata - 700 001, are the Registrar and Share Transfer Agent both for physical as well as electronic mode. Mr. Girish Bhatia, Company Secretary, acts as the Compliance Officer. The table below gives the number of complaints received, resolved and pending during the year 2009-10.

3.4 Nomination and Remuneration Committee

Number of complaints		
Received	Resolved	Pending
2	2	Nil

Mr. Neil Graeme Brown, an Independent and Non-Executive Director, acts as the Chairman of the Committee. Mr. Ved Prakash Taneja (Independent and Non-Executive Director) and Mr. Shrawan Kumar Todi (Vice Chairman) are the other members.

The terms of reference of the Committee is to propose to the Board new appointments (both Executive and Non-Executive) and to determine and implement the Company's policy on remuneration package of the employees as well as Directors of the Company, including inter-alia ESOP Schemes, sitting fee and other expenses payable to the Directors of the Company, within the limits approved by the shareholders, wherever applicable, from time to time and the said Committee is further authorised to exercise such powers as may be delegated by the Board of Directors from time to time, subject to the provisions of the Memorandum and Articles of Association of the Company and the Companies Act, 1956. The Committee designed objective methods to review/appraise employee performance on an annual basis in order to determine increase in emoluments based on such review. Mr. Girish Bhatia, Company Secretary, acts as the Secretary to the said Committee.

4. Disclosures

There was no material transaction with related parties. None of the transactions recorded were in conflict with the interests of the Company. The details of related party transactions are disclosed in Note No. 2 (xii), Schedule 16, Notes to Accounts of the Annual Report.

The Company received sufficient disclosures from promoters, Directors or the 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.

5. Means of communication with shareholders

The quarterly/half yearly/annual un-audited/audited financial results of the Company are sent to the stock exchanges immediately after they are approved by the Board of Directors. In addition, these results are simultaneously posted on the web address of the Company, at www.magma.co.in as well as on www.sebidifar.nic.in, the official website of SEBI, as required by the Clause 51 of the Listing Agreement.

The results were published in the following local and national dailies

1. Aajkal (Vernacular language)
2. The Financial Express (English language)

The Company's web address is www.magma.co.in. The website contains a complete overview of the Company. The Company's Annual Report, un-audited financial results, the distribution schedule, credit ratings and Code of Conduct are uploaded on the website.

During the financial year 2009–2010, Analyst Conference Call was conducted by Mr. Sanjay Chamria (Vice Chairman Cum Managing Director) on 4 August 2009 and 26 October 2009.

Press reports are given on important occasions. They are also placed on the Company's website.

6. Management Discussion and Analysis (MDA)

The MDA section is carried in detail and attached herewith.

7. General body meetings

Location and time of the last three Annual General Meetings

Year	Venue	Day and date	Time	Number of special resolutions
2006-07	Kala Kunj, 48, Shakespeare Sarani, Kolkata-700 017	Tuesday, 4.09.2007	3:00 pm	–
2007-08	Kala Kunj, 48, Shakespeare Sarani, Kolkata-700 017	Wednesday, 23.07.2008	3.30 pm	1
2008-09	Rotary Sadan, 94/2, Chowringhee Road, Kolkata-700 020	Friday, 11.09.2009	3.00 p.m	–

Location and time of last three Extra Ordinary General meetings held (EGM)

Type	Venue	Day and date	Time	Number of special resolutions
EGM (Postal Ballot)	Registered office, 24, Park Street, Kolkata – 700 016.	Saturday, 15.03.2008	2:00 pm	–
EGM	Rotary Sadan, 94/2, Chowringhee Road, Kolkata-700 020	Wednesday, 01.07.2009	10.00 a.m	1
EGM (Postal Ballot)	Registered office, 24, Park Street, Kolkata – 700 016.	Monday, 15.03.2010	3.00 pm	2

8. Shareholders' information

The Shareholders are kept informed by way of mailing of Annual Reports, notices of Annual General Meetings and Extra Ordinary General Meetings and other Compliances under the Companies Act, 1956. The Company also regularly issues press releases and quarterly results.

a) Listing of shares

The equity shares of the Company are listed on

- (1) The National Stock Exchange of India Limited, Mumbai
- (2) The Bombay Stock Exchange Limited

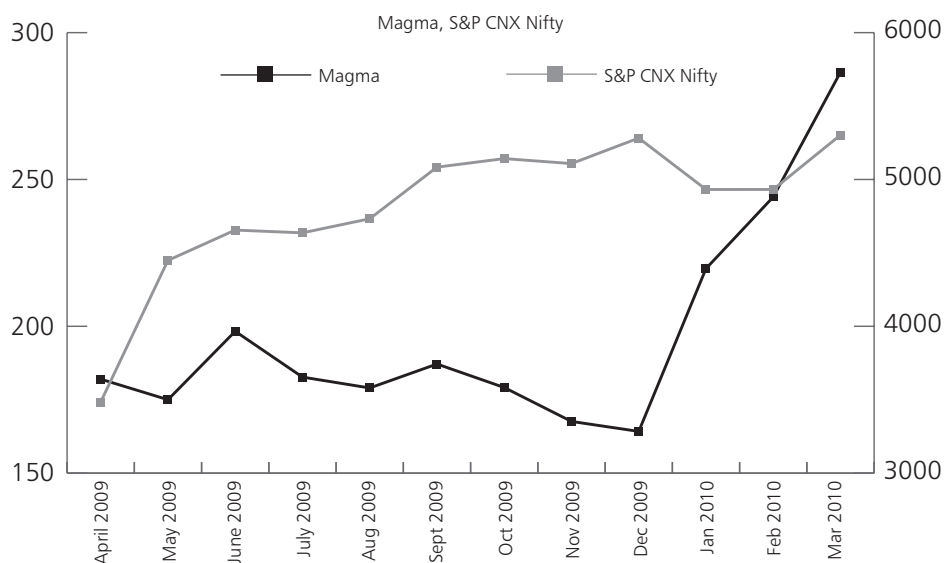
The Company has paid Annual Listing fee for the financial year 2010–11.

b) Market price data

Monthly high and low quotation during 1 April 2009 to 31 March 2010 is given in the table below

Month	Bombay Stock Exchange Limited		National Stock Exchange of India Limited	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2009	183.00	135.05	185.00	134.00
May 2009	205.95	122.00	187.90	131.30
June 2009	205.00	147.00	214.00	143.30
July 2009	194.00	160.05	192.00	151.00
August 2009	190.00	142.50	182.00	137.75
September 2009	196.95	137.10	197.00	138.00
October 2009	189.00	145.05	190.00	145.60
November 2009	182.00	142.00	177.50	143.00
December 2009	173.00	150.55	173.00	151.50
January 2010	227.30	159.00	227.00	158.60
February 2010	262.70	196.30	262.00	196.50
March 2010	293.00	238.00	293.60	238.10

c) Magma Share Performance



d) Company's registered office	: "Magma House", 24, Park Street, Kolkata – 700 016
e) Address for correspondence for Shares/ Debentures and related matters	: Secretarial Department, 24, Park Street, 4th Floor, Park Centre Building, Kolkata - 700 016
f) Registrar and Share Transfer Agent (Physical and Demat Mode)	: Niche Technologies Private Limited D-511, Bagree Market, 5th Floor, 71, B.R.B.B. Road, Kolkata - 700 001 Tel No.033- 22357270 / 7271/ 3070 Fax No.033 - 22156823 Email Id : nichetechpl@nichetechpl.com
g) AGM details	
Date	: 15 July 2010
Venue	: Gyan Manch, 11, Pretoria Street, Kolkata – 700 071
Time	: 3.00 pm
h) Financial calendar (tentative)	
Financial reporting for the quarter ending	
1st quarter ending 30 June 2010	: Last week of July 2010
2nd quarter ending 30 September 2010	: Last week of October 2010
3rd quarter ending 31 December 2010	: Last week of January 2011
4th quarter ending 31 March 2011	: Last week of April 2011
Annual General Meeting for the year ending 31 March 2011	: Last Week of September 2011

i) Dividend payment date and rate

Within 30 days from the date of Annual General Meeting . Rs. 2 per Equity Share (20 percent) on 2,58,69,620 Equity Shares of Rs. 10 each; a 9.70 percent dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100 each; a 5 percent dividend on 30,00,000 Cumulative Non-convertible Redeemable Preference Shares of Rs. 100 each and a 3.68 percent dividend on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100 each for the year, a 0.50 percent dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100 each for the previous year ended 31 March 2009 and differential dividend of Rs. 19,48,071 on 65,00,999 Cumulative Non-

Convertible Redeemable Preference Shares of Rs. 100 each for the financial years 2006-07, 2007-08 and 2008-09 which represents difference of dividends payable as per dollar-denominated value of the preference shares, over the dividends paid on rupee-denominated value of preference shares will be paid, when approved. It will be paid on or after the AGM date.

j) Contact person for clarification on financial statements

For clarification on financial statements, one should contact Mr. Dharendra Kumar Hota, 24, Park Street, Kolkata - 700 016. Ph: 033 4401 7200/359 Email: dkhota@magma.co.in

k) Distribution of shareholding as on 31 March 2010

Particulars	Number of shareholders	Number of shares held	Percentage of shareholding
Up to 500	10392	4,48,689	2.06
501 – 1,000	174	1,41,719	0.65
1,001 – 5,000	200	4,71,580	2.16
5,001 – 10,000	37	2,55,979	1.17
10,001 – 50,000	53	13,68,659	6.28
50,001 – 1,00,000	12	8,86,756	4.07
1,00,001 – and above	20	1,82,03,758	83.59
Total	10,888	2,17,77,140	100.00

Pattern of shareholding as on 31 March 2010

Category	Number of shares	Percentage
Promoter and Promoter Group	1,08,15,823	49.66
Resident individuals	16,72,598	7.68
Foreign holdings	45,32,565	20.81
Public financial institutions and banks	25,132	0.11
Other companies / mutual funds	44,27,338	20.33
Trusts	3,03,684	1.39
Total	2,17,77,140	100.00

l) Demat facility

The Company's shares enjoy demat facility with NSDL and CDSL having ISIN Nos. INE511C01014 for equity shares, INE511C04018 for 9.70 percent 21,09,199 preference shares of Rs. 100 each, INE511C04026 for 3.25 percent LIBOR 6,500,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100 each and INE511C04034 for 5 percent 30,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100 each. The demat facility is available since 16 January 2001 for equity shares and 10 March 2006 for preference shares and 7 January 2010 for 5 percent 30,00,000 Cumulative Non-Convertible Redeemable Preference Shares. As on 31 March 2010, 21,085,427 equity shares and 11,610,198 preference shares of the Company were held in demat mode.

m) Transfer of shares

During the period, transfer of 6,849 equity shares was recorded by the Company. All transfers were affected within 30 days of

receipt. Other than routine queries / requests, the Company did not receive any complaint during the period from the investors.

n) Stock code (equity shares)

BSE : 524000

NSE : MAGMA

o) ISIN Number in NSDL and CDSL

ISIN Nos. INE511C01014 (Equity Shares), INE511C04018 (9.70 percent Preference shares), INE511C04026 (3.25 percent LIBOR Cumulative Non-Convertible Redeemable Preference Shares.) and INE511C04034 (5 percent Cumulative Non-Convertible Redeemable Preference Shares)

p) E-mail ID of the grievance redressal division/compliance officer exclusively for the purpose of registering complaints by investors

bhojak.r@magma.co.in

For and on behalf of the Board

Mayank Poddar
Chairman

Kolkata, 31 May 2010

Auditor's Certificate

Certificate of Compliance from Auditors as Stipulated under Clause 49 of the Listing Agreement of the Stock Exchanges in India

To the Members of Magma Fincorp Limited

We have examined the Compliances of conditions of Corporate Governance by Magma Fincorp Limited for the year ended 31 March 2010, as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of Company's Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of a opinion on the financial statements of the Company.

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 stipulated in the abovementioned Listing Agreements.

We state that in respect of investors grievances received during the year ended 31 March 2010, no investor grievances are pending against the Company for a period exceeding one month as per the records maintained by the Company and presented to the Investors/Shareholders Grievance Committee.

We further 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.

India Steamship House
21, Old Court House Street,
Kolkata – 700 001
31 May 2010

For S. S. Kothari & Co.
Chartered Accountants

(R. N. Bardhan)
Partner
Membership No. 17270

Certification as per Clause 49(V) of the Listing Agreement

31 May 2010

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 requirements of Clause 49(V) of the Listing Agreement that we have reviewed the financial statement and the cash flow statement of the Company for the financial year ended 31 March 2010.

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 do further certify that there has been:
 - (a) No significant changes in internal controls during the year
 - (b) No significant changes in accounting policies during the year; and
 - (c) No instances of material fraud, of which we are aware of during the year.

For Magma Fincorp Limited

Sanjay Chamria
Vice Chairman & Managing Director

V. Lakshmi Narasimhan
Chief Financial Officer

Code of conduct

31 May 2010

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 Business Conduct for Directors and Senior Executives of the Company" for the year ended 31 March 2010.

Thanking You,

Yours Sincerely,

For Magma Fincorp Limited

Sanjay Chamria
Vice Chairman & Managing Director

Management discussion and analysis

Economic and industry overview

In spite of the massive slowdown on account of global financial crisis across various sectors in 2008-09 and a deficient monsoon in 2009-10, Indian economy exhibited notable resilience. It has exhibited clear momentum in recovery with an estimated GDP growth of 7.2 percent in FY 2009-10 as against 6.7 percent in FY 2008-09. The recovery also has been broad based, excluding "agriculture" and "community, social and personal services". The Index of Industrial Production (IIP) has shown double digit growth in recent months. Lead indicators for services activities point to overall improvement since the third quarter of 2009-10. Survey data suggest pick up in capacity utilisation levels in recent quarters, which however, remain below their previous peaks.

Real GDP originating in agriculture and allied activities is estimated to have degrown by 0.2 percent in 2009-10, lower than 1.6 percent recorded in the previous year. Real GDP originating in industry rose by a healthy 8.8 percent in 2009-10 compared with 3.1 percent during the previous year. Real GDP originating in the services sector rose by 8.5 percent during 2009-10 as compared with 9.3 percent a year ago. Activity in construction and financing, insurance, real estate and business services sector expanded by 6.5 percent and 9.9 percent, respectively, as compared with 5.9 percent and 10.1 percent in 2008-09. GDP growth in Q1, Q2 and Q3 were estimated at 6.1 percent, 7.9 percent and 6.0 percent, respectively.

During the financial year 2009-10 (up to February 2010), foreign investment of various components in India recorded a very positive trend. The inflows under gross foreign direct investment (FDI) exhibited an increase to USD 33.1 billion during 2009-10 (April-February) as against USD 31.3 billion during the corresponding period 2008-09. Net inflows from FIIs increased sharply to USD 29.0 billion in 2009-10 from a net outflow of USD 15.0 billion in 2008-09. Other avenue of capital inflows, ADRs/GDRs, also witnessed a trend of net inflows in 2009-10 versus net outflows in 2008-09. Reflecting the easing liquidity conditions in external markets and decrease in cost of funds, ECBs also witnessed a significant increase in 2009-10 to USD 21.7 billion as against USD 17.2 billion in 2008-09.

Indian rupee has been steadily appreciating against the dollar during the last year. As on 31 March 2009, exchange rate was

at Rs. 50.95, it firmed up to Rs. 48.04 as on 30 September 2009 and reached a peak of Rs. 44.94 on 30 March 2010 (a rupee appreciation of 13.4 percent). Rupee continues to trade strong in the exchange markets, with the US dollar closing at Rs. 45.14 as on 31 March 2010.

Most advanced economies witnessed very low or negative headline inflation during the first half of 2009-10. This was mainly on account of the contraction in demand associated with the recession as well as the impact of sharp decline in international commodity prices. The emerging economies also experienced significant decline in inflation, mostly due to decline in commodity prices and lower demand pressures on account of moderation in growth. In India, inflationary conditions during 2009-10 were marked by two distinct phases. During the first half of 2009-10, the year-on-year WPI inflation remained significantly low (negative during June-August 2009) on account of the high base of sharp increases in prices recorded a year ago. During the second half of the year, increasing food prices, on account of the deficient South-West monsoon coupled with the waning of base effect led to sharp increase in inflation and the headline WPI inflation reached 9.9 percent (y-o-y) in February 2010. However, Inflation as per Consumer Price Indices (CPIs), which have a higher relative weight for food articles, increased steadily from 9.6 percent in February 2009 to 14.9 percent in March 2010.

In an effort to counter the impact of the global recession on domestic growth, the Government of India and the RBI undertook a number of fiscal and monetary measures aimed towards boosting the economy back on the path of a high growth rate trajectory. Maintenance of ample liquidity and lower policy rates by RBI led to decline in retail lending rates. This coupled with improvement in consumer sentiment had a stimulating effect on overall sales of new vehicles in 2009-10.

All India sales of new commercial vehicles registered a healthy growth of 38.3 percent during 2009-10, while sales of new Cars recorded a growth rate of 25.6 percent during the same period. This represents a substantial growth compared to the previous year 2008-09, where the corresponding growth rates recorded were negative 21.7 percent and positive 0.1 percent, respectively. Similarly, as per industry feedback, sales of new

construction equipments are believed to have recorded an overall growth of 9 percent in 2009-10 as against a de-growth of 43 percent in 2008-09.

As per various estimates, it is now expected that the retail sales of cars, commercial vehicles and construction equipments are firmly on growth track and will continue their sales growth through the year 2010-11 and thereafter, fueled by a revival in the Indian economy, led by increasing domestic demand for vehicles for transportation sector and equipments for infrastructure development.

In the wake of rising delinquency, liquidity crunch due to global crisis and demand slowdown, competitive scenario changed drastically in the year 2008-09. At the same time, a number of PSU banks entered the segment and along with existing banks and NBFCs, have been building up on their volumes in various market segments. With the buoyancy returning to the market for Cars, CV and CE, it is expected that the sector will continue to remain highly competitive as in the past. The management believes that the retail finance segment offers tremendous opportunities, since many of the Indian consumers and small entrepreneurs are relatively under-serviced and under-leveraged, especially in the semi urban and rural markers. Sustained economic growth as planned by the government and favourable demographic changes will drive demand in the future. Magma will continue to seek growth in its target market segments of semi-rural and rural India, with its business mission of investing in the smallest dreams and successes of the small Indian entrepreneurs. It will expand its branch network, increase its reach, use its customer knowledge and processes and systems to satisfy customer needs and offer better service than the competitors.

After witnessing slowdown during 2008-09, the Indian economy has recovered in 2009-10, and is further expected to firm up in 2010-11. Various forward looking surveys including the RBI's industrial outlook survey indicate an improvement in business sentiments across all sectors. The professional forecasters' survey conducted in March 2010 indicates overall growth rate for 2010-11 at 8.2 percent, driven mainly by increased private consumption expenditure growth and relatively increased industrial activity in the first half and pick-up in services

in the second half.

Magma in 2009-10

In this financial year, Magma increased its branch network to 153 branches, across 20 states and 1 union territory, of which 77 percent reside in the semi urban and rural markets. Magma during the year took advantage of rising economy and increasing credit demand, by providing increased levels of funding across its branch network.

Magma has in the past entered into agreements with major manufacturers of cars, commercial vehicles and construction equipments such as Maruti Suzuki India Limited, Hyundai, GM, Tata Motors, Telcon and JCB, among others, which provides Magma access to their respective dealer networks across India. During the year under review, it entered into agreements with new manufacturers of various asset classes, such as Mahindra & Mahindra, Escorts, Ashok Leyland, Volvo Eicher Commercial Vehicles, Hyundai Construction Equipment India Pvt Ltd, John Deere and International Car & Motors Ltd, among others.

During the year, Magma focused on increasing the share of higher yield products, such as used commercial vehicles, tractors and SME loans, which were launched in the recent past. These new products have not only contributed to higher business, but also to higher margins for disbursements done during the year.

It was due to the above reasons that Magma reported growth in total disbursements by 24.88 percent during 2009-10. Magma also further improved its collection performance and its asset quality in fiscal 2009-10.

Magma's total disbursements reached Rs. 4,483 cr during FY 2009-10, recording a 24.88 percent growth over Rs. 3,590 cr achieved during FY 2008-09. Assets under the management touched an impressive Rs. 9,377 cr as at end-March 2010, recording an increase of 13.4 percent. Magma's fund-based product portfolio includes commercial vehicle financing (both new and used), cars and multi-utility vehicle funding, financing of construction equipment and tractor financing. A significant proportion (approximately 70 percent) of Magma's loan disbursements qualify as priority sector lending under the RBI guidelines, underpinning the importance of NBFCs such as Magma in credit delivery to sectors and customers which are

not served to the fullest extent by the conventional banking system.

Magma has an installed capacity of 20 numbers of wind turbine generators (WTGs) (with rated capacity of 17.5 MW) in the states of Maharashtra, Madhya Pradesh, Karnataka and Rajasthan, which operated smoothly during the year, adding to revenue growth.

Keeping in view business growth of the Company needing capital infusion, in this year, the Company raised perpetual debt of Rs. 30 cr from banks, qualifying as Tier I capital as per relevant RBI guidelines, and unsecured redeemable non-convertible subordinated debt of Rs. 48 cr in the nature of debentures qualifying as Tier-2 capital. Capital adequacy as on 31 March 2010 stood at a comfortable 14.93 percent, against the RBI prescribed norm of 12 percent for non-deposit taking asset financing companies such as Magma.

Financial performance

Income

Income from operations for fiscal 2010 increased by 11.81 percent as compared with fiscal 2009 mainly due to an increase in disbursements and build up of on-book assets. The disbursements in fiscal 2010 grew by 24.88 percent as compared to 2009, while on-book assets increased by 49 percent to Rs. 4,558 cr as of 31 March 2010 as compared to Rs. 3,304 cr as of 31 March 2009. For business done during the year, the average lending rates decreased from 15.22 percent in 2009 to 13.66 percent in 2010, driven by lowering of interest rates in the market, across all product classes. However, increasing contribution from newly launched high yield products such as Suvridha, Tractors and SME loans have helped in increasing the overall yield for the year 2010.

The insurance distribution business continued to perform well in line with the asset finance business and continuing cross-sell efficiency. Other income for the fiscal 2010 was 18.28 percent higher than fiscal 2009 mainly on account of increase in the interest income on the fixed deposits, loans and margins, among others, and increase in income from sale of power.

Expenses

Magma's employee cost during fiscal 2010 was contained to a marginal increase of 5.42 percent only, through improved productivity and more efficient manpower planning. As a percentage of income, employee cost for the year 2010 was at 14.98 percent as compared 15.98 percent during fiscal 2009. The smart recovery staged by Indian economy and high double digit robust sales growth in Cars, CV, Tractors, CE have also helped Magma in increasing business across all branches and regions.

Magma's other operative and administrative expenses improved during the year 2010, registering 4.66 percent decrease as compared to 2009, and as a percentage of total income, it decreased from 9.28 percent in fiscal 2009 to 7.87 percent in fiscal 2010. This has been achieved mainly due to successful cost rationalisation measures, tightened cost control and higher branch throughput.

Operating efficiency, defined as employee cost and other operative and administrative expenses to total income declined from 32.7 percent during 2009 to 30.0 percent during fiscal 2010.

DSA/ brokerage commission comprise mainly of payments made to the direct selling agents and business associates for generating business leads; this expense has increased by 8.56 percent in 2010 as compared to 2009. As a percentage to total income, brokerage commission declined from 7.40 percent to 7.14 percent in 2010, primarily on account of change in product mix and customer mix as also as a function of alteration of the pay out schemes from time to time.

