Magma Fincorp Limited
Regd. Office
Development House
24 Park Street, Kolkata 700 016
Tel : 91 7596067686
91 33 44017350
Fax : 91 33 44017428
CIN : L51504WB1978PLC031813
Web : www.magma.co.in

MAGMA
Investing in the smallest dream

09 August 2020

The Manager,
Listing Department,
National Stock Exchange of India Limited
Exchange Plaza,
Bandra- Kurla Complex, Bandra (E)
Mumbai-400051 **Symbol : MAGMA**

BSE Limited
Corporate Relationship Department
25th floor, Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai-400001 **Company Code: 524000**

Dear Sir,

Sub: Compliance under Regulation 30 and 34(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015

This is in furtherance to our letter dated 8 August 2020 and pursuant to Regulation 30 and 34(1) read with Paragraph A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we are enclosing herewith the following:

i) Notice of the 40th Annual General Meeting of the Company (including e-voting instructions) scheduled to be held on Monday, 31 August 2020 at 02:00 p.m. through Video Conference (VC)/ Other Audio Video Means (OAVM).

ii) Annual Report of the Company for the Financial Year ended 31 March 2020

The Notice of the 40th Annual General Meeting and the Annual Report for the Financial Year 2019- 20 is available on the Company's website at the link:
https://magma.co.in/about-us/investor-relations/annual-reports/annual-report/

In compliance with the General Circular Nos. 14/2020 dated April 08, 2020, 17/2020 dated April 13, 2020 and 20/2020 dated May 05, 2020 issued by the Ministry of Corporate Affairs and SEBI Circular dated May 12, 2020, electronic copies of the Annual Report for F.Y.2019-20 also containing Notice of the 40th Annual General Meeting of the Company (including e-voting instructions) have been sent today to all the shareholders whose email addresses are registered with their Depository Participant/ Niche Technologies Private Limited (“Registrar and Transfer Agents” of the Company).

This is for your information and record.

Thanking You
Yours faithfully,

For Magma Fincorp Limited

Shabnum Zaman
Company Secretary

Encl: as above

MAGMA FINCORP LIMITED

Registered Office: "Development House", 24, Park Street, Kolkata–700016
Phone: 033-4401 7350/7596067686.
CIN: L51504WB1978PLC031813.
Website: www.magma.co.in **Email:** secretary@magma.co.in

NOTICE

To,
The Members of the Company

Notice is hereby given that the 40th Annual General Meeting (AGM) of the shareholders of Magma Fincorp Limited shall be held on Monday, 31 August 2020 at 2:00 P.M IST through Video Conferencing ("VC")/ Other Audio Visual Means ("OAVM") to transact the following business (es):

The proceedings of the AGM shall be deemed to be conducted at the Registered Office of the Company at "Development House", 24, Park Street, Kolkata–700016, which shall be the deemed venue of the AGM.

ORDINARY BUSINESS

1. To consider and adopt:
   a. the Audited Standalone Financial Statements of the Company for the financial year ended 31 March 2020 and the Reports of the Board of Directors and Auditors thereon; and
   b. the Audited Consolidated Financial Statements of the Company for the financial year ended 31 March 2020 and the Report of Auditors thereon.
2. To appoint a Director in place of Mr. Mayank Poddar (holding DIN: 00009409) who retires by rotation and, being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

3. To appoint Mr. Bontha Prasada Rao (holding DIN: 01705080) as Non-Executive Independent Director of the Company and in this regard to consider and, if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:-

   "**RESOLVED THAT** pursuant to the provisions of Sections 149, 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 ('the Act') and the rules made thereunder, including any statutory modification(s) or re-enactment(s) thereof for the time being in force, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable laws and pursuant to the Articles of Association of the Company, Mr. Bontha Prasada Rao (holding DIN: 01705080), who was appointed as an Additional Director of the Company with effect from 10 December 2019, by the Board of Directors, on the recommendation of the Nomination and Remuneration Committee in terms of Section 161(1) of the Act and whose term of office expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160(1) of the Act from a member proposing his candidature for the office of the Director, be and is hereby appointed as the Non-Executive Independent Director of the Company with effect from 10 December 2019 for a term of three consecutive years and shall not be liable to retirement by rotation.

   RESOLVED FURTHER THAT the Board of Directors or any Key Managerial Personnel of the Company for the time being are hereby severally authorized to do all such acts, deeds, matters and things and take such steps as may be necessary, expedient or desirable in this regard."

4. To appoint Mr. Sunil Chandiramani (holding DIN: 00524035) as Non-Executive Independent Director of the Company and in this regard to consider and, if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:-

   "**RESOLVED THAT** pursuant to the provisions of Sections 149, 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 ('the Act') and the rules made thereunder, including any statutory modification(s) or re-enactment(s) thereof for the time being in force, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable laws and pursuant to the Articles of Association of the Company, Mr. Sunil Chandiramani (holding

DIN: 00524035), who was appointed as an Additional Director of the Company with effect from 10 December 2019, by the Board of Directors, on the recommendation of the Nomination and Remuneration Committee in terms of Section 161(1) of the Act and whose term of office expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160(1) of the Act from a member proposing his candidature for the office of the Director, be and is hereby appointed as the Non-Executive Independent Director of the Company with effect from 10 December 2019 for a term of three consecutive years and shall not be liable to retirement by rotation.

RESOLVED FURTHER THAT the Board of Directors or any Key Managerial Personnel of the Company for the time being are hereby severally authorized to do all such acts, deeds, matters and things and take such steps as may be necessary, expedient or desirable in this regard."

5. Payment of existing remuneration to Mr. Sanjay Chamria (DIN: 00009894), Vice Chairman and Managing Director of the Company for the period from 01 April 2019 to 31 March 2021