The interest and finance charges of Company increased from Rs. 285 cr in fiscal 2009 to Rs. 316 cr in fiscal 2010, an increase of 10.82 percent, while outstanding borrowings of the Company increased 42 percent from Rs. 2,759 cr in fiscal 2009 to Rs. 3931 cr in fiscal 2010, reflecting lowering of interest rates during the year. The increase in borrowings was in line with an increase in on-book total assets from Rs. 3,304 cr as of 31 March, 2009 to Rs. 4558 cr as of 31 March 2010. The interest cost as a percentage of total income also declined from 45.62 percent in fiscal 2009 to 44.99 percent in fiscal 2010. The decline in

interest cost has been achieved due to lowering of interest rates in the market as well as optimal and diversified funding strategy adopted by the Company. Magma as part of funding strategy partly substitutes its relatively higher cost working capital loans (viz, cash credit and demand loans, among others) with a judicious mix of lower cost debt instruments such as short term loans / NCDs / commercial papers.

Better interest cost management and increased share of higher yield products achieved during the year have helped the Company to achieve net interest margin (NIM) of 5.1 percent for business done during the year 2010 as compared to 3.6 percent achieved for business done during the year 2009.

Improved operating efficiency was also visible in the Company's collection function. In collection function, 2 years back, the Company had undertaken an initiative to create two verticals, viz. 0-180 collections and ARD (Asset Reconstruction Division) and strengthened the leadership and management bandwidth. These have yielded positive results in the year 2009, when the economy was in liquidity crunch as well as in the year under review. During the year 2010, Magma significantly improved its collection efficiency to 99.8 percent as compared to 97.8 percent witnessed in the previous year. This has had the impact of lower write-offs during the year, which decreased by 3.60 percent while total assets under management of Company increased by 13.39 percent to Rs. 9377 cr.

Depreciation decreased by 4.24 percent from Rs. 34.2 cr in fiscal 2009 to Rs. 32.8 cr in fiscal 2010 mainly on account of decrease of 8.64 percent in the depreciation charge on account of operating lease assets to Rs. 19.91 cr. Depreciation on other assets, viz. windmills and branch & office infrastructure, has increased from Rs. 12.44 cr to 12.87 cr, an increase of 3.46 percent. The increase is on account of additional investments made in the branch renovation and IT investments made during the first half of fiscal 2010.

Profitability

Driven by higher business volumes, increased loan assets, improved operating efficiency and asset quality, profit before tax (PBT) increased significantly by 71.38 percent from Rs. 60.12 cr in fiscal 2009 to Rs. 103.04 cr in fiscal 2010. As percentage

of total income, PBT increased markedly from 9.61 percent in fiscal 2009 to 14.66 percent in fiscal 2010.

Profit after tax (before deferred tax) recorded impressive growth of 37.88 percent from Rs. 46.93 cr in fiscal 2009 to Rs. 64.70 cr in fiscal 2010 on account of the increase of 71.38 percent in profit before tax and differing tax provisions in the fiscal 2010. Profit after deferred tax enhanced significantly by 70.23 percent from Rs. 39.04 cr in fiscal 2009 to Rs. 66.46 cr in fiscal 2010

As a result, key profitability parameters Return on Assets (RoA) and Return on Equity (RoE) have respectively improved significantly during the year under review. RoA improved from 1.26 percent in fiscal 2009 to 1.69 percent in fiscal 2010, while RoE recorded impressive expansion to 18.49 percent in fiscal 2010 as compared to 11.45 percent in fiscal 2009.

Initiatives

Magma has in the past undertaken number of initiatives aimed at building a stable, and consistently performing financial Company, with its key strengths rooted in well established standard processes, enabled by latest information technology. The Company's mission-critical functions and processes such as human resources, technology, customers, branding and internal control systems are led by strong management team, which provide superior leadership, enabling Magma to reach newer heights every year.

Employee ownership

Human resource is the key to the success of any financial services Company. The Magma Employee Stock Options Scheme (ESOP) seeks to reward and retain leaders within the organisation as well as attract talent from a competitive marketplace. Magma formulated and implemented an ESOP scheme ('Magma Employees Stock Option Plan 2007') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Pursuant to the Plan, 3,50,800 stock options were granted to the eligible employees in October 2007 out of which 78750 stock options have been vested.

Information technology

Information Technology (IT) has been the biggest enabler for

retail financing across our vast distribution network and attained paramount importance in shaping the business and achieving business goals. Over the years sustained investments were made in state-of-the-art technologies to introduce/develop new systems or enhance the existing ones. Seamless connectivity for data and voice across Branches was assured to facilitate online business, instant report access and improved decision-making and service levels. This IT infrastructure is continuously upgraded with the latest innovations to synchronise with business strategy, goals and expansions. A disaster recovery site with appropriate infrastructure is also provided as a contingency measure.

Several new initiatives were undertaken in IT during the year relating to:

- Branch IT assets consolidation and process improvement to counter downturn and also keeping future growth in mind
- Allocation of more Branch-level Servers to increase coverage of business units
- Extension of document management systems to cover more business units
- VPN extension and bandwidth upgrade at all levels including at Head Office to accommodate higher business volumes
- Dynamic allocation of VPN bandwidth based on different categories of applications to improve operational efficiency
- Video conferencing facility within Magma connecting all Zonal Offices with Head Office and further extending the same to connect external agencies
- Provisioning of BlackBerry Enterprise Server to accommodate BlackBerry users and high-speed data cards for all mobile users
- Addition and enhancement of business modules in the ERP system for new products/services
- Integration of bought-out portfolio
- Business Intelligence systems for deeper data analysis and informed decision-making

Going forward, further new initiatives identified for implementation among others are:

- Computer-aided Collection System
- Systems for Magma-HDI Insurance Company
- Lead Generation System for Marketing & Field Investigation
- Mail Archiving solution
- Workflow-based solutions using Lotus Notes
- JAVA-based front-end instead of present Oracle Forms and D2K

Corporate image building

Magma became a more visible brand in 2009-10. While the Company concentrated on below the line activities during the slow down months, post September 2009, a well devised PR campaign made sure Magma's unique story was present in the mass media more regularly than ever before.

Magma explored branding and communications from a 360 degree perspective. The unique PR programme included initiatives aimed at external and internal communications. The Company enjoyed high editorial visibility in print and electronic media facilitated by the PR campaign. The corporate advertising campaign and the regular dealer advertisements lent further visibility to the brand. Magma's show at Excon 2009 - India's largest Construction Equipment Show, held in November 2009 at BIEC, Bangalore added to the overall brand recall. The various consumer and trade shows and promotions that Magma participated helped the Company to reach to a larger audience including prospective customer and trade. Participation and sponsorship of major corporate events, developing and maintaining strong relations with investors through a planned IR campaign, conference calls, investor meets, dealer and channel partner meets were some of the other activities that Magma undertook. Corporate Social Responsibility has always featured prominently in Magma's list of activities and the Company organised health camp and eye check-up camps for truck drivers and helpers under the program 'Better Health with Magma'. The Company also helped victims of natural calamity like cyclone, flood etc. Magma also continued association with the Friends of the Tribal Society, thereby sponsoring 12 schools in tribal areas aimed at eradicating illiteracy. The Company patronised Akshay Patra Foundation - an NGO, for providing mid-day meals to

students. The Company published - "Magmaites" - the internal e-newsletter and "Graphitti" - the external newsletter, to help disseminate the news and views.

Customer relationship management

Magma caters to diverse financial needs of small entrepreneurs in rural and semi urban markets of India and Magma's growth is a reflection of India's new emerging entrepreneurs. The Company believes in building sustainable and consistent relationships with its customers, fulfilling their smallest dreams, be it purchase of car for a good lifestyle or purchase of commercial vehicle or construction equipment for productive deployment. Well-defined target customers have resulted in a clear customer focus, and have enabled development and establishment of standardised credit screens and processes for superior customer service across large branch network. Magma has invested time and money for facilitating systematic measurement and monitoring of turnaround time to the prospective customers. For repeat customers, it has fast track processing mechanism, generating customer loyalty in the process. Over the years, the Company has invested significantly in large branch network, efficient service and customer relationship management, which continue to yield results in terms of competitive strengths in the market, enabling sustained business growth.

Internal control systems

Magma has adequate internal control mechanism with well-defined structure and processes to prevent revenue loss and/or misappropriation of funds, and other assets of the Company. The internal audit department is vested with the tasks and responsibility of ensuring that various departments and owners exhibit adequate process compliance discipline in their business decisions.

Both on-site and off-site audit are conducted periodically by the department covering a range business processes, functions and domains such as branch functioning, departmental control systems at branch and head office, fund management, documents management and credit process compliance. The board of the Company has constituted an Audit Committee, which is headed by a Non-Executive Independent Director. The

audit committee periodically reviews internal audit reports and brings to the notice of the board any significant process deviations.

Opportunities

After suffering set backs in volumes in the previous year, cars, commercial vehicles, construction equipments and tractors have bounced back with strong growth in sales during the year 2010, due to easy liquidity and revival of demand growth in the Indian economy. It is expected that the retail sales of cars, commercial vehicles, construction equipments and tractors shall clock double digit growth rates in the next fiscal 2010, provided the external economic environment remains stable. The Government of India has been taking measures to ensure adequate liquidity and availability of credit to support economic growth. The long-term outlook for the vehicle financing industry remains bullish and as per the past business cycles seen commercial vehicle sales bounces back with high double digit growth rates after 1-2 years of slowdown or negative growth. With the government undertaking several measures to achieve GDP growth level to 8.5 percent, supported by normal monsoons, growth in core sectors, infrastructure development and consumer spending is expected to happen. This would increase income levels in the hands of young consumers, leading to expansion of entry-level passenger cars market. Infrastructure spending is a key thrust area for the government and the economy. Related construction equipment industry will receive a major demand impetus from infrastructure expenditure. The agri sector is expected to do well, given forecasts of normal monsoons and rising demand of food products, which in turn would lead to demand for tractors.

While there is partial roll-back of easy monetary conditions by RBI, there is ample liquidity for meeting credit demands of the economy for 2010-11. Although, there is expectations that monetary tightening by RBI on account of rising inflation, the government is hopeful that normal monsoons and good agri growth exert a downward pressure on inflation. Further, Gol has planned to raise substantial money from disinvestments of PSUs and 3G auctions, part of which has already been raised. Though downside risks to economic growth remain in terms of external developments such as sovereign debt crisis in Europe and pace of global recovery, Indian economy has been found to be

resilient on account of high domestic consumption content. As per economists' estimates, economic growth in 2010-11 is likely to be in the range of 8 percent to 8.5 percent, backed by continuing fundamental strengths of the Indian economy, political stability and domestic consumption.

Challenges

Growing Magma's business volumes, market shares across all products, while at the same time maintaining and enhancing overall net interest margins will be a key challenge. So would be maintaining tight control on staff and operational costs, by continually driving productivity improvements through process innovations.

The Company focused on increasing share of higher yield products and thereby enhance its interest margins, for which it has built necessary infrastructure and resources to take on the challenge.

The asset financing market remains very competitive, with aggression of few large PSU banks in various product segments, especially in passenger cars. It is expected this sector will remain highly competitive and offer lower margins as compared to other segments. Under the circumstances, maintaining Magma's competitive position while not sacrificing its existing margins will be challenging.

Suitable fine tuning of customer selection criteria, prudent underwriting, superior collections and efficient portfolio management are all required to keep delinquency within acceptable levels in all conditions of economy and markets. Magma has a creditable track record in achieving high collection performance and keeping its credit losses to manageable levels and will aim to maintain and improve its record in future as well.

Outlook

With the economic recovery on track, and sales of new vehicles, construction equipments and tractors staging smart growth across all regions, management is optimistic that Magma will continue to maintain or grow its market shares in various products. Magma's primary growth drivers will be deepening its branch network, increased branch throughput (especially in South and West), manufacturer/vendor relationships, significant

ramp up of new products such as Suvridha, Tractors, and SME Loans, consistent dealer relationships and superior service to the customers.

Over the years, Magma has invested in its infrastructure, technology, management bandwidth and field force, which will see enable it capitalise on the multiple growth opportunities that the Indian retail finance market offers, especially in the semi urban and rural markets.

Risk management

Risk management in Magma has evolved out of benchmarking of the best competitive practices, our own risk appetite and historical portfolio performance and addendum risk philosophy.

Following slowdown of the economy in 2008-09, Magma's underwriting norms have undergone changes thereafter with a view to focus more on containing credit risk, i.e. the risk of the customer not paying than on market risk. Some of the steps taken are:

- Field investigation (FI) unit was made independent, reporting into Credit.
- Credit underwriting focused towards establishing customers experience and ability to deploy the asset profitably
- Selection criteria strengthened and Loan to Values ratios aligned with commercial viability of the loan proposals.

During the fiscal year under review the external environment continued to be challenging for almost two quarters of the year. Magma continued its traditional lending focus to the retail end of the market, in its mission to play role in financial inclusion, loans were underwritten with calculated and manageable risks and in the course, the Company has built a balanced portfolio of retail and strategic customers. This has resulted in an optimum risk-return profile of our assets.

Magma also continued to invest in the credit structure, adding about 40 members to the Field Investigation team. The Operations function too - which was made independent the previous year with the aim of improving the document quality and process compliance - was further strengthened with infusion of senior level professionals at the Zonal and State levels.

Market risk

Magma follows an approach of mitigating market risk at two levels

- (1) Identification of lead economic indicators relevant to Magma's lending business and
- (2) Establishing and regular monitoring of delinquency parameters at a portfolio level

Lead indicators

Three lead indicators have been defined:

- (1) Coal production
- (2) Cement production and
- (3) Steel production

These three industries have a direct bearing on cash flows and viability of operation of a number of commercial assets that Magma funds. These indicators are tracked closely throughout the year and based on the movement of these industries, portfolio level-corrective steps are undertaken.

Regular portfolio review and market review process have also been formulated and implemented through Risk Management Committee (RMC). The RMC members comprise Collections, Sales, Credit, Operations, HR and Audit heads, Joint Managing Director and is chaired by the Managing Director. The RMC meets at regular intervals to assess evolving and changing market risks and monitors portfolio performance and decides on corrective steps to be taken to address the risk.

Operational risk management

Operational risk is defined by Magma as anything which is neither a credit nor a market risk. Hence, operational risk covers a wide range of the Company's activities. The Company has implemented operation risk plan whereby all functions are aligned along vertical lines and key risks pertaining to these respective functions are identified. Once a key risk is identified, each functional vertical does transaction testing to evaluate the compliance to lay down processes. Thus, the approach is bottoms up, ensuring acceptance of the findings and quicker implementation of corrective action plan if need be.

Over the last two years, Magma has undertaken the following

steps to minimise operational risk

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

In a nutshell, metrics are the key to the risk management process in Magma. The entire credit process is metrics-driven in order to achieve the goals set and ensure a healthy portfolio quality in the years to come.

Asset liability risk

Any mismatch in the tenure of borrowings and assets could result in a cash crunch and may adversely impact Company's ability to service the loans and pay its operational costs.

The Company, throughout the year, has maintained excellent asset liability maturity profile in terms of size, tenure and rates. The following measures were adopted:

- Tenure of the term loans and NCDs was matched with the average tenure of lendings ensuring no mismatch in the servicing of the loans
- Assets were securitised on a periodic basis with matching tenure
- Back-to-back funding of the major part of its portfolio on a fixed rate basis, to protect from adverse interest rate movements
- Managing overall cost of funds through suitable funding mix at market linked rates
- Interest rate arbitrage to take advantage of low rates for short term borrowings to fund only temporary mismatch, and not for long term lending

Foreign exchange risk

The Company has limited exposure to foreign exchange risk, since its disbursements are in rupee terms and also bulk of its borrowings are also in the nature of domestic rupee debt.

Wherever limited foreign exchange exposure existed, the Company has entered into appropriate currency hedge transactions to cover the risks adequately.

Liquidity risk management

The Company could be affected adversely through its inability to mobilise adequate financial resources in a timely manner to meet its financial obligations. This risk existed in the third quarter of 2008-09, but in the last financial year the situation was reversed due to the presence of ample liquidity in the market.

The Company manages liquidity risk having a diversified funding base; Magma has also built capability to augment its liquidity through asset sales and securitisation. It has an established track record in accessing the securitisation market, with the Company now entering into securitization deals with more PSU banks. The Company also increased its working capital substantially during the year, which was utilised effectively for enabling the Company to hold the assets in its own books. As a policy, Magma maintains adequate liquid assets, available funding lines, access to unsecured funding, as a hedge against any unforeseen

requirements.

The Company has in place an Asset Liability Committee (ALCO), which reviews once every two months, the asset liability position, cost of funds and sensitivity of forecasted cash flow statements over short and long-term time horizons and recommends corrective measures, if any. The ALCO reviews the changes in the economic environment and financial markets and suggests guiding strategic principles for effective resource management. This results in proper planning for management of various financial risks viz. asset liability risk, foreign currency risk and liquidity risk, on an on-going basis.

Cautionary statement

Statements in the 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 and 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

Sanjay Chamria
Vice Chairman and Managing Director

Kolkata, 31 May 2010

Auditor's Report

To
The Members of
Magma Fincorp Limited

- 1) We have audited the attached Balance Sheet of Magma Fincorp Limited ('the Company') as at 31 March, 2010, and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, as amended ('the Order') and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4) Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have 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 appears from our examination of those books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the Directors, as on 31 March, 2010 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31 March, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read together with the notes appearing on the Schedule 16, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India:
 - i) in the case of Balance Sheet, of the state of affairs of the Company as at 31 March, 2010;
 - ii) in the case of Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **S. S. KOTHARI & CO.**
Chartered Accountants

India Steamship House
21, Old Court House Street
Kolkata – 700 001.

R. N. Bardhan
Partner

Membership No.17270

Dated: 31 May, 2010 ICAI Firm Registration No. 302034E

Annexure to the Auditor's Report

(Referred to in paragraph 3 of our report of even date)

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) As explained to us, the fixed assets of the Company are physically verified by the management in a phased periodical manner which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. The physical verification conducted and the confirmation so obtained during the year did not reveal any material discrepancies between the book records and the physical inventory.
- c) The fixed assets disposed off during the year, do not constitute substantial part of the fixed assets of the Company and such disposal in our opinion, has not affected the going concern status of the Company.
- ii) a) The inventories have been physically verified during the year by the management at reasonable intervals.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iii) a) The Company has granted unsecured loans to the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. The amount of such loans granted to two parties and outstanding at the end of the year is Rs. 684.92 lacs. The maximum amount outstanding on aggregate basis during the year is Rs. 2,344.78 lacs.
- b) The Company has taken unsecured loans from companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956. The amount of such loans taken from one party and outstanding at the end of the year was nil. The maximum amount outstanding on aggregate basis during the year was Rs. 6.75 lacs.
- c) In our opinion, the rate of interest and other terms and conditions on which loans have been granted or taken are not prima facie prejudicial to the interest of the Company.
- d) The payment of principal amounts and interest is regular.
- e) There is no overdue amount in respect of loans granted or taken from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets, rendering of services and sale of power. During the course of our audit, no major weakness has been noticed in the internal controls.
- v) a) According to the information and explanations given by the management, the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been duly entered therein.
- b) In our opinion, the transaction in respect of any such parties during the financial year have been made at prices, which are reasonable, having regard to the prevailing market price at the relevant time.
- vi) The Company does not accept any deposits from public and it has been categorised as Non-Banking Finance (Non-Deposit Accepting or Holding) Company (NBFC-ND) by the Reserve Bank of India. However, in respect of Deposits taken over in the financial year 2006-07 by way of merger, the Company has complied with directives issued by the Reserve Bank of India.
- vii) In our opinion and according to the information and explanations given to us, the Company has an internal audit system which is commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost record under section 209(1)(d) of the Companies Act, 1956 in respect of generation of electricity from wind mill to which the said rules are made applicable and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- ix) a) According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, VAT, Service Tax, Wealth-tax, Custom Duty, Cess and other statutory dues, if any, to the extent applicable, with appropriate authorities.

Annexure to the Auditor's Report (Contd.)

(Referred to in paragraph 3 of our report of even date)

- b) At the last day of the financial year, there was no amount outstanding in respect of undisputed Income-tax, Sales-tax, VAT, Service Tax, Wealth-tax, and other statutory dues, if any, to the extent applicable, which were due for a period of more than six months from the date they became payable.
- c) According to the records of the Company, following statutory dues have not been deposited on account of dispute:

Name of the Statute	Nature of dues	Amount (Rs.in lacs)	Financial Year to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	9.59	1995-96	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	12.32	1997-98	Income Tax Appellate Tribunal

Also refer to Note 2 (xxii)(a) & (b), Schedule 16 to Accounts in respect of Service Tax and Fringe Benefit Tax.

- x) The Company has no accumulated losses at the end of the financial year and has not incurred any cash losses in the current financial year covered by our audit and the immediately preceding financial year.
- xi) As per the information and explanations given by the management and as verified by us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institution, bank or debenture holders.
- xii) Based on our examination of documents and records, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a Chit Fund or a Nidhi / Mutual Benefit Fund/Society. Therefore, the provisions of the clause 4(xiii) of the Order are not applicable.
- xiv) The Company is not dealing in or trading in shares,

securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

- xv) According to information and explanations given to us, the Company has given guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof in our opinion are not prima facie prejudicial to the interest of the Company.
- xvi) In our opinion, Term Loans have been applied for the purpose for which they were obtained.
- xvii) According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short term basis have not been used during the year for long term investment and vice versa.
- xviii) During the year, the Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) According to the information and explanations provided by the management, security or charge has been created in respect of debentures issued during the year.
- xx) The Company has not raised any money by way of public issue during the year. Therefore, the provision of clause 4(xx) of the Order is not applicable.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For S. S. KOTHARI & CO.

India Steamship House
21, Old Court House Street
Kolkata – 700 001.

Chartered Accountants

R. N. Bardhan
Partner

Membership No.17270

Dated: 31 May, 2010 ICAI Firm Registration No. 302034E

Balance Sheet

(Rs. in Lacs)

	Schedule No.	As at 31.03.2010	As at 31.03.2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	13,787.91	13,787.91
Reserves and Surplus	2	32,670.78	27,277.64
		46,458.69	41,065.55
Mezzanine Capital		–	185.92
Loan Funds			
Secured Loans	3	286,399.23	195,618.99
Unsecured Loans	4	70,309.84	51,520.15
		356,709.07	247,139.14
Deferred Tax Liability (Net)		4,791.55	4,967.66
Total		407,959.31	293,358.27
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	38,207.05	37,996.66
Less: Depreciation		17,411.18	14,176.88
Net Block		20,795.87	23,819.78
Investments	6	3,021.58	4,213.84
Current Assets, Loans and Advances			
Assets on Finance		318,158.65	198,026.85
Stock-in-Trade		17.17	–
Sundry Debtors	7	744.65	655.28
Cash & Bank Balances	8	96,845.68	89,899.68
Other Current Assets		36.18	44.71
Loans and Advances	9	16,225.26	13,705.07
		432,027.59	302,331.59
Less: Current Liabilities and Provisions			
Current Liabilities	10	42,689.12	34,615.90
Provisions	11	5,196.61	2,391.04
		47,885.73	37,006.94
Net Current Assets		384,141.86	265,324.65
Total		407,959.31	293,358.27
Notes on Accounts	16		

This is the Balance Sheet referred to in our Report of even date

For and on behalf of
S. S. KOTHARI & CO.
Chartered Accountants

R. N. Bardhan
Partner
Membership No. 17270
ICAI Firm Registration No. 302034E
Kolkata, 31 May, 2010

M. Poddar
Chairman

V. Lakshmi Narasimhan
Chief Financial Officer

The Schedules referred to above form an integral part of these accounts

S. Chamria
Vice Chairman &
Managing Director

Girish Bhatia
Company Secretary

Profit and Loss Account

(Rs. in Lacs)

	Schedule No.	Year ended 31.03.2010	Year ended 31.03.2009
INCOME			
Income from Operations		63,653.11	56,927.84
Other Income	12	6,647.78	5,620.57
		70,300.89	62,548.41
EXPENDITURE			
Payments to and Provisions for Employees	13	10,533.55	9,992.15
Operative and Administrative Expenses	14	14,559.68	14,583.60
Interest and Finance Charges	15	31,624.96	28,536.23
Depreciation		3,278.58	3,423.90
		59,996.77	56,535.88
Profit Before Tax		10,304.12	6,012.53
Provision for Taxation (Net of amount written back)		3,834.20	1,320.00
Provision for Deferred Tax		(176.11)	788.29
Profit After Tax		6,646.03	3,904.24
Balance Brought Forward		6,677.91	4,522.60
Balance Available for Appropriation		13,323.94	8,426.84
APPROPRIATIONS			
Statutory Reserve		1,330.00	790.00
General Reserve		500.00	–
Dividend on Preference Shares (Refer Note 2 (xi)(a), Schedule 16 to Accounts)		599.28	601.86
Proposed Equity Dividend (Refer Note 2 (xi)(b), Schedule 16 to Accounts)		517.39	217.77
Dividend Tax (Refer Note 2 (xi)(a), Schedule 16 to Accounts)		185.30	139.30
Balance Carried to Balance Sheet		10,191.97	6,677.91
		13,323.94	8,426.84
Earning per Share - Basic (in Rupees)		27.31	14.69
- Diluted (in Rupees)		27.25	14.66
(Refer Note 2 (ix), Schedule 16 to Accounts)			
Notes on Accounts	16		

This is the Profit and Loss Account referred to in our Report of even date

The Schedules referred to above form an integral part of these accounts

For and on behalf of
S. S. KOTHARI & CO.
 Chartered Accountants

M. Poddar
 Chairman

S. Chamria
 Vice Chairman &
 Managing Director

R. N. Bardhan
 Partner
 Membership No. 17270
 ICAI Firm Registration No. 302034E
 Kolkata, 31 May, 2010

V. Lakshmi Narasimhan
 Chief Financial Officer

Girish Bhatia
 Company Secretary

Cash Flow Statement

(Rs. in Lacs)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit Before Tax		10,304.12		6,012.53
Adjustments for :				
Depreciation	3,278.58		3,423.90	
Bad Debts Written-off (net)	4,001.85		4,151.19	
Interest and Dividend Income	(5,300.63)		(4,589.14)	
(Profit) on Sale of Investments	(17.21)		(20.56)	
Loss on Sale of Fixed Assets	14.38		34.69	
Interest and Finance Charges	31,624.96		28,536.23	
Employee Compensation Expenses on account of ESOS	49.08		55.67	
Provision for Diminution in Value of Investments	(40.00)	33,611.01	29.94	31,621.92
Operating profit before working capital changes		43,915.13		37,634.45
Adjustments for :				
Trade and Other Receivables	(1,072.88)		(3,102.83)	
Assets on Finance	(127,994.11)		(15,480.33)	
Trade Payables	10,331.11	(118,735.88)	(17,623.91)	(36,207.07)
Cash (used in) / from operations		(74,820.75)		1,427.38
Interest and Finance Charges Paid	(32,162.51)		(27,850.81)	
Tax Paid (Net)	(2,616.32)	(34,778.83)	(1,584.08)	(29,434.89)
Net cash used in operating activities (A)		(109,599.58)		(28,007.51)
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(342.43)		(4,904.23)	
Proceeds from Sale of Fixed Assets	13.85		65.47	
Purchase of Long Term Investments	(425.66)		(1,574.71)	
Proceeds from Sale of Long Term Investments	1,675.13		91.54	
Purchase of Current Investments	–		(2,500.00)	
Proceeds from Sale of Current Investments	–		7,520.00	
Interest and Dividend Received	5,120.81		4,589.14	
Net Cash from investing activities (B)		6,041.70		3,287.21

Cash Flow Statement (Contd.)

(Rs. in Lacs)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
C. CASH FLOW FROM FINANCING ACTIVITIES		
Share Application Money Received	2,138.75	–
Increase in Borrowings (Net)	109,384.01	56,250.50
Dividend Paid (Including Tax on Dividend)	(1,018.88)	(1,431.94)
Net cash from financing activities (C)	110,503.88	54,818.56
Net increase in cash and cash equivalents (A+B+C)	6,946.00	30,098.26
Cash and cash equivalents as at the beginning of the year	89,899.68	59,801.42
Cash and cash equivalents as at the end of the year	96,845.68	89,899.68
Components of Cash & Cash Equivalents		
Cash and Cheques on Hand	3,189.05	3,818.11
Balances with Scheduled Banks:		
In Current/Cash Credit Accounts	23,902.86	23,876.22
In Unpaid Dividend Accounts	20.30	18.90
In Fixed Deposit Accounts	69,733.47	62,186.45
	96,845.68	89,899.68

Notes on Accounts

16

This is the Cash Flow Statement referred
to in our Report of even date

The Schedules referred to above form an
integral part of these accounts

For and on behalf of
S. S. KOTHARI & CO.
Chartered Accountants

M. Poddar
Chairman

S. Chamria
Vice Chairman &
Managing Director

R. N. Bardhan
Partner

Membership No. 17270

ICAI Firm Registration No. 302034E
Kolkata, 31 May, 2010

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Schedules to the Accounts

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
Schedule 1 SHARE CAPITAL		
Authorised		
35,000,000 (Previous year - 35,000,000) Equity Shares of Rs.10 each	3,500.00	3,500.00
25,000,000 (Previous year - 25,000,000) Preference Shares of Rs.100 each	25,000.00	25,000.00
	28,500.00	28,500.00
Issued, Subscribed and Paid-up		
21,777,140 (Previous Year - 21,777,140) Equity Shares of Rs.10 each, fully paid up (Of the above shares 9,482,450 shares were allotted as fully paid up pursuant to schemes of amalgamation without payment being received in cash.)	2,177.71	2,177.71
2,109,199 (Previous Year - 2,109,199) 9.70% Cumulative Non-Convertible Redeemable Preference Shares of Rs.100 each, allotted on 17 February 2006 (Redeemable at par in five equal annual installments starting at the end of 5 years from the date of allotment till all the preference shares are redeemed which is at the end of 9th year from the date of allotment.)	2,109.20	2,109.20
3,000,000 (Previous Year - 3,000,000) 5% Cumulative Non-Convertible Redeemable Preference Shares "NCPS" of Rs.100 each, allotted at par on 4 August 2006 (Redeemable at the end of 7 years along with a redemption premium equal to 53% of the NCPS consideration, provided that the return of the investor on the NCPS p.a. shall not exceed 300 basis points over the Prime Lending Rate of the State Bank of India or such other limit as provided under law from time to time.)	3,000.00	3,000.00
6,500,999 (Previous Year - 6,500,999) Cumulative Non-Convertible Redeemable Preference Shares of Rs.100 each, allotted at par on 26 March 2007 (carrying dividend rate fixed at 6 months US Dollar Libor plus 3.25%, redeemable in US Dollar in five equal installments of US Dollar 3 million each, for the first time on 1 April 2012 and thereafter on 1 April of each subsequent calendar year until all Preference Shares are redeemed. The last and final date of redemption will be 1 April 2016.)	6,501.00	6,501.00
	13,787.91	13,787.91

Schedules to the Accounts

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
Schedule 2 RESERVES AND SURPLUS		
Capital Reserve	457.98	457.98
Capital Redemption Reserve	1,000.00	1,000.00
Securities Premium Account	10,285.30	10,285.30
Amalgamation Reserve Account	106.48	106.48
Employee Stock Option Outstanding		
Employee Stock Option Outstanding	188.08	191.45
Less: Deferred Employee Compensation Expenses	43.52	95.97
	144.56	95.48
General Reserve		
Balance as per last Account	3,636.34	3,636.34
Add: Transferred from Profit and Loss Account	500.00	-
	4,136.34	3,636.34
Statutory Reserve (under RBI Act)		
Balance as per last Account	5,018.15	4,228.15
Add: Transferred from Profit and Loss Account	1,330.00	790.00
	6,348.15	5,018.15
Profit and Loss Account	10,191.97	6,677.91
	32,670.78	27,277.64

Schedules to the Accounts

(Rs. in Lacs)

		Security as per	As at 31.03.2010	As at 31.03.2009
Schedule	3	SECURED LOANS		
500	Redeemable Non-Convertible Debentures of the face value of Rs.10 lacs each allotted on 30 November 2006 [Series J]. Above Debentures are redeemable at par in 12 quarterly instalments from the date of allotment.	Note 1 (a) & (b)	–	1,250.00
300	Redeemable Non-Convertible Debentures of the face value of Rs.10 lacs each allotted on 31 December 2006 [Series K]. Above Debentures are redeemable at par on 31 December 2009.	Note 1 (a) & (b)	–	3,000.00
700	Redeemable Non-Convertible Debentures of the face value of Rs.10 lacs each allotted on 25 January 2008 [Series M]. Above Debentures are redeemable at par on 21 January 2011.	Note 1 (a) & (b)	7,000.00	7,000.00
1,000	Redeemable Non-Convertible Debentures of the face value of Rs. 10 lacs each allotted on 8 September 2008 [Series N]. Above Debentures are redeemable at par on 18 September 2009.	Note 1 (a) & (b)	–	10,000.00
100	Redeemable Non-Convertible Debentures of the face value of Rs. 10 lacs each allotted on 17 August, 2009 [Series O]. Above Debentures are redeemable at par on 16 August, 2012.	Note 1 (a) & (b)	1,000.00	–
200	Redeemable Non-Convertible Debentures of the face value of Rs.10 lacs each allotted on 16 October, 2009 [Series P]. Above Debentures are redeemable at par on 15 October, 2012.	Note 1 (a) & (b)	2,000.00	–
700	Redeemable Non-Convertible Debentures of the face value of Rs.10 lacs each allotted on 16 November, 2009 [Series Q]. Above Debentures are redeemable at par on 16 November, 2012.	Note 1 (a) & (b)	7,000.00	–
	Term Loans from Banks and Financial Institutions	Note 2	90,328.97	52,528.84
	Cash Credit/Working Capital Demand Loans from Banks	Note 3	179,070.26	121,840.15
			286,399.23	195,618.99

Notes:

- (a) Debentures are secured by mortgage of Company's immovable property situated at Village - Mehrun, Taluk and District Jalgaon in the state of Maharashtra.

(b) In addition to 1(a) above, Debentures of series J, K, M, N, O, P and Q are secured against specific Assets on Finance/ Loan/ Lease/Hire.
- Term Loans from Banks/Financial Institutions are secured by hypothecation of certain Assets on Finance/Loan/Lease/Hire and assignment of rentals receivable therefrom. Certain Term Loans are additionally secured by way of personal guarantee of a Director. 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.
- Cash Credit, Working Capital Demand Loans from Banks are secured by hypothecation of the Company's Finance/Loan/Lease/Hire assets, stocks of equipment, plant, machinery, spare parts etc. 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 FIs, Banks or any other finance organisation). These are collaterally secured by Equitable Mortgage of immovable properties and personal guarantee of a Director.

Schedules to the Accounts

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
Schedule 4 UNSECURED LOANS		
Redeemable Non-Convertible Debentures (Refer Note 2 (vii)(a), Schedule 16 to Accounts)	32,500.00	2,000.00
Subordinated Redeemable Non-Convertible Debentures (Tier II Capital) (Refer Note 2 (vii)(b), Schedule 16 to Accounts)	21,800.00	17,000.00
Subordinated Non-Convertible Perpetual Debentures (Tier I Capital) (Refer Note 2 (vii)(c), Schedule 16 to Accounts)	3,000.00	–
Commercial Papers	13,000.00	15,000.00
Term Loan:		
from Banks	–	5,000.00
from Others	–	12,500.00
Fixed Deposits*	9.84	20.15
	70,309.84	51,520.15

* Represents liability transferred to and vested in the Company pursuant to the Amalgamation of Shracchi Infrastructure Finance Limited with the Company in the financial year 2006-07. The Company had since repaid / transferred to EscrowAccount, the entire outstanding amount together with interest, in accordance with Reserve Bank of India directives.

Schedule 5 FIXED ASSETS

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04. 2009	Additions during the year	Ded/Adj during the year	As at 31.03. 2010	As at 01.04. 2009	For the year	Ded/Adj during the year	As at 31.03. 2010	As at 31.03. 2010	As at 31.03. 2009
Fixed Assets for Own Use										
Land and Buildings	3,518.21	–	63.21*	3,455.00	504.16	50.22	3.68 *	550.70	2,904.30	3,014.05
Plant and Machinery	11,735.81	48.14	34.33	11,749.62	1,697.82	795.63	25.79	2,467.66	9,281.96	10,037.99
Furniture and Fixtures	1,939.14	163.98	18.01	2,085.11	661.33	117.80	8.98	770.15	1,314.96	1,277.81
Office Equipment	1,275.29	94.91	8.20	1,362.00	246.02	64.44	2.88	307.58	1,054.42	1,029.27
Vehicles	321.51	25.92	7.97	339.46	143.67	23.62	2.95	164.34	175.12	177.84
Intangible Assets										
Computer Softwares	516.23	9.48	–	525.71	179.46	75.14	–	254.60	271.11	336.77
Business and Commercial Rights	800.00	–	–	800.00	106.67	160.00	–	266.67	533.33	693.33
Holiday Time Share	0.32	–	0.32	–	–	–	–	–	–	0.32
Sub-total	20,106.51	342.43	132.04	20,316.90	3,539.13	1,286.85	44.28	4,781.70	15,535.20	16,567.38
Previous Year	15,415.20	4,904.23	212.92	20,106.51	2,408.11	1,243.78	112.76	3,539.13	16,567.38	–
Fixed Assets on Operating Lease										
Land and Building	11.00	–	–	11.00	0.97	0.18	–	1.15	9.85	10.03
Commercial Vehicles	17,771.08	–	–	17,771.08	10,578.74	1,975.16	–	12,553.90	5,217.18	7,192.34
Plant and Machinery	98.29	–	–	98.29	51.61	15.93	–	67.54	30.75	46.68
Office Equipment	9.78	–	–	9.78	6.43	0.46	–	6.89	2.89	3.35
Sub-total	17,890.15	–	–	17,890.15	10,637.75	1,991.73	–	12,629.48	5,260.67	7,252.40
Previous Year	17,890.15			17,890.15	8,457.63	2,180.12	–	10,637.75	7,252.40	–
Total	37,996.66	342.43	132.04	38,207.05	14,176.88	3,278.58	44.28	17,411.18	20,795.87	23,819.78
Previous Year	33,305.35	4,904.23	212.92	37,996.66	10,865.74	3,423.90	112.76	14,176.88	23,819.78	–

* Represents amounts transferred to Stock-in-trade

Schedules to the Accounts

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
Schedule 6 INVESTMENTS		
Long Term		
Other than Trade (at cost)		
Government Securities		
Unquoted (Rs. 0.16 lac pledged with Sales Tax Authorities)	0.39	0.39
Shares		
Quoted (Fully paid-up of Rs.10 each)	8.31	56.05
Unquoted (Fully paid-up of Rs.10 each)	1,172.84	759.65
Unquoted (Fully paid-up of Rs.10 each) in Subsidiary Company	1,109.94	1,309.88
Others		
Unquoted (in Pass Through Certificates)	773.20	2,170.97
	3,064.68	4,296.94
Less : Provision for Diminution in Value of Investments	43.10	83.10
	3,021.58	4,213.84
Notes:		
Aggregate Book Value of Quoted Investments	8.31	56.05
Aggregate Book Value of Unquoted Investments	3,056.37	4,240.89
Aggregate Market Value of Quoted Investments	3.40	52.13

Schedule 7 SUNDRY DEBTORS		
Debts outstanding for a period exceeding 6 months		
Unsecured - Considered Good	-	-
	-	-
Other Debts		
Unsecured - Considered Good	744.65	655.28
	744.65	655.28

Schedule 8 CASH AND BANK BALANCES		
Cash in hand	3,189.05	3,644.17
Cheques in hand	-	173.94
Balances with Scheduled Banks:		
In Current/Cash Credit Accounts	23,902.86	23,876.22
In Unpaid Dividend Accounts	20.30	18.90
In Fixed Deposit Accounts [Under Lien Rs. 57,523.36 (Previous Year Rs. 48,686.45)]	69,733.47	62,186.45
	96,845.68	89,899.68

Schedules to the Accounts

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
Schedule 9 LOANS AND ADVANCES		
Loans		
Unsecured - Considered Good	810.62	1,279.11
Advances recoverable in cash or kind or for value to be received		
Considered Good	6,792.08	5,270.98
Tax Payments/Deduction at Source - Considered Good	2,762.81	1,456.84
Margin with Bodies Corporate	3,294.85	3,294.85
Accrued Interest/Financial Charges, etc.	1,838.37	1,658.55
Deposits - Considered Good	726.53	744.74
	16,225.26	13,705.07

Schedule 10 CURRENT LIABILITIES		
Sundry Creditors	21,404.22	11,921.45
Advances/Deposits from Customers	14,844.13	18,704.59
Unclaimed Dividend	20.25	18.88
Credit Balances in Current Accounts with Banks	-	7.23
Share Application Money	2,138.75	-
Other Liabilities	2,461.00	1,605.43
Interest accrued but not due on Loans/Deposits	1,820.77	2,358.32
	42,689.12	34,615.90

Schedule 11 PROVISIONS		
Proposed Dividend (including tax thereon)	1,352.76	1,071.04
Provision for Taxation	3,843.85	1,320.00
	5,196.61	2,391.04

	Year ended 31.03.2010	Year ended 31.03.2009
Schedule 12 OTHER INCOME		
Rent	113.32	31.65
Dividend (Long Term, Other than Trade)	1.37	0.01
Interest on Investments (Long Term, Other than Trade)	247.84	178.69
Interest on Loans, Margins, etc.	324.65	665.35
Interest on Fixed Deposits	4,726.77	3,745.09
(Loss) on Sale of Fixed Assets	(14.38)	(34.69)
Profit on Sale of Investments	17.21	20.56
Sale of Power	1,226.35	1,002.63
Miscellaneous Income	4.65	11.28
	6,647.78	5,620.57

Schedules to the Accounts

(Rs. in Lacs)

	Year ended 31.03.2010	Year ended 31.03.2009
Schedule 13 PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages and Bonus, etc.	9,855.07	9,077.11
Contribution to Provident and Other Funds	350.39	487.84
Staff Welfare Expenses	279.01	371.53
Employee Compensation Expenses on account of ESOS	49.08	55.67
	10,533.55	9,992.15

Schedule 14 OPERATIVE AND ADMINISTRATIVE EXPENSES

Rent	746.25	909.74
Brokerage and Commission	5,021.72	4,625.65
Rates and Taxes	75.92	23.81
Insurance	51.75	54.89
Advertisement and Publicity	52.50	91.53
Travelling and Conveyance	1,029.25	896.88
Repairs and Maintenance - Machinery	240.15	172.64
Repairs and Maintenance - Others	60.64	67.53
Motor Car Expenses	65.64	80.78
Directors' Fees	5.64	4.65
Professional Fees	1,113.09	814.85
Legal Charges	505.63	415.96
Printing and Stationery	207.33	228.32
Communication Expenses	528.71	679.85
Wealth Tax	0.81	1.05
Electricity Charges	270.15	280.88
Provision for Diminution in Value of Investments	(40.00)	29.94
Bad Debts Written-off (net)	4,001.85	4,151.19
Miscellaneous Expenses	622.65	1,053.46
	14,559.68	14,583.60

Schedule 15 INTEREST AND FINANCE CHARGES

On Debentures	6,320.59	6,196.28
On Term Loans	14,010.06	9,198.95
On Working Capital and Other Financial Charges	11,294.31	13,141.00
	31,624.96	28,536.23

Schedules to the Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

i) Basis of Preparation

- a) The financial statements have been prepared under the historical cost convention and on an accrual basis unless otherwise stated.
- b) The Company follows the directions prescribed by the Reserve Bank of India for Non-Banking Financial Companies, provisions of the Companies Act, 1956 and the applicable Accounting Standards notified by the Central Government under the Companies (Accounting Standard) Rules, 2006.
- c) The preparation of financial statements requires the management to make estimates and assumptions considered in the 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. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

ii) Assets on Finance

- a) Assets on Finance include assets given on Finance / Loan / Lease / Hire 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 / Lease / Hire agreements and is net of unmatured / unearned finance charges and amounts securitised / assigned and includes advances under such agreements.
- c) Repossessed assets are valued at lower of book value and estimated realisable value.

iii) Revenue Recognition

- a) Income from Operations include earnings from Assets on Finance / Loan / Lease / Hire arrived at by amortising the installments containing the Finance Charges, as and when these become due, as per the related arrangements, such amortisation being based on Internal Rate of Return method on individual agreements. In case of operating lease, rent income is accounted for as and when this becomes due, as per the related arrangements. In respect of NPAs acquired, recoveries in excess of consideration paid is recognised as income in accordance with RBI guidelines.
- b) In respect of receivables securitised prior to 1 February, 2006 and receivables assigned bilaterally, the difference between the book value of the assets securitised / assigned and the sale consideration is taken to income. In terms of Reserve Bank of India's Guideline, in respect of receivables securitised post 1 February, 2006, gain / (loss) arising thereon is amortised over the tenure of the related receivables.
- c) Upfront income (net) received is recognised upon execution of the applicable contracts.
- d) Income from dividends is accounted for on receipt basis.
- e) Interest on Loans, Margins, Fixed Deposits, etc. are recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- f) Income from power generation is recognised as per the terms of the relevant Power Purchase Agreements with the respective parties.
- g) All other items of income are accounted for on accrual basis.
- h) Initial direct costs incurred in respect of operating lease are recognised as expense in the year in which they are incurred.
- i) As a part of prudent financial management, the Company had decided to progressively follow the internationally accepted accounting principles on revenue recognition, provisioning and asset classification. These principles stipulate de-recognition of income on 90 days past dues, progressive provisioning and recognition of contracts with 180 days past dues as loss assets. These principles are more stringent than the guidelines prescribed by the Reserve Bank of India for compliance by the finance companies.

Schedules to the Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

In accordance with these prudent accounting policies, all contracts with 180 days past dues other than NPAs acquired have been treated as loss assets and written off as bad debts. Any subsequent recoveries made out of these contracts will be treated as income for the year during which the same is received.

iv) Prudential Norms

Subject to Para 1 (iii) (i) above, the Company has followed the Prudential Norms issued by Reserve Bank of India, as applicable, and revenue / assets have been represented (considering adjustments / write-off / net-off, as applicable) keeping in line therewith and management prudence.

v) Fixed Assets

- a) Fixed Assets are stated at cost less depreciation and grants received against these assets, if any.
- b) Capital work-in-progress is stated at cost and includes advances given for acquisition of assets.
- c) Intangible Assets are stated at cost of acquisition less accumulated amortisation.

vi) Depreciation

Depreciation on Fixed Assets for own use and on Operating Lease has been provided on Straight Line Method on book value at the applicable rates and in the manner specified in Schedule-XIV to the Companies Act, 1956. Depreciation on commercial vehicles given on operating lease is provided on Straight Line Method at rates based on economic life of the assets. Intangible Assets are amortised over the assets' estimated useful life not exceeding 6 years.

vii) Stock-in-Trade

Stock-in-Trade comprises of real estate property held for sale and is valued at lower of cost or net realisable value.

viii) Transactions in Foreign Currencies

In respect of transactions covered by Forward Foreign Exchange Contract, the difference between the forward rate and exchange rate at the inception of contract is recognised as income or expense over the life of the contract.

ix) Grants

Grants, if any, received against specific assets are deducted from the gross value of assets concerned in arriving at its book value and grants related to revenue are credited to the related expenditure.

x) Investments

- a) Investments that are intended to be held for more than a year, from the date of acquisition, are classified as long term investments and are carried at cost. However, provision for diminution in value of investments is made to recognise a decline, other than temporary.
- b) Investments other than long term investments are valued at lower of cost and fair value of each share individually.

xi) Retirement and Other Employee Benefits

Defined Contribution Plans

Company's contributions to Provident Fund are recognised as expense of the year in which Company's contributions to the fund are due. The Company has no obligations other than the contributions payable to the fund.

Defined Benefit Plans

Gratuity liability and compensated leave encashment are provided for based on actuarial valuation made at the end of each financial year. Actuarial gain and losses are recognised immediately in the statement of Profit & Loss Account as income or expense.

xii) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised.

Schedules to the Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

xiii) Impairment of Fixed Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in estimate of recoverable amount.

xiv) Provision and Contingent Liabilities

Provisions are recognized in accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

2. NOTES TO THE ACCOUNTS

i) Assets on Finance

- a) Assets on Finance is net of amounts securitised / assigned of Rs. 4,81,834.74 (Previous Year: Rs. 4,96,578.39).
 b) Value of repossessed assets as at the year-end is Rs. 319.89 (Previous Year: Rs. 865.16).

ii) Assets Given on Operating Lease

- a) Maturity pattern of the future minimum operating lease payments are as follows:

Lease Assets Maturity	Amount
Not later than one year	259.42
	(1,178.73)
Later than one year but not later than five years	50.50
	(351.82)
Total	309.92
	(1,530.55)

- b) Operating Lease Rental for the year is Rs. 991.41 (Previous Year: Rs. 2,105.71), included in Income from Operations.

iii) Securitisation

Details of financial assets securitised in terms of Reserve Bank of India's Guideline on securitisation of assets issued on 1 February, 2006, are as under:

	For the year ended 31 March 2010	For the year ended 31 March 2009
Total number of contracts securitised	–	4,648
Book value of contracts securitised	–	10,274.49
Sale consideration	–	10,274.49
Gain on securitisation (amortised over corresponding period)	–	664.54
Assets subordinated	–	2,293.40
Bank Deposit provided as collateral	–	2,293.40

Above excludes assignment of financial assets under bilateral arrangement with Banks / FIs.

Schedules to the Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

iv) Retirement and Other Employee Benefits

Gratuity and Other post-employment benefit plans

The following tables summarise the components of net benefit/ expense recognised in the Profit and Loss Account and Balance Sheet for the respective plans.

a) Expenses recognised in the Profit and Loss Account:

Particulars	For the year ended 31 March 2010		For the year ended 31 March 2009	
	Gratuity	Leave	Gratuity	Leave
Current service cost	90.10	25.68	64.00	22.07
Interest cost	27.79	19.22	19.63	11.28
Actuarial Losses /(Gains)	(56.66)	36.61	68.54	132.79
Expected return on Plan Assets	(34.31)	–	(26.56)	–
Net expense	26.92	81.51	125.61	166.14

b) Net Asset / (Liability) recognised in the Balance Sheet:

Particulars	As at 31 March 2010		As at 31 March 2009	
	Gratuity	Leave	Gratuity	Leave
Defined Benefit Obligation	412.75	305.73	366.36	271.88
Fair Value on Plan Assets	539.96	–	380.41	–
Net Asset / (Liability)	127.21	(305.73)	14.05	(271.88)

c) Changes in the present value of the defined benefit obligation are as follows:

Particulars	As at 31 March 2010		As at 31 March 2009	
	Gratuity	Leave	Gratuity	Leave
Defined Benefit Obligation at the beginning of the year	366.36	271.88	251.08	162.78
Current Service Cost	90.10	25.68	64.00	22.07
Interest Cost	27.79	19.22	19.63	11.28
Actuarial Losses /(Gains)	(56.02)	36.61	66.44	132.79
Benefit Paid	(15.48)	(47.66)	(34.79)	(57.04)
Defined Benefit Obligation at the end of the year	412.75	305.73	366.36	271.88

d) Changes in the fair value of the plan assets are as follows:

Particulars	As at 31 March 2010		As at 31 March 2009	
	Gratuity	Leave	Gratuity	Leave
Fair Value of the Plan Assets at the beginning of the year	380.41	–	276.42	–
Actual return on Plan Assets	34.95	–	24.46	–
Contributions	140.08	47.66	114.32	57.04
Benefit Paid	(15.48)	(47.66)	(34.79)	(57.04)
Fair Value of the Plan Assets at the end of the year	539.96	–	380.41	–

Schedules to the Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

- e) The Principal Actuarial Assumptions used in determining gratuity and leave liabilities are as shown below:

Particulars	Year ended 31 March 2010		Year ended 31 March 2009	
	Gratuity	Leave	Gratuity	Leave
Discount Rate	8.25%	8.25%	7.75%	7.75%
Salary Increase	5.00%	5.00%	4.50%	4.50%
Expected rate of return on Plan Assets	7.75%	–	8.40%	–

- f) Amount provided for defined contribution plans are as follows:

	Year ended 31 March 2010	Year ended 31 March 2009
Contribution to Provident / Pension fund	288.98	313.90

- g) The estimate of future salary increases, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

- v) Stock - in - Trade

Real Estate Property	Year ended 31 March 2010		Year ended 31 March 2009	
	Qty (Area)	Amount	Qty (Area)	Amount
Opening	–	–	–	–
Purchase / Transfer *	30,045 sq. ft.	59.53	–	–
Sales / Transfer	4,660 sq. ft.	42.36	–	–
Closing	25,385 sq. ft.	17.17	–	–

* Transferred from Fixed Assets

- vi) Employee Stock Option Scheme

The Remuneration Committee of the Board of Directors had granted 3,50,800 Options to the eligible employees of the Company under "Magma Employee Stock Option Plan 2007" on 12 October, 2007.

The disclosures in respect of Employees Stock Option Scheme which are outlined in this year's Annexure to the Report of the Directors is treated as an annexure to these accounts.

- vii) a) Particulars of Privately placed Unsecured Redeemable Non-Convertible Debentures

Number of debentures	Face Value (Rs.)	As at 31.03.2010	As at 31.03.2009	Terms of Redemption Redeemable at par in	
20	1,00,00,000	–	2,000	May-2009	Redeemed
1,00,00,000	100	10,000	–	Nov-2010	–
75,00,000	100	7,500	–	Dec-2010	–
65	1,00,00,000	6,500	–	May-2010	–
85	1,00,00,000	8,500	–	Jun-2010	–
		32,500	2,000		

Schedules to the Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

b) Particulars of Tier II capital raised by the Company by issue of Subordinated Unsecured Redeemable Non-Convertible Debentures

Number of debentures	Face Value (Rs.)	As at 31.03.2010	As at 31.03.2009	Terms of Redemption Redeemable at par in
500	10,00,000	5,000	5,000	May-2013
250	10,00,000	2,500	2,500	Jun-2013
500	10,00,000	5,000	5,000	Jul-2013
50	10,00,000	500	500	Mar-2014
100	10,00,000	1,000	1,000	May-2014
300	10,00,000	3,000	3,000	Jun-2014
480	10,00,000	4,800	–	Jun-2015
		21,800	17,000	

c) Particulars of Tier I capital raised by the Company by issue of Subordinated Unsecured Non-Convertible Perpetual Debentures (Perpetual Debt Instruments)

Number of debentures	Face Value (Rs.)	As at 31 March 2010		As at 31 March 2009	
		Amount outstanding	Percentage of Tier I capital	Amount outstanding	Percentage of Tier I capital
100	10,00,000	1,000	2.72%	–	–
200	10,00,000	2,000	5.45%	–	–
		3,000	8.17%	–	–

The Company has raised Rs. 3,000 (Previous Year: Rs. Nil) during the year by issue of Perpetual Debt Instruments. 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.

viii) Business Segments

The Company is engaged primarily in the business of financing and only in one Geographical Segment viz. India. As such no separate Business and Geographical reportable segment's information as per Accounting Standard 17 (Segment Reporting) has been furnished in these accounts.

ix) Earning per Share

Calculation of Earning per Share (Basic & Diluted) as required by Accounting Standard 20:

[Refer Note 2 (xi)(a), Schedule 16 to Accounts]

Sl. No.	Particulars	Units	Year ended 31.03.2010	Year ended 31.03.2009
	Basic & Diluted			
1.	i) Weighted average number of Equity Shares for Basic EPS	Nos.	2,17,77,140	2,17,77,140
	ii) Weighted average number of Equity Shares for Diluted EPS [after considering 0.48 Lac Shares (Previous Year: 0.49 Lac) resulting from assumed exercise of employee stock options]	Nos.	2,18,25,451	2,18,26,317
2.	Net Profit after tax	Rs.'Lacs	6,646.03	3,904.24
3.	Less : Preference Dividend including Tax on Dividend	Rs.'Lacs	698.65	704.15
4.	i) Net Profit for Equity Shareholders for Basic EPS	Rs.'Lacs	5,947.38	3,200.09
	ii) Net Profit for Equity Shareholders for Diluted EPS	Rs.'Lacs	5,947.38	3,200.09
5.	i) Earning Per Share – Basic	Rs.	27.31	14.69
	ii) Earning Per Share – Diluted	Rs.	27.25	14.66

Schedules to the Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

- x) The details of Potential Equity Share / Equity Share transactions occurred after the balance sheet date which has not been considered for calculation of Diluted Earning per Share (EPS) in accordance with Accounting Standard 20 (Earning per Share), are as follows.
- a) The Company has allotted on 30 April, 2010, 20,00,000 Warrants to one of the Promoter entities carrying an option / entitlement to subscribe to equivalent number of Equity Shares at a price of Rs. 250/- per Equity Share, on a future date not exceeding 18 months from the date of issue of such Warrants in terms of provisions of SEBI Guidelines for Preferential Issue (Chapter VII of the SEBI (Issue and Disclosure Requirements) Regulations, 2009).
 - b) The Company has allotted on 12 May, 2010, 40,67,220 Equity Shares to Qualified Institutional Buyers (QIBs) in the Qualified Institutions Placement under chapter VIII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 at a price of Rs. 301/- per Equity Share (including premium of Rs. 291/- per Share) aggregating to Rs. 12,242.33. Further, the Company has allotted on preferential basis on 25 May, 2010, 25,260 Equity Shares under Employee Stock Option Plan (ESOP) pursuant to SEBI (ESOS and ESPS) Guidelines, 1999 to the eligible employees of the Company. The total paid-up Equity Share Capital of the Company stands increased to 2,58,69,620 Equity Shares of Rs.10/- each aggregating to Rs. 2,586.96. These Equity Shares will rank pari passu in all respects with the existing issued Equity Shares of par value of Rs.10/- per Share in the capital of the Company, including the right to receive all dividends and other distributions declared, made or paid in respect of Equity Shares of the Company.
 - c) The Company is in the process of issuing Cumulative Redeemable Non-Convertible Preference Shares and it has received Rs. 2,138.75 as application money against the same, pending allotment.
- xi) a) As per the terms of issue, the holders of the 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each aggregating to Rs. 6501.00 (equivalent to USD 15 Million) allotted 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. 1st January or 1st July depending upon the actual date of payment plus 3.25% on subscription amount of USD 15 Million. Accordingly, the dividend for the financial year ended 31 March, 2010 has been provided in accounts based on the 6 months US Dollar Libor applicable as on 1 January, 2010 and closing exchange rate applicable as on 31 March, 2010 and which might vary depending on the actual date of payment of the Dividend. Accordingly, the excess dividend and tax thereon of Rs. 50.80 (Previous Year: Rs. 112.11) provided with respect to above Preference Shares for the previous financial year ended 31 March, 2009 has been reversed in the current year with consequent impact on Earning per Share for the year. The Company has also provided during the year Rs. 22.72 for differential dividend in respect of earlier years including tax thereon.
- b) The Company has provided dividend on 2,58,69,620 Equity Shares of Rs.10/- each (including on 40,92,480 Equity Shares issued subsequent to balance sheet date).

xii) Related Party Disclosures

Aggregated Related Party Disclosures as at and for the year ended 31 March, 2010:

Subsidiary Company

Magma ITL Finance Limited (a joint venture with International Tractors Limited). Magma Consumer Finance Private Limited ceased to be a subsidiary on and w.e.f. 22 March, 2010.

Schedules to the Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

Associates

Acme Abasan Private Limited, AMRI Hospitals Limited, Bengal Tools Limited, Betwa Highrise Private Limited, Betwa Nirman Private Limited, Calcutta Becon Engineering Co. Limited, Camaro Infrastructure Private Limited, Celica Developers Private Limited, Chinar Builders & Contractors Limited, CLP Business Private Limited, Gagan Tradelink Private Limited, Gitika Chemicals and Finance Private Limited, GNB Credit Private Limited, GNB Logistics Private Limited, Hardeo Finance Private Limited, Jaguar Advisory Services Private Limited, Juhi Investment Private Limited, Kanaiya Engineering & Finance Limited, Liberty Pharma Limited, Magma HDI General Insurance Company Limited, Mask Corp, USA, Microfirm Softwares Private Limited, Nadia Pulp & Board Limited, Nadia Security Printing & Stationery Company Limited, Neobeam Properties Private Limited, Noblesse Crystal Private Limited, Pragati Sales Private Limited, Shivangan Developers Private Limited, Shrachi Developers Private Limited, Shrachi Insurance Agencies Private Limited, Shrachi Jaideep Construction Private Limited, Shrachi Realty Private Limited, Sino India Agro Machinery, Solvex Estates Private Limited, Sunflower Engineering Industries Private Limited, Ultimate Complex Private Limited, CLP & Sons HUF, Mayank Poddar HUF, B L Chamria & Others HUF, Sanjay Chamria HUF and Ravi Todi HUF.

Key Management Personnel

Mayank Poddar, Sanjay Chamria and Ravi Todi.

Relatives of Key Management Personnel

Anuj Poddar, Ashita Poddar, Kalpana Poddar, Mansi Modi, Nidhi Mansingka, Rajat Poddar, Shaili Poddar, Urmila Devi Poddar, Harshvardhan Chamria, Rajashree Tikmani, Vanita Chamria, Chitra Lekha Todi, Rahul Todi, Rhea Todi, Ruchi Todi, Sarika Todi and Shrawan Kumar Todi.

Balance as at 31 March 2010	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management Personnel
Security Deposit	– (–)	267.60 (267.60)	– (–)	– (–)
Sundry Creditors	– (–)	– (0.97)	– (–)	– (–)
Sundry Debtors	33.84 (–)	– (–)	– (–)	– (–)
Asset on Finance	– (–)	– (38.79)	– (–)	– (–)
Investments	1,109.94 (1,309.88)	723.46 (664.21)	– (–)	– (–)
Loans & Advances Given	684.92 (758.13)	89.78 (20.13)	– (–)	– (–)
Corporate Guarantees Given	10,846.93 (3,000.00)	– (–)	– (–)	– (–)

Schedules to the Accounts

(Rs. in Lacs)

Schedule **16** NOTES ON ACCOUNTS (Contd.)

For the year ended 31 March 2010	Subsidiaries	Associates	Key Management Personnel	Relatives of Key Management Personnel
Support Services, Finance Charges, etc. (Included in Income from Operations)	265.87 (150.72)	– (158.27)	– (–)	– (–)
Rent Receipts	– (–)	5.24 (–)	– (–)	– (–)
Interest Receipts	132.31 (166.47)	14.91 (–)	– (–)	– (–)
Interest Payment	– (–)	0.69 (45.91)	– (–)	– (15.89)
Rent Paid	– (–)	229.40 (188.49)	– (–)	– (–)
Directors' Remuneration	– (–)	– (–)	158.36 (158.49)	– (–)
Printing & Stationery	– (0.65)	– (0.26)	– (–)	– (–)
Sale / Transfer of Stock-in-Trade	– (–)	42.36 (–)	– (–)	– (–)
Sale of Investments	– (–)	80.00 (–)	– (–)	– (–)
Fixed Assets Purchased	– (–)	– (800.00)	– (–)	– (–)
Directors' Fee	– (–)	– (–)	– (–)	1.20 (1.00)
Secondment of Employees	– (–)	– (204.35)	– (–)	– (–)
Professional Fees	– (–)	– (4.51)	– (–)	– (–)

- xiii) The Company along with its associates have entered into a Joint Venture Agreement with HDI Gerling International Holding AG ("HDI"), a part of the Talanx AG Group, Germany for the purpose of undertaking General Insurance Business in India through the existing Company Magma HDI General Insurance Company Limited (the "JV Company") subject to necessary regulatory approvals. As per the terms of the Joint Venture Agreement, it has been agreed between the Company and HDI that all out of pocket costs and expenses shall be borne by the Company and HDI equally (i.e. a 50:50 cost sharing ratio) and on Completion (i.e. R2 approval being received from Insurance Regulatory Development Authority), the JV Company will reimburse to the Company and HDI the costs incurred by them respectively.

Schedules to the Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

xiv) Deferred Tax Liability

The net deferred tax liability of Rs. 4,791.55 (Previous Year: Rs. 4,967.66) as on 31 March, 2010 has arisen on account of the following:

	As at 31 March 2010	As at 31 March 2009
Deferred Tax Liabilities		
i) Difference between Book and Tax written down value	4,831.88	5,051.68
ii) Others	42.26	–
(A)	4,874.14	5,051.68
Deferred Tax Assets		
i) Capital Loss carried forward	54.83	56.05
ii) Others	27.76	27.97
(B)	82.59	84.02
(A-B)	4,791.55	4,967.66

xv) Contingent Liabilities not provided for

	As at 31 March 2010	As at 31 March 2009
i) Income Tax matters under dispute	30.50	48.27
ii) VAT matters under dispute	22.66	22.66
iii) Legal cases against the Company	190.27	103.51
iv) Recourse obligation in respect of securitised assets (net of cash collaterals)	11,988.01	15,224.56
v) Unexpired Bank Guarantee	14,400.74	491.73
vi) Corporate Guarantees given for a subsidiary Company	10,846.93	3,000.00

xvi) Amounts paid/payable to Auditors (included in Miscellaneous Expenses)

	Year ended 31 March 2010	Year ended 31 March 2009
i) Audit Fees	8.27	8.27
ii) Taxation Audit Fees	2.76	2.76
iii) Other Matters (Certificates etc.)	5.32	4.42
Total	16.35	15.45

xvii) Managerial Remuneration paid / payable

	Year ended 31 March 2010	Year ended 31 March 2009
Salary *	84.96	84.96
Contribution to Provident and Gratuity Funds *	14.28	14.28
Other Benefits *	59.12	59.25
Other Directors' - Sitting Fees	5.64	4.65
Total	164.00	163.14

* Included in Schedule 13 under respective heads of expenses.

Schedules to the Accounts

(Rs. in Lacs)

Schedule **16** NOTES ON ACCOUNTS (Contd.)

xviii) Loans / Advances to Subsidiary Companies

Name of the Subsidiary	Maximum Outstanding	Outstanding as at 31 March 2010
Magma ITL Finance Limited [a joint venture with International Tractors Limited]	2,173.64 (2,904.27)	684.92 (758.13)

xix) In respect of Fixed Assets under Schedule 5

- a) Land and Buildings for own use include leasehold land Rs. 513.00 (Previous Year: Rs. 513.00).
b) Documentation in respect of certain land and buildings (including on lease) are yet to be completed.

xx) Based on information / documents available, no creditor is covered under The Micro, Small and Medium Enterprises Development Act, 2006 and hence no disclosures thereof are made in these accounts.

- xxi) a) C.I.F. value of imports of goods acquired for asset financing arrangements Rs.3,663.51 (Previous Year: Rs. 2,274.83).
b) Expenditure in Foreign Currency on account of Traveling and Others Rs 11.68 (Previous Year: Rs. 30.92).
c) Remittance in foreign currency on account of dividend:

	Paid in 2009-10	Paid in 2008-09
i) In respect of Preference Shares		
Year to which the dividend relates	2008-09	2007-08
Number of shareholders	2	2
Number of shares held	86,10,198	86,10,198
Amount remitted*	504.27	516.85
ii) In respect of Preference Shares **		
Year to which the dividend relates	2008-09	2007-08
Number of shareholders	3	3
Number of shares held	30,00,000	30,00,000
Amount remitted	150.00	150.00
iii) In respect of Equity Shares**		
Year to which the dividend relates	2008-09	2007-08
Number of shareholders	27	28
Number of shares held	60,42,397	60,83,225
Amount remitted	60.42	121.66

* Refer Note 2 (xi)(a), Schedule 16 to Accounts

** Amount remitted / paid to shareholders' banks in India.

- xxii) a) Service Tax was imposed on Hire Purchase and Lease transactions w.e.f. 16 July, 2001. The Company has thereafter discontinued such modes of financing. The levy of Service Tax on hire purchase and leasing transactions was however challenged by the Trade Association of Hire Purchase and Lease Financing Companies, which had filed a writ petition with the Hon'ble High Court of Chennai. The case is now pending before the Hon'ble Supreme Court of India. Pending disposal of the case, the Company did not recognize Service Tax liability on the aforesaid transactions for the relevant period. In the meantime, the Service Tax Authority has raised a demand upon the Company with respect to the above matter, which is being duly contested by the Company before the appropriate appellate authority under the guidance from its legal and tax advisors.

Schedules to the Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

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 Court of Calcutta and had been granted stay order on the same. The case has since been transferred to Hon'ble Supreme Court and is yet to be finally disposed off by the Hon'ble Supreme Court. 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 1 April, 2009.

xxiii) Previous year's figures are regrouped / recast / restated, wherever considered necessary.

xxiv) Details of Movement in Investment during the year ended 31 March 2010

Sl. No.	Name	Opening as on 01.04.2009		Addition during the Year		Deduction during the Year		Closing as on 31.03.2010	
		Qty. Value	Book	Qty. Value	Book	Qty. Value	Book	Qty. Value	Book
A EQUITY SHARES (Fully Paid -Up)									
Quoted									
1	BCL Financial Services Ltd.	600	0.05	-	-	-	-	600	0.05
2	Emami Ltd.	24,928	47.74	2,003	4.67	26,931	52.41	-	-
3	Emami Paper Mills Ltd.	12,000	0.90	-	-	-	-	12,000	0.90
4	HGI Industries Ltd.	1,100	0.42	-	-	-	-	1,100	0.42
5	Hindustan Financial Management Ltd.	200	0.01	-	-	-	-	200	0.01
6	Integrated Thermoplastics Ltd.	5,000	0.15	-	-	-	-	5,000	0.15
7	ITC Ltd.	100	1.12	-	-	-	-	100	1.12
8	Kanoria Plaschem Ltd.	13,400	0.37	-	-	-	-	13,400	0.37
9	Kings International Aqua-Marine Exports Ltd.	20,000	4.90	-	-	-	-	20,000	4.90
10	Lok Housing and Constructions Ltd.	600	0.01	-	-	-	-	600	0.01
11	Prudential Sugar Ltd.	1,000	0.21	-	-	-	-	1,000	0.21
12	Radico Khaitan Finance Ltd.	200	0.01	-	-	-	-	200	0.01
13	TTG Industries Ltd.	20,000	0.16	-	-	-	-	20,000	0.16
Total		99,128	56.05	2,003	4.67	26,931	52.41	74,200	8.31
Unquoted									
1	6.60% UTI Tax Free Bond	7,282	7.27	-	-	7,282	7.27	-	-
2	Celica Developers (P) Ltd.*#	33,109	55.68	1,82,397	667.78	-	-	2,15,506	723.46
3	Experian Credit Information Company of India (P) Ltd.	-	-	42,00,000	420.00	-	-	42,00,000	420.00
4	Fund Point Finance Ltd.	1,20,000	12.00	-	-	-	-	1,20,000	12.00
5	Microfirm Softwares (P) Ltd.	801	0.53	-	-	801	0.53	-	-
6	Multi-Mode Multi-Media Training Services (P) Ltd.	1,60,000	16.00	-	-	-	-	1,60,000	16.00
7	Magma C F Services (P) Ltd.	-	-	1,900	0.99	-	-	1,900	0.99
8	Panchawati Holiday Resorts Ltd.	4,000	0.39	-	-	-	-	4,000	0.39
9	Well Wishers Electronics (P) Ltd.*	2,000	1.22	-	-	2,000	1.22	-	-
10	Viper Estates and Investments (P) Ltd.*	2,58,523	608.00	-	-	258,523	608.00	-	-
Total		5,85,715	701.09	43,84,297	1,088.77	2,68,606	617.02	47,01,406	1,172.84

Schedules to the Accounts

(Rs. in Lacs)
Schedule 16 NOTES ON ACCOUNTS (Contd.)

Sl. No.	Name	Opening as on 01.04.2009		Addition during the Year		Deduction during the Year		Closing as on 31.03.2010	
		Qty. Value	Book	Qty. Value	Book	Qty. Value	Book	Qty. Value	Book
Unquoted (in Subsidiary Companies)									
1	Magma Consumer Finance (P) Ltd.	19,99,400	199.94	-	-	19,99,400	199.94	-	-
2	Magma ITL Finance Ltd.	1,10,99,400	1,109.94	-	-	-	-	1,10,99,400	1,109.94
	Total	1,30,98,800	1,309.88	-	-	19,99,400	199.94	1,10,99,400	1,109.94
B PREFERENCE SHARES (Fully Paid-Up)									
Unquoted									
1	Celica Developers (P) Ltd.*#	-	-	9,600	58.56	9,600	58.56	-	-
2	Well Wishers Electronics (P) Ltd.*	9,600	58.56	-	-	9,600	58.56	-	-
	Total	9,600	58.56	9,600	58.56	19,200	117.12	-	-
C GOVERNMENT SECURITIES									
Unquoted									
1	6-Years National Savings Certificate	-	0.16	-	-	-	-	-	0.16
2	6-Years National Savings Certificate	-	0.23	-	-	-	-	-	0.23
	Total	-	0.39	-	-	-	-	-	0.39
D OTHERS (In Pass Through Certificates)									
1	India Loan Securitisation Series VI Trust 2006 (Issue Proceeds A/c)	6	523.72	-	-	6	523.72	-	-
2	India Loan Securitisation Series I Trust 2008 (Issue Proceeds A/c)	9	816.51	-	-	9	816.51	-	-
3	Receivable Securitisation Trust - SRX	8	830.74	-	-	-	57.54	8	773.20
	Total	23	2,170.97	-	-	15	1,397.77	8	773.20
	Grand Total	1,37,93,266	4,296.94	43,95,900	1,152.00	23,14,152	2,384.26	1,58,75,014	3,064.68
	Provision for Permanent decline in Value	-	83.10	-	-	-	40.00	-	43.10
	Net Total	1,37,93,266	4,213.84	43,95,900	1,152.00	23,14,152	2,344.26	1,58,75,014	3,021.58

* Allotment of Equity Shares of Celica Developers (P) Limited pursuant to Scheme of Amalgamation.

Issue of Equity Shares against conversion of Preference Shares of Celica Developers (P) Limited.

xxv) Details of non-performing assets purchased

Items	Year ended 31 March 2010	Year ended 31 March 2009
A. Number of accounts purchased during the year	2,374	-
B. Aggregate outstanding of accounts purchased during the year	6,539.00	-

None of the non-performing financial assets purchased have been restructured during the year (Previous Year: Nil).

xxvi) Additional disclosure required by NBFC-ND-SI in terms of the notification issued by RBI on 1 August, 2008
a) Capital to Risk Assets Ratio (CRAR)

Items	As at 31 March 2010	As at 31 March 2009
i) CRAR (%)	14.9	17.3
ii) CRAR - Tier I Capital (%)	8.6	9.2
iii) CRAR - Tier II Capital (%)	6.3	8.1

Schedules to the Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

b) Exposure to real estate sector, both direct and indirect	As at 31 March 2010	As at 31 March 2009
Category		
i) Direct exposure		
A. Residential Mortgages-		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs. 15 lacs may be shown separately)	-	-
B. Commercial Real Estate -		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	-	-
C. Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
a. Residential,	-	-
b. Commercial Real Estate.	-	-
ii) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-

c) Maturity pattern of certain items of assets and liabilities

	1 day to 30/ 31 days (one month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks	7,175.37	7,513.82	7,622.30	24,034.92	46,426.13	148,402.01	27,736.45	6,800.00	275,711.00
Market Borrowings	162.05	6,652.00	21,820.93	625.34	25,750.68	12,058.97	11,065.80	2,862.30	80,998.07
Assets									
Advances	26,808.64	21,232.52	10,039.64	28,670.16	54,465.19	160,054.24	25,496.25	49.28	326,815.92
Investments	8.31	-	-	-	-	1,903.33	-	1,109.94	3,021.58
Cash & Bank	38,354.04	870.84	13,119.12	12,283.05	17,537.00	14,671.31	-	10.32	96,845.68

Schedules to the Accounts

(Rs. in Lacs)

Schedule **16** NOTES ON ACCOUNTS (Contd.)

xxvii) Disclosure of details as required in terms of Paragraph 13 of Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

Sl. No.	Particulars	Amount outstanding as at 31 March 2010	Amount outstanding as at 31 March 2009
	Liabilities		
1.	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not due		
a)	Debtentures		
	– Secured	17,000.00	21,250.00
	– Unsecured	57,300.00	19,000.00
b)	Deferred Credits	–	–
c)	Term Loans	90,328.97	70,028.84
d)	Inter-Corporate Loans and Borrowing	–	–
e)	Commercial Paper	13,000.00	15,000.00
f)	Public Deposits	9.84	20.15
g)	Cash Credit / Working Capital Demand Loans from Banks	179,070.26	121,840.15
h)	Overdraft from Bank	–	–
2.	Break-up of (1) (f) above (outstanding public deposits, inclusive of interest accrued thereon but not due)		
a)	In the form of Unsecured debtentures	–	–
b)	In the form of partly secured debtentures i.e. debtentures where there is a shortfall in the value of security	–	–
c)	Other Public Deposits	9.84	20.15
	Assets		
3.	Break-up of Loans and Advances, including Bills Receivables (other than those included in (4) below)		
a)	Secured	–	–
b)	Unsecured	16,225.26	13,705.07
4.	Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards Equipment Leasing/Hire Purchase (EL/HP) activities		
i)	Lease Assets including Lease Rentals under Sundry Debtors	5,397.69	9,674.91
ii)	Stock on Hire including Hire Charges under Sundry Debtors	–	–
iii)	Hypothecation loans counting towards EL/HP activities		
a)	Loans where assets have been repossessed	319.89	865.16
b)	Loans other than above	317,838.76	197,161.69

Schedules to the Accounts

(Rs. in Lacs)

Schedule **16** NOTES ON ACCOUNTS (Contd.)

Sl. No.	Particulars	Amount outstanding as at 31 March 2010	Amount outstanding as at 31 March 2009
5.	Break-up of Investments Current Investments		
i)	Quoted		
	i) Shares a) Equity	–	–
	b) Preference	–	–
	ii) Debentures and Bonds	–	–
	iii) Units of Mutual Funds	–	–
	iv) Government Securities	–	–
	v) Others (please specify)	–	–
ii)	Unquoted		
	i) Shares a) Equity	–	–
	b) Preference	–	–
	ii) Debentures and Bonds	–	–
	iii) Units of Mutual Funds	–	–
	iv) Government Securities	–	–
	v) Others (please specify)	–	–
	Long Term Investments		
i)	Quoted		
	i) Shares a) Equity	0.91	48.34
	b) Preference	–	–
	ii) Debentures and Bonds	–	–
	iii) Units of Mutual Funds	–	–
	iv) Government Securities	–	–
	v) Others (please specify)	–	–
ii)	Unquoted		
	i) Shares a) Equity	2,247.08	1,984.54
	b) Preference	–	9.60
	ii) Debentures and Bonds	–	–
	iii) Units of Mutual Funds	–	–
	iv) Government Securities	–	–
	v) Others		
	– National Savings Certificate	0.39	0.39
	– Pass Through Certificate	773.20	2,170.97

Schedules to the Accounts

(Rs. in Lacs)

Schedule **16** NOTES ON ACCOUNTS (Contd.)

6. Borrower group-wise Classification of all leased assets, stock-on-hire and loans and advances

Category	Secured	Unsecured	Total as at 31 March 2010	Total as at 31 March 2009
i) Related Parties				
a) Subsidiaries	–	684.92	684.92	758.13
b) Companies in the same group	–	–	–	–
c) Other related parties	–	89.78	89.78	326.52
ii) Other than Related Parties	300,067.70	38,939.20	339,006.90	220,322.18
Total	300,067.70	39,713.90	339,781.60	221,406.83

7. Investor group-wise Classification of all investments (current and long term) in shares and securities (both quoted and unquoted)

Category	Market Value /Break up or Fair Value or NAV as at 31.03.2010	Book Value (Net of Provisions) as at 31.03.2010	Market Value Break up or Fair Value or NAV as at 31.03.2009	Book Value (Net of Provisions) as at 31.03.2009
i) Related Parties				
a) Subsidiaries	1,488.43	1,109.94	1,339.02	1,309.88
b) Companies in the same group	–	–	–	–
c) Other related parties	1,549.92	723.46	1,856.62	664.21
ii) Other than Related Parties	1,197.12	1,188.18	2,243.55	2,239.75
Total	4,235.47	3,021.58	5,439.19	4,213.84

8. Other information

Particulars	Total as at 31 March 2010	Total as at 31 March 2009
i) Gross Non-Performing Assets		
a) Related parties	–	–
b) Other than Related parties	–	–
ii) Net Non-Performing Assets		
a) Related parties	–	–
b) Other than Related parties	–	–
iii) Assets acquired in satisfaction of debt	–	–

For and on behalf of
S. S. KOTHARI & CO.
Chartered Accountants

M. Poddar
Chairman

S. Chamria
Vice Chairman &

R. N. Bardhan
Partner

Managing Director

Membership No. 17270
ICAI Firm Registration No. 302034E
Kolkata, 31 May, 2010

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Schedules to the Accounts

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. State Code

Balance Sheet Date

Date Month Year

II. Capital Raised during the year (Amount in Rupees Thousands)

Public Issue Rights Issue

Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rupees Thousands)

Total Liabilities Total Assets

Sources of Funds

Paid-up Capital Reserves & Surplus

Secured Loans Unsecured Loans

Deferred Tax Liability (Net)

Application of Funds

Net Fixed Assets Investments

Net Current Assets Misc. Expenditure

Accumulated Losses

IV. Performance of the Company (Amount in Rupees Thousands)

Turnover Total Expenditure

Profit/(Loss) before Tax Profit/(Loss) after Tax

Earning per share (Rs.)

Basic Diluted Dividend Rate (%)

V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

M. Poddar
Chairman

S. Chamria
Vice Chairman &
Managing Director

V. Lakshmi Narasimhan
Chief Financial Officer
Kolkata, 31 May, 2010

Girish Bhatia
Company Secretary

SUBSIDIARY ACCOUNT

Directors' Report

Dear Shareholders

Your Directors have pleasure in presenting the 3rd Annual Report on the Audited Accounts of the Company for the year ended 31 March, 2010. The summarized financial results are given below:

Financial Results

(Amount in Rs.)

	2009-10	2008-09
Total Income	200,568,829	54,948,207
Profit before Interest and Depreciation	161,627,315	33,874,832
Less: Interest and Finance Charges	87,408,213	26,257,261
Less: Depreciation	-	-
Profit/(Loss) before Tax	74,219,102	7,617,571
Less: Provision for Taxation	25,482,300	1,548,000
Profit/(Loss) after Tax	48,736,802	6,069,571
Provision for Deferred Tax	128,749	(381,363)
Profit/(Loss) after Deferred Tax	48,608,053	6,450,934
Add: Balance Brought Forward from previous year	1,207,855	(3,952,079)
Balance Available for Appropriation	49,815,908	2,498,855
- Statutory Reserves	9,722,000	1,291,000
Balance carried to Balance Sheet	40,093,908	1,207,855
Net Worth	201,106,908	152,498,855
Earning per Equity Share (Rs.)		
-Basic and diluted	3.24	0.83
Book Value per Equity Share (Rs.)	13.39	11.29

Business

The Company was formed as a joint venture between Magma Fincorp Limited and International Tractors Limited. Magma Fincorp Limited holds 74% equity in the joint venture while International Tractors Limited holds 26%.

Following grant of Certificate of Commencement of Business in March 2008, Commercial operations of financing i.e., primarily tractor financing and related activity commenced from 1st July, 2008. The company commenced setting up its financing operations. In this year, the company extended tractor finance operation from 98 locations in 17 states across the country.

After last year's stagnant tractor industry, this year total tractor sales have seen significant buoyancy, clocking 28.41% growth to

4.4 lac units in 2009-10 from 3.4 lac units in 2008-09.

In 2009-10, the company has extended tractor funding for 2424 number of tractors amounting to disbursements of Rs. 7567.40 lacs. It has strengthened mutually beneficial associations with the "Sonalika" tractor dealers and farmers across the country in its course of business.

During the year under review, the Company has earned Operating Profit of Rs. 74,219,102/- and Profit After Tax of Rs. 48,608,053/-. The Company had during the previous year earned a Profit after Tax of Rs. 6,069,571/-

Dividend

Your Directors thought it fit to preserve the resources of the company for its activities and therefore, do not propose any

dividend for the financial year ended 31 March, 2010.

Auditors Observations:

Observations to the Auditors when read together with the relevant notes to the accounts and accounting policies are self explanatory.

Directors' Responsibility Statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed by your Company along with proper explanation relating to material departures, if any.
- having selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31 March, 2010 and of the profit of the Company for the year under review.
- that proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, if any, have been taken.
- that the annual accounts have been prepared on a going concern basis.

RBI Regulations – Compliance

Your Company is a Non Deposit Taking Company and proposes to follow prudent financial management norms as will be applicable and as may be prescribed by the RBI from time to time.

Directors

Mr. Ravi Todi will retire at the ensuing Annual General Meeting and being eligible, has offered himself for reappointment.

Auditors

M/s. S.R.Batliboi & Co., Chartered Accountants, Kolkata, present Statutory Auditors of the Company bearing registration number- 301003E, would retire at the conclusion of the 3rd Annual General Meeting and have expressed their unwillingness to be re-appointed.

M/s. S.R. Batliboi & Co., Chartered Accountants, bearing registration number- 324982E, have expressed their willingness to be appointed as the Statutory Auditors of the Company for the current financial year 2010-11 from the conclusion of the forthcoming 3rd Annual General Meeting till the conclusion of the next Annual General Meeting. They have confirmed that their re-appointment, if made, would be covered within the ceiling specified under Section 224(1B) of the Companies Act, 1956.

Statutory Information

- 1) Your Company does not have any activity relating to conservation of energy or technology absorption.
- 2) There are no employees of the Company who are in receipt of remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956.
- 3) Your Company does not have any foreign exchange earnings or outgo in terms of Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.
- 4) The comments in the Auditors' Report read with Notes on Accounts are self-explanatory.

Appreciation

Your Directors would like to place on record their sincere appreciation to both the Joint Venture Partners –Magma Fincorp Limited and International Tractors Limited for their unstinting support and cooperation.

For and on behalf of the Board of Directors

Place : Kolkata

Dated : 24 May, 2010

Sanjay Chamria

Chairman

Auditor's Report

To
The Members of
Magma ITL Finance Limited

1. We have audited the attached Balance Sheet of Magma ITL Finance Limited ('the Company') as at 31 March, 2010 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our opinion, attention is drawn to note no. 2(h)(i) on schedule 10, regarding change in accounting policy for writing off bad debts resulting into a increase in profit for the year by Rs. 2,934,686. We have relied on management estimates in this regard.
5. *Attention is drawn to note no. 2(c) on schedule 10 regarding recognition of income from finance charges by amortizing the installments by taking month as a unit on the respective due dates and not on a day-to-day basis. The impact of the above on the current year's profit has not been ascertained.*
In respect of above, the previous year's audit report was similarly modified.
6. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 *subject to matter referred in para 5 above*;
 - v. On the basis of the written representations received from the directors, as on 31 March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi. *Subject to para 5 above, whose impact on the Company's profit has not ascertained*, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of balance sheet, of the state of affairs of the Company as at 31 March, 2010;
 - b) in the case of profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & CO.
Firm Registration No. 301003E
Chartered Accountants

22 Camac Street
Block 'C', 3rd Floor
Kolkata – 700 016
Date : 24 May, 2010

per R. K. Agrawal
Partner

Membership No. 16667

Annexure to the Auditor's Report

(Referred to in our report of even date to the members of Magma ITL Finance Limited As at and for the year ended 31 March, 2010.)

- i) The Company doesn't have any fixed assets as on date and hence the requirements of clauses (i) (a) to (c) of the Order are not applicable.
- ii) The Company doesn't have any inventory and hence the requirements of clauses (ii) (a) to (c) of the Order are not applicable.
- iii)
 - a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and as such clauses (iii) (b) to (d) of the Order are not applicable.
 - b) The Company has taken loans from five companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 3412.21 lacs and the year-end balance of loan taken from such parties was Rs. 1893.81

Annexure to the Auditor's Report (Contd.)

(Referred to in our report of even date to the members of Magma ITL Finance Limited As at and for the year ended 31 March, 2010.)

- lacs (including interest of Rs. 17.32 lacs).
- c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.
- d) In respect of loans taken, the repayment of the principal amount is as stipulated and payments of interest have been regular.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. The Company has not made any purchase of fixed assets, inventory or sale of goods during the year.
- v) a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lacs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) Since the Company is not engaged in any manufacturing activities, the clause relating to maintenance of cost records under section 209(1) of the Companies Act, 1956 is not applicable.
- ix) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including income tax, cess, service tax and other material statutory dues applicable to it. The provisions relating to provident fund, investor education and protection fund, employees' state insurance, sales-tax, wealth-tax, customs duty and excise duty are not applicable to the Company.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, cess and service tax were outstanding, at the year end, for a period of more than six months from the date they became payable.
- c) According to the information and explanation given to us, there are no dues of income tax, cess and service tax which have not been deposited on account of any dispute.
- x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in current financial year and in the immediately preceding financial year.
- xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank.
- xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) The Company did not have any outstanding debentures during the year.
- xx) The Company has not raised any money through a public issue during the year.
- xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. BATLIBOI & CO.
Firm Registration No. 301003E
Chartered Accountants

22 Camac Street
Block 'C', 3rd Floor
Kolkata – 700 016
Date : 24 May, 2010

per R. K. Agrawal
Partner
Membership No. 16667

Balance Sheet

(Amount in Rs.)

	Schedule No.	As at 31.03.2010	As at 31.03.2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	150,000,000	150,000,000
Reserves and Surplus	2	51,106,908	19,311,060
Loan Funds			
Secured Loans	3	752,372,813	291,863,851
Unsecured Loans	4	187,799,507	133,711,374
Total		1,141,279,228	594,886,285
APPLICATION OF FUNDS			
Deferred Tax Asset (Refer Note No. 2 (f) of Schedule 10)		252,614	381,363
Current Assets, Loans and Advances			
Assets on Finance (Refer Note No. 2 (b) of Schedule 10)		1,197,808,528	656,433,931
Cash & Bank Balances	5	24,496,626	11,614,400
Loans & Advances	6	5,642,647	3,079,347
		1,227,947,801	671,127,678
Less: Current Liabilities and Provisions			
Current Liabilities	7	75,365,853	75,307,773
Provisions	8	11,555,334	1,314,983
		86,921,187	76,622,756
Net Current Assets		1,141,026,614	594,504,922
Total		1,141,279,228	594,886,285
Significant Accounting Policies and Notes to Accounts	10		

The Schedules referred to above form an integral part of these Accounts

As per our Report of even date

For S. R. BATLIBOI & CO.

Firm Registration No. 301003E

Chartered Accountants

per R. K. Agrawal

Partner

Membership No. 16667

Place : Kolkata

Date : 24 May, 2010

S. Chamria

Director

A. S. Mittal

Director

Ravi Todi

Director

For and on behalf of the Board

Ritu Bhojak

Company Secretary

Profit and Loss Account

(Amount in Rs.)

	Schedule No.	Year ended 31.03.2010	Year ended 31.03.2009
INCOME			
Income from Operation		200,568,829	54,150,172
OTHER INCOME			
Interest on Fixed Deposits (Gross) (Tax Deducted at Source Rs. Nil [Rs. 183,698/-])		–	798,035
Total		200,568,829	54,948,207
EXPENDITURE			
Operating Expenses		29,325,461	16,877,569
Brokerage and Commission		–	3,169,750
Printing & Stationery		152,172	182,015
Auditor's Remuneration		550,232	233,072
Bad Debts Written off		8,281,923	–
Provision for Non Performing Assets /(Written back)		(119,384)	119,384
Bank Charges		551,817	378,783
Interest & Finance Charges	9	87,408,213	26,257,261
Miscellaneous Expenses		199,293	112,802
Total		126,349,727	47,330,636
Profit Before Taxation		74,219,102	7,617,571
Provision for Taxation			
– Current Tax		25,482,300	1,548,000
– Deferred Tax charge/(credit)		128,749	(381,363)
Profit After Taxation		48,608,053	6,450,934
Balance brought forward from previous year		1,207,855	(3,952,079)
Balance Available for Appropriation		49,815,908	2,498,855
Appropriations			
Transferred to Statutory Reserve		9,722,000	1,291,000
Balance Carried to Balance Sheet		40,093,908	1,207,855
		49,815,908	2,498,855
Basic and Diluted Earning per Share (Rs.)		3.24	0.83
(Nominal value of shares - Rs.10 each) (Refer Note No. 2(e) of Schedule 10)			
Significant Accounting Policies and Notes to Accounts	10		

The Schedules referred to above form an integral part of these Accounts

As per our Report of even date

For S. R. BATLIBOI & CO.

Firm Registration No. 301003E

Chartered Accountants

per R. K. Agrawal

Partner

Membership No. 16667

Place : Kolkata

Date : 24 May, 2010

S. Chamria

Director

A. S. Mittal

Director

Ravi Todi

Director

Ritu Bhojak

Company Secretary

For and on behalf of the Board

Cash Flow Statement

(Amount in Rs.)

	Year ended 2009-10	Year ended 2008-09
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	74,219,102	7,617,571
Adjustment for:		
Provision for Non Performing Assets/ (Written back)	(119,384)	119,384
Bad Debts written off	8,281,923	–
Interest & Finance Charges	87,408,213	26,257,261
Interest on Fixed Deposit	–	(798,035)
Operating Profit Before Working Capital Changes	169,789,854	33,196,181
Increase in Assets on Finance	(549,656,520)	(656,433,931)
Increase in Loans & Advances	(2,563,300)	(3,079,347)
Increase/(Decrease) in Other Payables	(3,583,750)	75,033,290
Increase/(Decrease) in Delinquency Fund	(16,812,205)	16,812,205
Net Cash From Operating Activities Before Interest	(402,825,921)	(534,471,602)
Interest Received	–	891,734
Direct Tax Paid	(15,122,565)	(183,698)
Net Cash Used in Operations	(417,948,486)	(533,763,566)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Net Cash from Investing Activities	–	–
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds From issue of Equity Shares	–	100,000,000
Proceeds From Borrowings	514,597,095	425,575,225
Interest & Finance Charges Paid	(83,766,383)	(26,094,015)
Net Cash from Financing Activities	430,830,712	499,481,210
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	12,882,226	(34,282,356)
Cash & Cash Equivalents at the beginning of the Year	11,614,400	45,896,756
Cash & Cash Equivalents at the end of the Year	24,496,626	11,614,400
Components of Cash & Cash Equivalents		
– Cash and Cheque in hand	21,818,546	5,174,591
With Scheduled Banks		
– On Current Account	2,678,080	6,439,809
	24,496,626	11,614,400

For S. R. BATLIBOI & CO.
Firm Registration No. 301003E
Chartered Accountants

per R. K. Agrawal
Partner
Membership No. 16667

For and on behalf of the Board

Place : Kolkata
Date : 24 May, 2010

S. Chamria
Director

A. S. Mittal
Director

Ravi Todi
Director

Ritu Bhojak
Company Secretary

Schedules annexed to and forming part of Accounts (Amount in Rs.)

	As at 31.03.2010	As at 31.03.2009
Schedule 1 SHARE CAPITAL		
Authorised		
35,000,000 Equity Shares of Rs 10/- each	350,000,000	350,000,000
	350,000,000	350,000,000
Issued, Subscribed and Fully Paid-up		
15,000,000 Equity Shares of Rs.10/- each [Out of the above, 11,099,400 Equity Shares are held by Magma Fincorp Limited, the Holding Company]	150,000,000	150,000,000
	150,000,000	150,000,000
Schedule 2 RESERVES AND SURPLUS		
Statutory Reserve		
Balance as per last Account	1,291,000	–
Transferred from Profit and Loss Account	9,722,000	1,291,000
	11,013,000	1,291,000
Delinquency Fund (Refer Note No.2(h) of Schedule 10)		
Balance as per last Account	16,812,205	–
Add: Additions During the period	19,140,214	16,812,205
Less: Adjusted against Bad Debts written off	35,952,419	–
	–	16,812,205
Profit and Loss Account Balance	40,093,908	1,207,855
	51,106,908	19,311,060
Schedule 3 SECURED LOANS		
Term Loans from scheduled Banks	434,693,432	150,000,000
(Secured by hypothecation /first charge on the assets financed by the Company and corporate guarantee of Magma Fincorp Limited - the Holding Company)		
Cash Credit from Bank	317,679,381	141,863,851
(Secured by hypothecation / first charge ranking pari passu with each other on the assets financed and on the entire future receivables of the Company both present and future and corporate guarantee of Magma Fincorp Limited - the Holding Company)		
	752,372,813	291,863,851
Schedule 4 UNSECURED LOANS		
– From Holding Company	67,765,677	73,765,678
– From Bodies Corporate	120,033,830	59,945,696
	187,799,507	133,711,374
Schedule 5 CASH AND BANK BALANCES		
Cash-in-hand	391,382	4,244,753
Cheques in hand	21,427,164	929,838
Balances with Scheduled Banks in:		
– Current Accounts	2,678,080	6,439,809
	24,496,626	11,614,400

Schedules annexed to and forming part of Accounts (Amount in Rs.)

	As at 31.03.2010	As at 31.03.2009
Schedule 6 LOANS & ADVANCES (Unsecured, Considered Good)		
Advances recoverable in cash or kind or for the value to be received or pending adjustments	5,642,647	3,079,347
	5,642,647	3,079,347
Schedule 7 CURRENT LIABILITIES		
Sundry Creditors		
Due to Micro, Small & Medium Enterprises (Refer Note No. 2(j) of Schedule 10)	–	–
Due to Others	33,273,322	41,183,768
Advance from Customers	20,707,312	12,668,606
Temporary Book Overdraft from Bank	17,224,935	18,688,501
Interest accrued but not due	3,805,076	163,246
Other Liabilities	355,208	2,603,652
	75,365,853	75,307,773
Schedule 8 PROVISIONS		
For Taxation (Net of Advance Tax/ Tax Deducted at Source)	11,555,334	1,195,599
For Non Performing Assets	–	119,384
	11,555,334	1,314,983

	Year ended 31.03.2010	Year ended 31.03.2009
Schedule 9 INTEREST AND FINANCE CHARGES		
On Fixed Loans	64,152,272	16,883,974
On Cash Credit Account	18,568,931	7,001,666
On Others	1,244,435	109,821
Financial Charges	3,442,575	2,261,800
	87,408,213	26,257,261

Schedule 10 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS**1. Significant Accounting Policies****a. Basis of Preparation of Financial Statements**

These financial statements have been prepared to comply in all material respects with the Accounting Standards notified by the Companies Accounting Standards Rules, 2006, (as amended), the relevant provisions of the Companies Act, 1956 and the directions prescribed by the Reserve Bank of India for Non-Banking Financial Companies. The financial statements have been prepared under the historical cost convention and on accrual basis, unless otherwise stated. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

Schedules annexed to and forming part of Accounts

(Amount in Rs.)

Schedule 10 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd.)

c. Assets on Finance

Assets on Finance are valued at net investment amount including installments due and are net of unmatured finance charges. Repossessed assets are valued at lower of book value and estimated realisable value.

d. Revenue Recognition

- i) Income from Finance Charges included in Income from Operation represents earning from Assets on Finance arrived at by amortizing the installments containing the Finance Charges, such amortization being based on Internal Rate of Return method on individual agreements.
- ii) Any income received upfront is recognised upon execution of the applicable contracts.
- iii) Interest on fixed deposits is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

e. Provisioning / Write off of Non Performing Assets

As a prudent financial management, during the year, the Company has decided to follow a more stringent policy than the guidelines prescribed by Reserve Bank of India for Non-deposit taking Finance Companies (NBFC-ND). In accordance with this policy, all contracts with six months past dues have been treated as loss assets and written off as bad debts, net of delinquency fund received from dealers and recoveries made so far. Any subsequent recoveries made out of these contracts will be treated as income for the year in which the same is received.

f. Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity share holders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

g. Taxation on Income

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred Tax is measured based on the tax rates and tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

h. Cash and Cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

i. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Schedules annexed to and forming part of Accounts

(Amount in Rs.)

Schedule 10 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd.)

2. Notes to Accounts

a. Business Segments

The Company has only one Business Segment viz. financing and related activities and only one Geographical Segment viz. India. As such no separate Business and Geographical reportable segments information as per Accounting Standards - 17 (Segment Reporting) has been furnished in the accounts.

b. Assets on Finance

Assets on Finance includes repossessed asset of Rs. 2,828,000 /- (Rs.- 1,116,315/-)

c. Revenue Recognition

The amortization, as mentioned in Note No. 1(d)(i) above, has been done by taking month as a unit on the respective due dates and not on day-to-day basis, as permitted by AS – 19 (Leases). Had this amortization been done on a daily basis, the income from finance charges would have been higher. However, the practice since consistently followed, the impact of the same on an ongoing basis is not expected to be significant. Further, the incremental impact on the current year's income on account of the above is not readily ascertainable.

d. Related Party Disclosures:

Aggregated Related Party disclosure as at and for the year ended 31 March, 2010.

Holding Company

Magma Fincorp Limited

Fellow Subsidiary Companies

Magma Consumer Finance Private Limited (Upto 22 March, 2010)

Associate Company

International Tractors Limited

Key Management Personnel

Sanjay Mathur

Relatives of Key Management Personnel

Avantika Mathur

Leena Mathur

Neha Mathur

Jayatai Mathur

Abhilasha Mathur

Prem Kumari Mathur

Aggregate of Related Party Transactions during the period:

SL. No.	Nature of Transaction	Holding Company		Associate Company	
		Transaction Amount (Rs.)	Outstanding as at 31.03.2010 (Rs.)	Transaction Amount (Rs.)	Outstanding as at 31.03.2010 (Rs.)
1.	Equity Share Holding	- (74,000,000)	110,994,000 (110,994,000)	- (26,000,000)	39,000,000 (39,000,000)
2.	Operating Expenses	29,325,461 (16,877,569)	3,316,324 (2,047,133)	- (-)	- (-)
3.	Unsecured Loan	259,000,000 (503,565,678)	68,491,768 (73,765,678)	- (-)	- (-)
4.	Interest paid/payable	13,231,012 (16,647,053)	- (-)	- (-)	- (-)
5.	Advances recoverable	- (-)	- (-)	3,023,940 (-)	2,272,573 (-)
6.	Corporate Guarantee	784,693,432 (300,000,000)	1084,693,432 (300,000,000)	- (-)	- (-)

Schedules annexed to and forming part of Accounts

(Amount in Rs.)

Schedule 10 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd.)

e. Earnings Per Share

Calculation of Earnings Per Share as required by Accounting Standard – 20 is as below:

Particulars	2009-10	2008-09
Profit as per Profit and Loss Account (Rs.)	48,608,053	6,450,934
Weighted Average number of Equity Shares (Nos.)	15,000,000	7,767,123
Nominal value of Equity Shares (Rs.)	10	10
Basic & Diluted Earnings per share (Rs.)	3.24	0.83

f. Deferred Tax

In terms of Accounting Standard- 22, net Deferred Tax Asset (DTA) of Rs. 252,614 (after adjusting deferred tax liability of Rs. 128,749 for the year) has been recognised in the accounts upto 31 March, 2010, the break-up of which is as under:

Particulars	2009-10	2008-09
Preliminary expenses	252,614	344,473
Provision for Non Performing Assets	–	36,890
Total (Rs.)	252,614	381,363

g. Details of Auditor's Remuneration

Particulars	2009-10	2008-09
Audit Fee	250,000	150,000
Tax Audit Fees	–	50,000
In other capacity for fees and certificates etc.	300,232	33,072
Total (Rs.)	550,232	233,072

- h. i) During the year, the Company has decided to follow a more stringent policy for writing off bad debts as compared to the erstwhile policy of making provision for bad debts as per guidelines prescribed by Reserve Bank of India for Non-deposit taking Finance Companies (NBFC-ND). In view of the management, such change, which has been done as a matter of prudence, will reflect a better financial position of the Company in the present market scenario. In accordance with the revised policy, all contracts with six months past dues have been treated as loss assets and written off as bad debts net of delinquency fund received from the dealers and recoveries made so far (as mentioned in note 2(h) (ii) below). Any subsequent recoveries made out of these contracts will be accounted as income in the year of receipt.

Had the Company continued to use the earlier policy of provision for bad debts, the profit for the year would have been lower by Rs. 29.35 lacs.

ii) The Company continues to get contribution for the delinquency fund from the dealers. However, in terms of the arrangement, delinquency fund of Rs 35,952,419 /- (including opening balance of Rs 16,812,205/-) has been fully adjusted against bad debts written off during the year, as stated above.

i. Operating Expenses

Operating expenses charged to Profit and Loss Account, represent consideration paid / payable to Magma Fincorp Limited (Holding Company) for providing support services as per Joint Venture arrangement.

- j. Based on the information / documents available, no creditor is covered under The Micro, Small and Medium Enterprises Development Act, 2006 and hence no disclosures thereof are made in these accounts.
- k. Previous year's figures are regrouped/re-arranged, wherever considered necessary.

Schedules annexed to and forming part of Accounts

(Amount in Rs.)

Schedule 10 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd.)

- I. Additional disclosure required by NBFC-ND-SI in terms of the notification issued by RBI on 1 August, 2008, which has become applicable to the Company during the year, are as follows:

a) Capital to Risk Assets Ratio (CRAR)

Items	As at 31 March 2010
i) CRAR (%)	16.69
ii) CRAR – Tier I Capital (%)	16.69
iii) CRAR - Tier II Capital (%)	–

b) Exposure to real estate sector, both direct and indirect.

Category	As at 31 March 2010
a) Direct exposure	
i) Residential Mortgages -	
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs. 15 lacs may be shown separately)	–
ii) Commercial Real Estate -	
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	–
iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -	
a. Residential,	–
b. Commercial Real Estate.	–
b) Indirect Exposure	
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	–

c) Maturity pattern of certain items of assets and liabilities

(Rs. in lacs)

	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks*	375.83	225.26	236.81	686.94	1,389.43	3,745.48	846.45	17.53	7,523.73
Market Borrowings	–	–	–	–	–	1,878.00	–	–	1,878.00
Assets									
Advances	416.74	217.40	260.28	693.65	1,445.00	5,795.97	3,140.46	65.01	12,034.51
Investments	–	–	–	–	–	–	–	–	–

* Cash credit borrowings from banks amounting to Rs. 3,176.79 lacs have been distributed over the same period as the maturity pattern of assets on finance.

Schedules annexed to and forming part of Accounts

(Amount in Rs.)

Schedule 10 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd.)

- m. Disclosure of details as required in terms of Paragraph 13 of Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

(Rs in lacs)

SI No.	Particulars	Amount as at 31 March 2010	Amount as at 31 March 2009
	Liabilities		
1.	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:		
	a) Debentures		
	– Secured	–	–
	– Unsecured	–	–
	b) Deferred Credits	–	–
	c) Term Loans	4,369.17	1,500.00
	d) Inter-Corporate Loans and Borrowing	1,893.81	1,337.11
	e) Commercial Paper	–	–
	f) Cash Credit from Banks	3,176.79	1,418.64
	Assets		
2.	Break-up of Loans and Advances, including Bills Receivables (other than those included in (4) below)		
	a) Secured	–	–
	b) Unsecured	56.43	30.79
3.	Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards Equipment Leasing/Hire Purchase (EL/HP) activities		
	i) Lease Assets including Lease Rentals under Sundry Debtors	–	–
	ii) Stock on Hire including Hire Charges under Sundry Debtors	–	–
	iii) Hypothecation loans counting towards EL/HP activities		
	a) Loans where assets have been repossessed	28.28	13.42
	b) Loans other than above	11,949.81	6,550.92
4.	Break-up of Investments Current Investments		
	i) Quoted		
	i) Shares		
	a) Equity	–	–
	b) Preference	–	–
	ii) Debentures and Bonds	–	–
	iii) Units of Mutual Funds	–	–
	iv) Government Securities	–	–
	v) Others (please specify)	–	–
	ii) Unquoted		
	i) Shares		
	a) Equity	–	–
	b) Preference	–	–
	ii) Debentures and Bonds	–	–
	iii) Units of Mutual Funds	–	–
	iv) Government Securities	–	–
	v) Others (please specify)	–	–

Schedules annexed to and forming part of Accounts

(Amount in Rs.)

Schedule 10 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd.)

		(Rs in lacs)	
Sl No.	Particulars	Amount as at 31 March 2010	Amount as at 31 March 2009
Long Term Investments			
i) Quoted			
	i) Shares a) Equity	-	-
	b) Preference	-	-
	ii) Debentures and Bonds	-	-
	iii) Units of Mutual Funds	-	-
	iv) Government Securities	-	-
	v) Others (please specify)	-	-
ii) Unquoted			
	i) Shares a) Equity	-	-
	b) Preference	-	-
	ii) Debentures and Bonds	-	-
	iii) Units of Mutual Funds	-	-
	iv) Government Securities	-	-
	v) Others (please specify)	-	-

5. Borrower group-wise Classification of all leased assets, stock-on-hire and loans and advances

Category	Secured	Unsecured	Total as at 31 March, 2010	Total as at 31 March, 2009
i) Related Parties				
a) Subsidiaries	-	-	-	-
b) Companies in the same group	-	-	-	-
c) Other related parties	-	22.73	22.73	-
ii) Other than Related Parties				
	11,978.09	33.70	12,011.79	6,595.13
Total	11,978.09	56.43	12,034.52	6,595.13

6. Investor group-wise Classification of all investments (current and long term) in shares and securities (both quoted and unquoted)

Category	Market Value /Break up or Fair Value or NAV as at 31.03.2010	Book Value (Net of Provisions) as as at 31.03.2010	Market Value /Break up or Fair Value or NAV as at 31.03.2009	Book Value (Net of Provisions) as as at 31.03.2009
i) Related Parties				
a) Subsidiaries	-	-	-	-
b) Companies in the same group	-	-	-	-
c) Other related parties	-	-	-	-
ii) Other than Related Parties				
	-	-	-	-
Total	-	-	-	-

Schedules annexed to and forming part of Accounts

(Amount in Rs.)

Schedule 10 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (Contd.)

7. Other information		(Rs in lacs)	
Particulars	Total as at 31 March, 2010	Total as at 31 March, 2009	
i) Gross Non-Performing Assets			
a) Related parties	–	–	
b) Other than Related parties	–	6.09	
ii) Net Non-Performing Assets			
a) Related parties	–	–	
b) Other than Related parties	–	4.89	
iii) Assets acquired in satisfaction of debt	–	–	

For S. R. BATLIBOI & CO.

Firm Registration No. 301003E

Chartered Accountants

per R. K. Agrawal

Partner

Membership No. 16667

Place : Kolkata

Date : 24 May, 2010

S. Chamria

Director

A. S. Mittal

Director

Ravi Todi

Director

For and on behalf of the Board

Ritu Bhojak

Company Secretary

Schedules annexed to and forming part of Accounts

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

1 2 0 1 3 7

State Code

2 1

Balance Sheet Date

3 1 0 3 2 0 1 0

Date

Month

Year

II. Capital Raised during the year (Amount in Rupees Thousands)

Public Issue

N I L

Bonus Issue

N I L

Rights Issue

N I L

Private Placement

N I L

III. Position of Mobilisation and Deployment of Funds (Amount in Rupees Thousands)

Total Liabilities

1 2 2 8 2 0 0

Total Assets

1 2 2 8 2 0 0

Sources of Funds

Paid-up Capital

1 5 0 0 0 0

Reserves & Surplus

5 1 1 0 7

Secured Loans

7 5 2 3 7 3

Unsecured Loans

1 8 7 8 0 0

Application of Funds

Net Fixed Assets

N I L

Investments

N I L

Net Current Assets

1 1 4 1 0 2 7

Miscellaneous Expenditure

N I L

Deferred Tax Asset

2 5 3

Accumulated Losses

N I L

IV. Performance of the Company (Amount in Rupees Thousands)

Turnover

2 0 0 5 6 9

Total Expenditure

1 2 6 3 5 0

Profit/ (Loss) before Tax

7 4 2 1 9

Profit/ (Loss) after Tax

4 8 6 0 8

Earning per share (in Rs.)

3 . 2 4

Dividend Rate (%)

N I L

V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code)

N A

Product Description

A S S E T F I N A N C I N G

For and on behalf of the Board

Place : Kolkata
Date : 24 May, 2010S. Chamria
DirectorA. S. Mittal
DirectorRavi Todi
DirectorRitu Bhojak
Company Secretary

Consolidated Auditor's Report

TO THE BOARD OF DIRECTORS OF MAGMA FINCORP LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF MAGMA FINCORP LIMITED AND ITS SUBSIDIARY

1. We have examined the attached Consolidated Balance Sheet of Magma Fincorp Limited and its subsidiary as at 31 March, 2010 and the Consolidated Profit & Loss Account for the year ended on that date annexed thereto, and the Consolidated Cash Flow Statement for the year ended on that date. These Consolidated Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material mis-statements. An audit includes examining on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of its subsidiary, whose financial statements reflect total assets of Rs. 12,282.00 lacs as at 31 March, 2010 and total revenue of Rs. 2,005.69 lacs for the year ended on that date. These financial statements have been audited by an other auditor whose report has been furnished to us, and in our opinion, in so far as they relate to the amounts included in respect of the subsidiary, are based solely on the report of the other auditor.
4. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21; "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and on the basis of separate audited Financial Statements of Magma Fincorp Limited and its subsidiary included in the Consolidated Financial Statements.
5. On the basis of the information and explanation given to us and on consideration of the separate audit reports on individual audited financial statements of Magma Fincorp Limited and its subsidiary, in our opinion, the Consolidated Financial Statements, give a true and fair view, in conformity with the accounting principles generally accepted in India:
 - a) In case of the Consolidated Balance Sheet, of the consolidated state of affairs of Magma Fincorp Limited and its subsidiary as at 31 March, 2010,
 - b) In case of the Consolidated Profit & Loss Account, of the consolidated results of operation of Magma Fincorp Limited and its subsidiary for the year ended on that date, and
 - c) In case of the Consolidated Cash Flow Statement, of the consolidated cash flow of Magma Fincorp Limited and its subsidiary for the year ended on that date.

For S. S. KOTHARI & CO.
Chartered Accountants

India Steamship House
21, Old Court House Street
Kolkata – 700 001.
Dated: 31 May, 2010

R. N. Bardhan
Partner
Membership No.17270
ICAI Firm Registration No. 302034E

Consolidated Balance Sheet

(Rs. in Lacs)

	Schedule No.	As at 31.03.2010	As at 31.03.2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	13,787.91	13,787.91
Reserves and Surplus	2	33,048.95	27,474.52
		46,836.86	41,262.43
Mezzanine Capital		–	185.92
Minority Interest		522.96	417.65
Loan Funds			
Secured Loans	3	293,922.96	198,537.63
Unsecured Loans	4	71,510.17	52,119.60
		365,433.13	250,657.23
Deferred Tax Liability (Net)		4,789.02	4,963.42
Total		417,581.97	297,486.65
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	38,207.05	37,996.66
Less: Depreciation		17,411.18	14,176.88
Net Block		20,795.87	23,819.78
Investments	6	1,911.64	2,903.96
Current Assets, Loans and Advances			
Assets on Finance		330,136.73	204,591.19
Stock-in-trade		17.17	–
Sundry Debtors	7	710.81	655.28
Cash & Bank Balances	8	97,090.65	90,247.13
Other Current Assets		36.18	44.71
Loans and Advances	9	15,596.77	12,986.41
		443,588.31	308,524.72
Less: Current Liabilities and Provisions			
Current Liabilities	10	43,401.68	35,348.42
Provisions	11	5,312.17	2,413.39
		48,713.85	37,761.81
Net Current Assets		394,874.46	270,762.91
Total		417,581.97	297,486.65
Notes on Accounts	16		

This is the Balance Sheet referred to in our Report of even date

For and on behalf of
S. S. KOTHARI & CO.
Chartered Accountants

R. N. Bardhan
Partner
Membership No. 17270
ICAI Firm Registration No. 302034E
Kolkata, 31 May, 2010

M. Poddar
Chairman

V. Lakshmi Narasimhan
Chief Financial Officer

The Schedules referred to above form an integral part of these accounts

S. Chamria
Vice Chairman &
Managing Director

Girish Bhatia
Company Secretary

Consolidated Profit and Loss Account

(Rs. in Lacs)

	Schedule No.	Year ended 31.03.2010	Year ended 31.03.2009
INCOME			
Income from Operations		65,658.80	57,469.34
Other Income	12	6,647.78	5,644.30
		72,306.58	63,113.64
EXPENDITURE			
Payments to and Provisions for Employees	13	10,533.55	9,992.15
Operative and Administrative Expenses	14	14,943.58	14,790.95
Interest and Finance Charges	15	32,504.56	28,802.59
Depreciation		3,278.58	3,423.90
		61,260.27	57,009.59
Profit Before Tax		11,046.31	6,104.05
Provision for Taxation (Net of amount written back)		4,089.02	1,340.16
Provision for Deferred Tax		(174.82)	784.05
Profit After Tax		7,132.11	3,979.84
Minority Interest		126.40	17.79
Profit After Tax After Minority Interests		7,005.71	3,962.05
Balance Brought Forward		6,683.49	4,493.51
Balance Available for Appropriation		13,689.20	8,455.56
Appropriations			
Statutory Reserve		1,427.22	805.13
General Reserve		500.00	–
Dividend on Preference Shares (Refer Note 2 (xii)(a), Schedule 16 to Accounts)		599.28	601.86
Proposed Equity Dividend (Refer Note 2 (xii)(b), Schedule 16 to Accounts)		517.39	217.77
Dividend Tax (Refer Note 2 (xii)(a), Schedule 16 to Accounts)		185.30	139.30
Balance Carried to Balance Sheet		10,460.01	6,691.50
		13,689.20	8,455.56
Earning per Share - Basic (in Rupees)		28.96	15.04
- Diluted (in Rupees)		28.90	15.01
(Refer Note 2 (x), Schedule 16 to Accounts)			
Notes on Accounts	16		

This is the Profit and Loss Account referred to in our Report of even date

The Schedules referred to above form an integral part of these accounts

For and on behalf of
S. S. KOTHARI & CO.
Chartered Accountants

M. Poddar
Chairman

S. Chamria
Vice Chairman &
Managing Director

R. N. Bardhan
Partner
Membership No. 17270
ICAI Firm Registration No. 302034E
Kolkata, 31 May, 2010

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Consolidated Cash Flow Statement

(Rs. in Lacs)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit Before Tax		11,046.31		6,104.05
Adjustments for :				
Depreciation	3,278.58		3,423.90	
Bad Debts Written-off (net)	4,083.48		4,151.19	
Interest and Dividend Income	(5,300.63)		(4,612.87)	
(Profit) on Sale of Investments	(17.21)		(20.56)	
Loss on Sale of Fixed Assets	14.38		34.69	
Interest and Finance Charges	32,504.56		28,802.68	
Employee Compensation Expenses on account of ESOS	49.08		55.67	
Provision for Diminution in Value of Investments	(40.00)		29.94	
Provision for Non Performing Assets	(1.19)	34,571.05	1.19	31,865.83
Operating profit before working capital changes		45,617.36		37,969.88
Adjustments for :				
Trade and Other Receivables	(1,138.09)		(2,375.24)	
Assets on Finance	(133,409.10)		(21,876.56)	
Delinquency Fund	(168.12)		-	
Trade Payables	10,201.71	(124,513.60)	(16,894.23)	(41,146.03)
Cash used in operations		(78,896.24)		(3,176.15)
Interest and Finance Charges Paid	(33,012.95)		(28,115.63)	
Tax Paid (Net)	(2,767.54)	(35,780.49)	(1,589.49)	(29,705.12)
Net cash used in operating activities (A)		(114,676.73)		(32,881.27)
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(342.43)		(4,904.23)	
Proceeds from Sale of Fixed Assets	13.85		65.47	
Purchase of Long Term Investments	(425.66)		(834.71)	
Proceeds from Sale of Long Term Investments	1,675.13		91.54	
Purchase of Current Investments	-		(2,500.00)	
Proceeds from Sale of Current Investments	-		7,520.00	
Interest and Dividend Received	5,120.81		4,612.87	
Net Cash from investing activities (B)		6,041.70		4,050.94

Consolidated Cash Flow Statement (Contd.)

(Rs. in Lacs)

Particulars	Year ended 31.03.2010		Year ended 31.03.2009	
C. CASH FLOW FROM FINANCING ACTIVITIES				
Share Application Money Received	2,138.75		260.00	
Increase in Borrowings (Net)	114,589.98		59,768.59	
Dividend Paid (Including Tax on Dividend)	(1,018.88)		(1,431.94)	
Net cash from financing activities (C)		115,709.85		58,596.65
Net increase in cash and cash equivalents (A+B+C)		7,074.82		29,766.32
Cash and cash equivalents as at the beginning of the year		90,015.83		60,480.81
Cash and cash equivalents as at the end of the year		97,090.65		90,247.13
Components of Cash & Cash Equivalents				
Cash and Cheques on Hand		3,407.24		3,869.86
Balances with Scheduled Banks:				
In Current/Cash Credit Accounts		23,929.64		23,948.17
In Unpaid Dividend Accounts		20.30		18.90
In Fixed Deposit Accounts		69,733.47		62,410.20
		97,090.65		90,247.13

Notes on Accounts

16

This is the Cash Flow Statement referred to in our Report of even date

The Schedules referred to above form an integral part of these accounts

For and on behalf of
S. S. KOTHARI & CO.
Chartered Accountants

M. Poddar
Chairman

S. Chamria
*Vice Chairman &
 Managing Director*

R. N. Bardhan
Partner
 Membership No. 17270
 ICAI Firm Registration No. 302034E
 Kolkata, 31 May, 2010

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Schedules to the Consolidated Accounts

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
Schedule 1 SHARE CAPITAL		
Authorised		
35,000,000 (Previous year - 35,000,000) Equity Shares of Rs.10 each	3,500.00	3,500.00
25,000,000 (Previous year - 25,000,000) Preference Shares of Rs.100 each	25,000.00	25,000.00
	28,500.00	28,500.00
Issued, Subscribed and Paid-up		
21,777,140 (Previous Year - 21,777,140) Equity Shares of Rs.10 each, fully paid up (Of the above shares 9,482,450 shares were allotted as fully paid up pursuant to schemes of amalgamation without payment being received in cash.)	2,177.71	2,177.71
2,109,199 (Previous Year - 2,109,199) 9.70% Cumulative Non-Convertible Redeemable Preference Shares of Rs.100 each, allotted on 17 February, 2006 (Redeemable at par in five equal annual installments starting at the end of 5 years from the date of allotment till all the preference shares are redeemed which is at the end of 9th year from the date of allotment.)	2,109.20	2,109.20
3,000,000 (Previous Year - 3,000,000) 5% Cumulative Non-Convertible Redeemable Preference Shares "NCPS" of Rs.100 each, allotted at par on 4 August, 2006 (Redeemable at the end of 7 years along with a redemption premium equal to 53% of the NCPS consideration, provided that the return of the investor on the NCPS p.a. shall not exceed 300 basis points over the Prime Lending Rate of the State Bank of India or such other limit as provided under law from time to time.)	3,000.00	3,000.00
6,500,999 (Previous Year - 6,500,999) Cumulative Non-Convertible Redeemable Preference Shares of Rs.100 each, allotted at par on 26 March, 2007 (carrying dividend rate fixed at 6 months US Dollar Libor plus 3.25%, redeemable in US Dollar in five equal installments of US Dollar 3 million each, for the first time on 1 April, 2012 and thereafter on 1 April of each subsequent calendar year until all Preference Shares are redeemed. The last and final date of redemption will be 1 April, 2016.)	6,501.00	6,501.00
	13,787.91	13,787.91

(Rs. in Lacs)

Schedules to the Consolidated Accounts

	As at 31.03.2010	As at 31.03.2009
Schedule 2 RESERVES AND SURPLUS		
Capital Reserve	457.98	457.98
Capital Redemption Reserve	1,000.00	1,000.00
Securities Premium Account	10,285.30	10,285.30
Amalgamation Reserve Account	106.48	106.48
Employee Stock Option Outstanding		
Employee Stock Option Outstanding	188.08	191.45
Less: Deferred Employee Compensation Expenses	43.52	95.97
	144.56	95.48
General Reserve		
Balance as per last Account	3,636.34	3,636.34
Add: Transferred from Profit and Loss Account	500.00	–
	4,136.34	3,636.34
Statutory Reserve (under RBI Act)		
Balance as per last Account	5,031.06	4,228.19
Add: Transferred from Profit and Loss Account	1,427.22	805.13
	6,458.28	5,033.32
Delinquency Fund (Refer Note 2 (xx)(b), Schedule 16 to Accounts)		
Opening	168.12	168.12
Add: Addition during the year	191.40	–
Less: Adjusted against Bad Debts Written Off	359.52	–
	–	168.12
Profit and Loss Account	10,460.01	6,691.50
	33,048.95	27,474.52

Schedules to the Consolidated Accounts

(Rs. in Lacs)

		Security as per	As at 31.03.2010	As at 31.03.2009
Schedule	3	SECURED LOANS		
500	Redeemable Non-Convertible Debentures of the face value of Rs.10 lacs each allotted on 30 November, 2006 [Series J]. Above Debentures are redeemable at par in 12 quarterly instalments from the date of allotment.	Note 1 (a) & (b)	–	1,250.00
300	Redeemable Non-Convertible Debentures of the face value of Rs.10 lacs each allotted on 31 December, 2006 [Series K]. Above Debentures are redeemable at par on 31 December, 2009.	Note 1 (a) & (b)	–	3,000.00
700	Redeemable Non-Convertible Debentures of the face value of Rs.10 lacs each allotted on 25 January, 2008 [Series M]. Above Debentures are redeemable at par on 21 January, 2011.	Note 1 (a) & (b)	7,000.00	7,000.00
1,000	Redeemable Non-Convertible Debentures of the face value of Rs.10 lacs each allotted on 8 September, 2008 [Series N]. Above Debentures are redeemable at par on 18 September, 2009.	Note 1 (a) & (b)	–	10,000.00
100	Redeemable Non-Convertible Debentures of the face value of Rs.10 lacs each allotted on 17 August, 2009 [Series O]. Above Debentures are redeemable at par on 16 August, 2012.	Note 1 (a) & (b)	1,000.00	–
200	Redeemable Non-Convertible Debentures of the face value of Rs.10 lacs each allotted on 16 October, 2009 [Series P]. Above Debentures are redeemable at par on 15 October, 2012.	Note 1 (a) & (b)	2,000.00	–
700	Redeemable Non-Convertible Debentures of the face value of Rs.10 lacs each allotted on 16 November, 2009 [Series Q]. Above Debentures are redeemable at par on 16 November, 2012.	Note 1 (a) & (b)	7,000.00	–
Term Loans from Banks and Financial Institutions		Note 2	94,675.91	54,028.84
Cash Credit/Working Capital Demand Loans from Banks		Note 3	182,247.05	123,258.79
			293,922.96	198,537.63

Notes:

- Debentures are secured by mortgage of Company's immovable property situated at Village - Mehrun, Taluk and District Jalgaon in the state of Maharashtra.
 - In addition to 1(a) above, Debentures of series J, K, M, N, O, P and Q are secured against specific Assets on Finance/Loan/Lease/Hire.
- Term Loans from Banks/Financial Institutions are secured by hypothecation of certain Assets on Finance/Loan/Lease/Hire and assignment of rentals receivable therefrom. Certain Term Loans are additionally secured by way of personal guarantee of a Director. 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.
- Cash Credit, Working Capital Demand Loans from Banks are secured by hypothecation of the Company's Finance/Loan/Lease/Hire assets, stocks of equipment, plant, machinery, spare parts etc. 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 FIs, Banks or any other finance organisation). These are collaterally secured by Equitable Mortgage of immovable properties and personal guarantee of a Director.

Schedules to the Consolidated Accounts

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
Schedule 4 UNSECURED LOANS		
Redeemable Non- Convertible Debentures (Refer Note 2 (viii)(a), Schedule 16 to Accounts)	32,500.00	2,000.00
Subordinated Redeemable Non- Convertible Debentures (Tier II Capital) (Refer Note 2 (viii)(b), Schedule 16 to Accounts)	21,800.00	17,000.00
Subordinated Non- Convertible Perpetual Debentures (Tier I Capital) (Refer Note 2 (viii)(c), Schedule 16 to Accounts)	3,000.00	–
Commercial Papers	13,000.00	15,000.00
Term Loan:		
from Banks	–	5,000.00
from Others	–	12,500.00
Fixed Deposits*	9.84	20.15
Other Loans	1,200.33	599.45
	71,510.17	52,119.60

* Represents liability transferred to and vested in the Company pursuant to the Amalgamation of Shrachi Infrastructure Finance Limited with the Company in the financial year 2006-07. The Company had since repaid / transferred to Escrow Account, the entire outstanding amount together with interest, in accordance with Reserve Bank of India directives.

Schedule 5 FIXED ASSETS

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04. 2009	Additions during the year	Ded/Adj during the year	As at 31.03. 2010	As at 01.04. 2009	For the year	Ded/Adj during the year	As at 31.03. 2010	As at 31.03. 2010	As at 31.03. 2009
Fixed Assets for Own Use										
Land and Buildings	3,518.21	–	63.21*	3,455.00	504.16	50.22	3.68 *	550.70	2,904.30	3,014.05
Plant and Machinery	11,735.81	48.14	34.33	11,749.62	1,697.82	795.63	25.79	2,467.66	9,281.96	10,037.99
Furniture and Fixtures	1,939.14	163.98	18.01	2,085.11	661.33	117.80	8.98	770.15	1,314.96	1,277.81
Office Equipment	1,275.29	94.91	8.20	1,362.00	246.02	64.44	2.88	307.58	1,054.42	1,029.27
Vehicles	321.51	25.92	7.97	339.46	143.67	23.62	2.95	164.34	175.12	177.84
Intangible Assets										
Computer Softwares	516.23	9.48	–	525.71	179.46	75.14	–	254.60	271.11	336.77
Business and Commercial Rights	800.00	–	–	800.00	106.67	160.00	–	266.67	533.33	693.33
Holiday Time Share	0.32	–	0.32	–	–	–	–	–	–	0.32
Sub-total	20,106.51	342.43	132.04	20,316.90	3,539.13	1,286.85	44.28	4,781.70	15,535.20	16,567.38
Previous Year	15,415.20	4,904.23	212.92	20,106.51	2,408.11	1,243.78	112.76	3,539.13	16,567.38	–
Fixed Assets on Operating Lease										
Land and Building	11.00	–	–	11.00	0.97	0.18	–	1.15	9.85	10.03
Commercial Vehicles	17,771.08	–	–	17,771.08	10,578.74	1,975.16	–	12,553.90	5,217.18	7,192.34
Plant and Machinery	98.29	–	–	98.29	51.61	15.93	–	67.54	30.75	46.68
Office Equipment	9.78	–	–	9.78	6.43	0.46	–	6.89	2.89	3.35
Sub-total	17,890.15	–	–	17,890.15	10,637.75	1,991.73	–	12,629.48	5,260.67	7,252.40
Previous Year	17,890.15	–	–	17,890.15	8,457.63	2,180.12	–	10,637.75	7,252.40	–
Total	37,996.66	342.43	132.04	38,207.05	14,176.88	3,278.58	44.28	17,411.18	20,795.87	23,819.78
Previous Year	33,305.35	4,904.23	212.92	37,996.66	10,865.74	3,423.90	112.76	14,176.88	23,819.78	–

* Represents amounts transferred to Stock-in-trade

Schedules to the Consolidated Accounts

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
Schedule 6 INVESTMENTS		
Long Term		
Other than Trade (at cost)		
Government Securities		
Unquoted (Rs. 0.16 lac pledged with Sales Tax Authorities)	0.39	0.39
Shares		
Quoted (Fully paid-up of Rs.10 each)	8.31	56.05
Unquoted (Fully paid-up of Rs.10 each)	1,172.84	759.65
Others		
Unquoted (in Pass Through Certificates)	773.20	2,170.97
	1,954.74	2,987.06
Less : Provision for Diminution in Value of Investments	43.10	83.10
	1,911.64	2,903.96
Notes:		
Aggregate Book Value of Quoted Investments	8.31	56.05
Aggregate Book Value of Unquoted Investments	1,946.43	2,931.01
Aggregate Market Value of Quoted Investments	3.40	52.13

Schedule 7 SUNDRY DEBTORS		
Debts outstanding for a period exceeding 6 months		
Unsecured - Considered Good	-	-
	-	-
Other Debts		
Unsecured - Considered Good	710.81	655.28
	710.81	655.28

Schedule 8 CASH AND BANK BALANCES		
Cash in hand	3,192.97	3,686.62
Cheques in hand	214.27	183.24
Balances with Scheduled Banks:		
In Current/Cash Credit Accounts	23,929.64	23,948.17
In Unpaid Dividend Accounts	20.30	18.90
In Fixed Deposit Accounts [Under Lien Rs. 57,523.36 (Previous Year Rs. 48,686.45)]	69,733.47	62,410.20
	97,090.65	90,247.13

(Rs. in Lacs)

Schedules to the Consolidated Accounts

	As at 31.03.2010	As at 31.03.2009
Schedule 9 LOANS AND ADVANCES		
Loans		
Unsecured - Considered Good	125.70	541.45
Advances recoverable in cash or kind or for value to be received		
Considered Good	6,848.51	5,281.10
Tax Payments/Deduction at Source - Considered Good	2,762.81	1,464.78
Margin with Bodies Corporate	3,294.85	3,294.85
Accrued Interest/Financial Charges, etc.	1,838.37	1,659.49
Deposits - Considered Good	726.53	744.74
	15,596.77	12,986.41

Schedule 10 CURRENT LIABILITIES		
Sundry Creditors	21,703.12	12,312.71
Advances/Deposits from Customers	15,051.20	18,831.28
Unclaimed Dividend	20.25	18.88
Credit Balances in Current Accounts with Banks	172.25	194.12
Share Application Money	2,138.75	-
Other Liabilities	2,464.55	1,631.48
Interest accrued but not due on Loans/Deposits	1,851.56	2,359.95
	43,401.68	35,348.42

Schedule 11 PROVISIONS		
Proposed Dividend (including tax thereon)	1,352.76	1,071.04
Provision for Taxation	3,959.41	1,341.16
Provision for Non Performing Assets	-	1.19
	5,312.17	2,413.39

	Year ended 31.03.2010	Year ended 31.03.2009
Schedule 12 OTHER INCOME		
Rent	113.32	31.65
Dividend (Long Term, Other than Trade)	1.37	0.01
Interest on Investments (Long Term, Other than Trade)	247.84	178.69
Interest on Loans, Margins, etc.	324.65	665.35
Interest on Fixed Deposits	4,726.77	3,768.82
(Loss)/Profit on Sale of Fixed Assets	(14.38)	(34.69)
Profit/(Loss) on Sale of Investments	17.21	20.56
Sale of Power	1,226.35	1,002.63
Miscellaneous Income	4.65	1.28
	6,647.78	5,644.30

Schedules to the Consolidated Accounts

(Rs. in Lacs)

	Year ended 31.03.2010	Year ended 31.03.2009
Schedule 13 PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages and Bonus, etc.	9,855.07	9,077.11
Contribution to Provident and Other Funds	350.39	487.84
Staff Welfare Expenses	279.01	371.53
Employee Compensation Expenses on account of ESOS	49.08	55.67
	10,533.55	9,992.15

Schedule 14 OPERATIVE AND ADMINISTRATIVE EXPENSES		
Rent	746.25	909.74
Brokerage and Commission	5,021.72	4,657.35
Operating Expenses	293.25	168.78
Rates and Taxes	75.92	23.97
Insurance	51.75	54.89
Advertisement and Publicity	52.50	91.53
Travelling and Conveyance	1,029.25	896.88
Repairs and Maintenance - Machinery	240.15	172.64
Repairs and Maintenance - Others	60.64	67.53
Motor Car Expenses	65.64	80.78
Directors' Fees	5.64	4.65
Professional Fees	1,113.09	814.92
Legal Charges	505.63	415.96
Printing and Stationery	208.85	230.14
Communication Expenses	528.71	679.85
Wealth Tax	0.81	1.05
Electricity Charges	270.15	280.88
Provision for Diminution in Value of Investments	(40.00)	29.94
Bad Debts Written-off (net)/ Provision for Non Performing Assets	4,083.48	4,152.38
Miscellaneous Expenses	630.15	1,057.09
	14,943.58	14,790.95

Schedule 15 INTEREST AND FINANCE CHARGES		
On Debentures	6,320.59	6,196.28
On Term Loans	14,651.58	9,199.48
On Working Capital and Other Financial Charges	11,532.39	13,406.83
	32,504.56	28,802.59

Schedules to the Consolidated Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

i) Basis of Preparation

- a) The financial statements have been prepared under the historical cost convention and on an accrual basis unless otherwise stated.
- b) The Company follows the directions prescribed by the Reserve Bank of India for Non-Banking Financial Companies, provisions of the Companies Act, 1956 and the applicable Accounting Standards notified by the Central Government under the Companies (Accounting Standard) Rules, 2006.
- c) The preparation of financial statements requires the management to make estimates and assumptions considered in the 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. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

ii) Principles of Consolidation

Consolidated Financial Statements relate to Magma Fincorp Limited, the Parent Company and its subsidiary (the 'Group'). The Consolidated Financial Statements are in conformity with the Accounting Standard (AS) 21; "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India and are prepared as set out below:

- a) The Financial Statements of the Parent Company and its subsidiary have been combined on a line by line basis by adding together book values of like items of assets, liabilities, income and expenses after adjustments / eliminations of inter-company balances, transactions including unrealised profits.
- b) The Consolidated Financial Statements are prepared by adopting 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 Parent Company's separate Financial Statements unless otherwise stated.
- c) The excess of cost to the Parent Company of its investment in the subsidiary over the parent's portion of equity of the subsidiary at the dates they become subsidiary or vice versa is recognized in the Consolidated Financial Statements as Goodwill or Capital Reserve as the case may be.
- d) Minority interest in the Consolidated Financial Statements is identified and recognized after taking into consideration:
The amount of equity attributable to minorities at the date on which investments in a subsidiary is made.
The minorities share of movement in equity since the date parent-subsidiary relationship came into existence.
Adjustment of the losses attributable to the minorities against the minority interest in the equity of the subsidiary and thereafter adjustment of the excess of loss, if any, over the minority interest in the equity against General Reserve.

iii) Assets on Finance

- a) Assets on Finance include assets given on Finance / Loan / Lease / Hire 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/ Lease/ Hire agreements and is net of unmatured/ unearned finance charges and amounts securitised/ assigned and includes advances under such agreements.
- c) Repossessed assets are valued at lower of book value and estimated realisable value.

iv) Revenue Recognition

- a) Income from Operations include earnings from Assets on Finance / Loan / Lease / Hire arrived at by amortising the installments containing the Finance Charges, as and when these become due, as per the related arrangements, such amortisation being based on Internal Rate of Return method on individual agreements. In case of operating lease, rent income is accounted for as and when this becomes due, as per the related arrangements. In respect of NPAs acquired, recoveries in excess of consideration paid is recognised as income in accordance with RBI guidelines.

Schedules to the Consolidated Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

- b) In respect of receivables securitised prior to 1 February, 2006 and receivables assigned bilaterally, the difference between the book value of the assets securitised / assigned and the sale consideration is taken to income. In terms of Reserve Bank of India's Guideline, in respect of receivables securitised post 1 February, 2006, gain / (loss) arising thereon is amortised over the tenure of the related receivables.
- c) Upfront income (net) received is recognised upon execution of the applicable contracts.
- d) Income from dividends is accounted for on receipt basis.
- e) Interest on Loans, Margins, Fixed Deposits, etc. are recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- f) Income from power generation is recognised as per the terms of the relevant Power Purchase Agreements with the respective parties.
- g) All other items of income are accounted for on accrual basis.
- h) Initial direct costs incurred in respect of operating lease are recognised as expense in the year in which they are incurred.
- i) As a part of prudent financial management, the Company had decided to progressively follow the internationally accepted accounting principles on revenue recognition, provisioning and asset classification. These principles stipulate de-recognition of income on 90 days past dues, progressive provisioning and recognition of contracts with 180 days past dues as loss assets. These principles are more stringent than the guidelines prescribed by the Reserve Bank of India for compliance by the finance companies.

In accordance with these prudent accounting policies, all contracts with 180 days past dues other than NPAs acquired have been treated as loss assets and written off as bad debts. Any subsequent recoveries made out of these contracts will be treated as income for the year during which the same is received.

In case of Magma ITL Finance Limited, a subsidiary Company, all contracts with 180 days past dues have been treated as loss assets and written off as bad debts, net of delinquency fund received from dealers and recoveries made so far. Any subsequent recoveries made out of these contracts will be treated as income for the year in which the same is received.

v) Prudential Norms

Subject to Para 1 (iv) (i) above, the Company has followed the Prudential Norms issued by Reserve Bank of India, as applicable, and revenue / assets have been represented (considering adjustments / write-off / net-off, as applicable) keeping in line therewith and management prudence.

vi) Fixed Assets

- a) Fixed Assets are stated at cost less depreciation and grants received against these assets, if any.
- b) Capital work-in-progress is stated at cost and includes advances given for acquisition of assets.
- c) Intangible Assets are stated at cost of acquisition less accumulated amortisation.

vii) Depreciation

Depreciation on Fixed Assets for own use and on Operating Lease has been provided on Straight Line Method on book value at the applicable rates and in the manner specified in Schedule-XIV to the Companies Act, 1956. Depreciation on commercial vehicles given on operating lease is provided on Straight Line Method at rates based on economic life of the assets. Intangible Assets are amortised over the assets' estimated useful life not exceeding 6 years.

viii) Stock-in-trade

Stock-in-trade comprises of real estate property held for sale and is valued at lower of cost or net realisable value.

Schedules to the Consolidated Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

ix) Transactions in Foreign Currencies

In respect of transactions covered by Forward Foreign Exchange Contract, the difference between the forward rate and exchange rate at the inception of contract is recognised as income or expense over the life of the contract.

x) Grants

Grants, if any, received against specific assets are deducted from the gross value of assets concerned in arriving at its book value and grants related to revenue are credited to the related expenditure.

xi) Investments

a) Investments that are intended to be held for more than a year, from the date of acquisition, are classified as long term investments and are carried at cost. However, provision for diminution in value of investments is made to recognise a decline, other than temporary.

b) Investments other than long term investments are valued at lower of cost and fair value of each share individually.

xii) Retirement and Other Employee Benefits

Defined Contribution Plans

Company's contributions to Provident Fund are recognised as expense of the year in which Company's contributions to the fund are due. The Company has no obligations other than the contributions payable to the fund.

Defined Benefit Plans

Gratuity liability and compensated leave encashment are provided for based on actuarial valuation made at the end of each financial year. Actuarial gain and losses are recognised immediately in the statement of Profit & Loss Account as income or expense.

xiii) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised.

xiv) Impairment of Fixed Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in estimate of recoverable amount.

xv) Provision and Contingent Liabilities

Provisions are recognized in accounts in respect of present probable obligations, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

2. NOTES TO THE ACCOUNTS

- i) The financial statements of the following subsidiary company has been considered for consolidation.

Name of the subsidiary Company	Country of Incorporation	Extent of holding as on 31 March 2010
Magma ITL Finance Limited (MITL)	India	74.00%

Schedules to the Consolidated Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

Magma Consumer Finance Private Limited (MCFL), which was a subsidiary, ceased to be a subsidiary of the Company on and with effect from 22 March, 2010. Hence, the financial figures in relation to the same have not been considered in the Consolidated Financial Statements, as well as in opening balances, for the year ended 31 March, 2010; and the same have been considered in the said statements for the previous year ended 31 March, 2009.

ii) Assets on Finance

- a) Assets on Finance is net of amounts securitised / assigned of Rs. 4,81,834.74 (Previous Year: Rs. 4,96,578.39).
- b) Value of repossessed assets as at the year-end is Rs. 348.17 (Previous Year: Rs. 876.32).

iii) Assets Given on Operating Lease

- a) Maturity pattern of the future minimum operating lease payments are as follows:

Lease Assets Maturity	Amount
Not later than one year	259.42
	(1,178.73)
Later than one year but not later than five years	50.50
	(351.82)
Total	309.92
	(1,530.55)

- b) Operating Lease Rental for the year is Rs. 991.41 (Previous Year: Rs. 2,105.71), included in Income from Operations.

iv) Securitisation

Details of financial assets securitised in terms of Reserve Bank of India's Guideline on securitisation of assets issued on 1 February, 2006, are as under:

	For the year ended 31 March 2010	For the year ended 31 March 2009
Total number of contracts securitised	–	4,648
Book value of contracts securitised	–	10,274.49
Sale consideration	–	10,274.49
Gain on securitisation (amortised over corresponding period)	–	664.54
Assets subordinated	–	2,293.40
Bank Deposit provided as collateral	–	2,293.40

Above excludes assignment of financial assets under bilateral arrangement with Banks / FIs.

v) Retirement and Other Employee Benefits

Gratuity and Other post-employment benefit plans

The following tables summarise the components of net benefit/ expense recognised in the Profit and Loss Account and Balance Sheet for the respective plans.

- a) Expenses recognised in the Profit and Loss Account:

Particulars	For the year ended 31 March 2010		For the year ended 31 March 2009	
	Gratuity	Leave	Gratuity	Leave
Current service cost	90.10	25.68	64.00	22.07
Interest cost	27.79	19.22	19.63	11.28
Actuarial Losses /(Gains)	(56.66)	36.61	68.54	132.79
Expected return on Plan Assets	(34.31)	–	(26.56)	–
Net expense	26.92	81.51	125.61	166.14

Schedules to the Consolidated Accounts

(Rs. in Lacs)

Schedule **16** NOTES ON ACCOUNTS (Contd.)

b) Net Asset / (Liability) recognised in the Balance Sheet:

Particulars	As at 31 March 2010		As at 31 March 2009	
	Gratuity	Leave	Gratuity	Leave
Defined Benefit Obligation	412.75	305.73	366.36	271.88
Fair Value on Plan Assets	539.96	–	380.41	–
Net Asset / (Liability)	127.21	(305.73)	14.05	(271.88)

c) Changes in the present value of the defined benefit obligation are as follows:

Particulars	As at 31 March 2010		As at 31 March 2009	
	Gratuity	Leave	Gratuity	Leave
Defined Benefit Obligation at the beginning of the year	366.36	271.88	251.08	162.78
Current Service Cost	90.10	25.68	64.00	22.07
Interest Cost	27.79	19.22	19.63	11.28
Actuarial Losses /(Gains)	(56.02)	36.61	66.44	132.79
Benefit Paid	(15.48)	(47.66)	(34.79)	(57.04)
Defined Benefit Obligation at the end of the year	412.75	305.73	366.36	271.88

d) Changes in the fair value of the plan assets are as follows:

Particulars	As at 31 March 2010		As at 31 March 2009	
	Gratuity	Leave	Gratuity	Leave
Fair Value of the Plan Assets at the beginning of the year	380.41	–	276.42	–
Actual return on Plan Assets	34.95	–	24.46	–
Contributions	140.08	47.66	114.32	57.04
Benefit Paid	(15.48)	(47.66)	(34.79)	(57.04)
Fair Value of the Plan Assets at the end of the year	539.96	–	380.41	–

e) The Principal Actuarial Assumptions used in determining gratuity and leave liabilities are as shown below:

Particulars	Year ended 31 March 2010		Year ended 31 March 2009	
	Gratuity	Leave	Gratuity	Leave
Discount Rate	8.25%	8.25%	7.75%	7.75%
Salary Increase	5.00%	5.00%	4.50%	4.50%
Expected rate of return on Plan Assets	7.75%	–	8.40%	–

f) Amount provided for defined contribution plans are as follows:

	Year ended 31 March 2010	Year ended 31 March 2009
Contribution to Provident / Pension fund	288.98	313.90

Schedules to the Consolidated Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

- g) The estimate of future salary increases, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

vi) Stock-in-Trade	Year ended 31 March 2010		Year ended 31 March 2009	
	Qty (Area)	Amount	Qty (Area)	Amount
Real Estate Property				
Opening	–	–	–	–
Purchase / Transfer *	30,045 sq. ft.	59.53	–	–
Sales / Surrender	4,660 sq. ft.	42.36	–	–
Closing	25,385 sq. ft.	17.17	–	–

* Transferred from Fixed Assets

vi) Employee Stock Option Scheme

The Remuneration Committee of the Board of Directors had granted 3,50,800 Options to the eligible employees of the Company under "Magma Employee Stock Option Plan 2007" on 12 October, 2007.

The disclosures in respect of Employees Stock Option Scheme which are outlined in this year's Annexure to the Report of the Directors is treated as an annexure to these accounts.

viii) a) Particulars of Privately placed Unsecured Redeemable Non-Convertible Debentures

Number of debentures	Face Value (Rs.)	As at 31.03.2010	As at 31.03.2009	Terms of Redemption Redeemable at par in	
20	1,00,00,000	–	2,000	May-2009	Redeemed
1,00,00,000	100	10,000	–	Nov-2010	–
75,00,000	100	7,500	–	Dec-2010	–
65	1,00,00,000	6,500	–	May-2010	–
85	1,00,00,000	8,500	–	Jun-2010	–
		32,500	2,000		

b) Particulars of Tier II capital raised by the Company by issue of Subordinated Unsecured Redeemable Non-Convertible Debentures

Number of debentures	Face Value (Rs.)	As at 31.03.2010	As at 31.03.2009	Terms of Redemption Redeemable at par in	
500	10,00,000	5,000	5,000	May-2013	
250	10,00,000	2,500	2,500	Jun-2013	
500	10,00,000	5,000	5,000	Jul-2013	
50	10,00,000	500	500	Mar-2014	
100	10,00,000	1,000	1,000	May-2014	
300	10,00,000	3,000	3,000	Jun-2014	
480	10,00,000	4,800	–	Jun-2015	
		21,800	17,000		

Schedules to the Consolidated Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

- c) Particulars of Tier I capital raised by the Company by issue of Subordinated Unsecured Non-Convertible Perpetual Debentures (Perpetual Debt Instruments)

Number of debentures	Face Value (Rs.)	As at 31 March 2010		As at 31 March 2009	
		Amount Outstanding	Percentage of Tier I Capital	Amount Outstanding	Percentage of Tier I Capital
100	10,00,000	1,000	2.72%	–	–
200	10,00,000	2,000	5.45%	–	–
		3,000	8.17%	–	–

The Company has raised Rs. 3,000 (Previous Year: Rs. Nil) during the year by issue of Perpetual Debt Instruments. 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.

ix) **Business Segments**

The Company is engaged primarily in the business of financing and only in one Geographical Segment viz. India. As such no separate Business and Geographical reportable segment's information as per Accounting Standard 17 (Segment Reporting) has been furnished in the accounts.

x) **Earning per Share**

Calculation of Earning per Share (Basic & Diluted) as required by Accounting Standard 20:

[Refer Note 2 (xii)(a), Schedule 16 to Accounts]

Sl. No.	Particulars	Units	Year ended 31.03.2010	Year ended 31.03.2009
	Basic & Diluted			
1.	i) Weighted average number of Equity Shares for Basic EPS	Nos.	2,17,77,140	2,17,77,140
	ii) Weighted average number of Equity Shares for Diluted EPS [after considering 0.48 Lac Shares (Previous Year: 0.49 Lac) resulting from assumed exercise of employee stock options]	Nos.	2,18,25,451	2,18,26,317
2.	Net Profit after tax	Rs.'Lacs	7,005.71	3,979.84
3.	Less : Preference Dividend including Tax on Dividend	Rs.'Lacs	698.65	704.15
4.	i) Net Profit for Equity Shareholders for Basic EPS	Rs.'Lacs	6,307.06	3,275.69
	ii) Net Profit for Equity Shareholders for Diluted EPS	Rs.'Lacs	6,307.06	3,275.69
5.	i) Earning Per Share – Basic	Rs.	28.96	15.04
	ii) Earning Per Share – Diluted	Rs.	28.90	15.01

- xi) The details of Potential Equity Share / Equity Share transactions occurred after the balance sheet date which has not been considered for calculation of Diluted Earning per Share (EPS) in accordance with Accounting Standard 20 (Earning per Share), are as follows.

- a) The Company has allotted on 30 April, 2010, 20,00,000 Warrants to one of the Promoter entities carrying an option / entitlement to subscribe to equivalent number of Equity Shares at a price of Rs. 250/- per Equity Share, on a future date not exceeding 18 months from the date of issue of such Warrants in terms of provisions of SEBI Guidelines for Preferential Issue (Chapter VII of the SEBI (Issue and Disclosure Requirements) Regulations, 2009).
- b) The Company has allotted on 12 May, 2010, 40,67,220 Equity Shares to Qualified Institutional Buyers (QIBs) in the Qualified Institutions Placement under chapter VIII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 at a price of Rs. 301/- per Equity Share (including premium of Rs. 291/- per Share) aggregating to Rs. 12,242.33.

Schedules to the Consolidated Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

Further, the Company has allotted on preferential basis on 25 May, 2010, 25,260 Equity Shares under Employee Stock Option Plan (ESOP) pursuant to SEBI (ESOS and ESPS) Guidelines, 1999 to the eligible employees of the Company. The total paid-up Equity Share Capital of the Company stands increased to 2,58,69,620 Equity Shares of Rs.10/- each aggregating to Rs. 2,586.96. These Equity Shares will rank pari passu in all respects with the existing issued Equity Shares of par value of Rs.10/- per Share in the capital of the Company, including the right to receive all dividends and other distributions declared, made or paid in respect of Equity Shares of the Company.

- c) The Company is in the process of issuing Cumulative Redeemable Non-Convertible Preference Shares and it has received Rs. 2,138.75 as application money against the same, pending allotment.
- xii) a) As per the terms of issue, the holders of the 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each aggregating to Rs. 6501.00 (equivalent to USD 15 Million) allotted 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. 1st January or 1st July depending upon the actual date of payment plus 3.25% on subscription amount of USD 15 Million. Accordingly, the dividend for the financial year ended 31 March, 2010 has been provided in accounts based on the 6 months US Dollar Libor applicable as on 1 January, 2010 and closing exchange rate applicable as on 31 March, 2010 and which might vary depending on the actual date of payment of the Dividend. Accordingly, the excess dividend and tax thereon of Rs. 50.80 (Previous Year: Rs. 112.11) provided with respect to above Preference Shares for the previous financial year ended 31 March, 2009 has been reversed in the current year with consequent impact on Earning per Share for the year. The Company has also provided during the year Rs. 22.72 for differential dividend in respect of earlier years including tax thereon.
- b) The Company has provided dividend on 2,58,69,620 Equity Shares of Rs.10/- each (including on 40,92,480 Equity Shares issued subsequent to balance sheet date).

xiii) Related Party Disclosures

Aggregated Related Party Disclosures as at and for the year ended 31 March, 2010:

Associates

Acme Abasan Private Limited, AMRI Hospitals Limited, Bengal Tools Limited, Betwa Highrise Private Limited, Betwa Nirman Private Limited, Calcutta Becon Engineering Co. Limited, Camaro Infrastructure Private Limited, Celica Developers Private Limited, Chinar Builders & Contractors Limited, CLP Business Private Limited, Gagan Tradelink Private Limited, Gitika Chemicals and Finance Private Limited, GNB Credit Private Limited, GNB Logistics Private Limited, Hardeo Finance Private Limited, Jaguar Advisory Services Private Limited, Juhi Investment Private Limited, Kanaiya Engineering & Finance Limited, Liberty Pharma Limited, Magma HDI General Insurance Company Limited, Mask Corp, USA, Microfirm Softwares Private Limited, Nadia Pulp & Board Limited, Nadia Security Printing & Stationery Company Limited, Neobeam Properties Private Limited, Noblesse Crystal Private Limited, Pragati Sales Private Limited, Shivangan Developers Private Limited, Shrachi Developers Private Limited, Shrachi Insurance Agencies Private Limited, Shrachi Jaideep Construction Private Limited, Shrachi Realty Private Limited, Sino India Agro Machinery, Solvex Estates Private Limited, Sunflower Engineering Industries Private Limited, Ultimate Complex Private Limited, International Tractors Limited, CLP & Sons HUF, Mayank Poddar HUF, B L Chamria & Others HUF, Sanjay Chamria HUF and Ravi Todi HUF.

Key Management Personnel

Mayank Poddar, Sanjay Chamria, Ravi Todi and Sanjay Mathur.

Schedules to the Consolidated Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

Relatives of Key Management Personnel

Anuj Poddar, Ashita Poddar, Kalpana Poddar, Mansi Modi, Nidhi Mansingka, Rajat Poddar, Shaili Poddar, Urmila Devi Poddar, Harshvardhan Chamria, Rajashree Tikmani, Vanita Chamria, Chitra Lekha Todi, Rahul Todi, Rhea Todi, Ruchi Todi, Sarika Todi and Shrawan Kumar Todi, Avantika Mathur, Jayatai Mathur, Neha Mathur, Prem Kumari Mathur, Abhilasha Mathur and Leena Mathur.

Balance as at 31 March 2010	Associates	Key Management Personnel	Relatives of Key Management Personnel
Security Deposit	267.60 (267.60)	- (-)	- (-)
Sundry Creditors	- (0.97)	- (-)	- (-)
Asset on Finance	- (38.79)	- (-)	- (-)
Investments	723.46 (664.21)	- -	- -
Loans & Advances Given	112.51 (20.13)	- (-)	- (-)

For the year ended 31 March 2010	Associates	Key Management Personnel	Relatives of Key Management Personnel
Support Services, Finance Charges, etc. (Included in Income from Operations)	- (158.27)	- (-)	- (-)
Rent Receipts	5.24 (-)	- (-)	- (-)
Interest Receipts	14.91 (-)	- (-)	- (-)
Interest Payment	0.69 (45.91)	- (-)	- (15.89)
Rent Paid	229.40 (188.49)	- (-)	- (-)
Directors' Remuneration	- (-)	158.36 (158.49)	- (-)
Printing & Stationery	- (0.26)	- (-)	- (-)
Sale / Transfer of Stock-in-Trade	42.36 (-)	- (-)	- (-)
Sale of Investments	80.00 (-)	- (-)	- (-)
Fixed Assets Purchased	- (800.00)	- (-)	- (-)
Directors' Fee	- (-)	- (-)	1.20 (1.00)
Secondment of Employees	- (204.35)	- (-)	- (-)
Professional Fees	- (4.51)	- (-)	- (-)

Schedules to the Consolidated Accounts

(Rs. in Lacs)

Schedule 16 NOTES ON ACCOUNTS (Contd.)

xiv) The Company along with its associates have entered into a Joint Venture Agreement with HDI Gerling International Holding AG ("HDI"), a part of the Talanx AG Group, Germany for the purpose of undertaking General Insurance Business in India through the existing Company Magma HDI General Insurance Company Limited (the "JV Company") subject to necessary regulatory approvals. As per the terms of the Joint Venture Agreement, it has been agreed between the Company and HDI that all out of pocket costs and expenses shall be borne by the Company and HDI equally (i.e. a 50:50 cost sharing ratio) and on Completion (i.e. R2 approval being received from Insurance Regulatory Development Authority), the JV Company will reimburse to the Company and HDI the costs incurred by them respectively.

xv) Deferred Tax Liability

The net deferred tax liability of Rs. 4,789.02 (Previous Year: Rs. 4,963.42) as on 31 March, 2010 has arisen on account of the following:

	As at 31 March 2010	As at 31 March 2009
Deferred Tax Liabilities		
i) Difference between Book and Tax written down value	4,831.88	5,051.68
ii) Others	42.26	–
(A)	4,874.14	5,051.68
Deferred Tax Assets		
i) Capital Loss carried forward	54.83	56.05
ii) Others	30.29	32.21
(B)	85.12	88.26
(A-B)	4,789.02	4,963.42

xvi) Contingent Liabilities not provided for

	As at 31 March 2010	As at 31 March 2009
i) Income Tax matters under dispute	30.50	48.27
ii) VAT matters under dispute	22.66	22.66
iii) Legal cases against the Company	190.27	103.51
iv) Recourse obligation in respect of securitised assets (net of cash collaterals)	11,988.01	15,224.56
v) Unexpired Bank Guarantee	14,400.74	491.73

xvii) Amounts paid/payable to Auditors (included in Miscellaneous Expenses)

	Year ended 31 March 2010	Year ended 31 March 2009
i) Audit Fees	10.77	9.87
ii) Taxation Audit Fees	2.76	3.26
iii) Other Matters (Certificates etc.)	8.32	4.75
Total	21.85	17.88

Schedules to the Consolidated Accounts

(Rs. in Lacs)

Schedule **16** NOTES ON ACCOUNTS (Contd.)

xviii) Managerial Remuneration paid / payable

	Year ended 31 March 2010	Year ended 31 March 2009
Salary *	84.96	84.96
Contribution to Provident and Gratuity Funds *	14.28	14.28
Other Benefits *	59.12	59.25
Other Directors' - Sitting Fees	5.64	4.65
Total	164.00	163.14

* Included in Schedule 13 under respective heads of expenses.

xix) In respect of Fixed Assets under Schedule 5

- a) Land and Buildings for own use include leasehold land Rs.513.00 (Previous Year: Rs. 513.00).
- b) Documentation in respect of certain land and buildings are yet to be completed.

- xx) a) During the year, MITL, a subsidiary Company, has decided to follow a more stringent policy for writing off bad debts as compared to the erstwhile policy of making provision for bad debts as per guidelines prescribed by Reserve Bank of India for Non-deposit taking Finance Companies (NBFC-ND). In view of the management, such change, which has been done as a matter of prudence, will reflect a better financial position of the Company in the present market scenario. In accordance with the revised policy, all contracts with six months past dues have been treated as loss assets and written off as bad debts net of delinquency fund received from the dealers and recoveries made so far. Any subsequent recoveries made out of these contracts will be accounted as income in the year of receipt. Had the Company continued to use the earlier policy of provision for bad debts, the profit for the year would have been lower by Rs. 29.35.
- b) MITL continues to get contribution for the delinquency fund from the dealers. However, in terms of the arrangement, delinquency fund of Rs. 359.52 (including opening balance of Rs. 168.12 has been fully adjusted against bad debts written off during the year, as stated above.

xxi) Operating Expenses

In case of MITL, Operating expenses charged to Profit and Loss Account, represents consideration paid / payable to Magma Fincorp Limited for providing support services as per Joint Venture agreement.

- xxii) a) In case of Magma Fincorp Limited, Service Tax was imposed on Hire Purchase and Lease transactions w.e.f. 16 July, 2001. The Company has thereafter discontinued such modes of financing. The levy of Service Tax on hire purchase and leasing transactions was however challenged by the Trade Association of Hire Purchase and Lease Financing Companies, which had filed a writ petition with the Hon'ble High Court of Chennai. The case is now pending before the Hon'ble Supreme Court of India. Pending disposal of the case, the Company did not recognize Service Tax liability on the aforesaid transactions for the relevant period. In the meantime, the Service Tax Authority has raised a demand upon the Company with respect to the above matter, which is being duly contested by the Company before the appropriate appellate authority under the guidance from its legal and tax advisors.
- b) In case of Magma Fincorp Limited, 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 Court of Calcutta and had been granted stay order on the same. The case has since been transferred to Hon'ble Supreme Court and is yet to be finally disposed off by the Hon'ble Supreme Court. 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 1 April, 2009.

Schedules to the Consolidated Accounts

(Rs. in Lacs)

Schedule **16** NOTES ON ACCOUNTS (Contd.)

xxiii) The previous year's figures include figures for Magma Consumer Finance Private Limited while current year's figures do not include the same as mentioned in Note 2(i) above. Hence the current year's figures are not comparable with those of previous year.

xxiv) Previous year's figures are regrouped / recast / restated, wherever considered necessary.

For and on behalf of
S. S. KOTHARI & CO.
Chartered Accountants

M. Poddar
Chairman

S. Chamria
*Vice Chairman &
Managing Director*

R. N. Bardhan
Partner
Membership No. 17270
ICAI Firm Registration No. 302034E
Kolkata, 31 May, 2010

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary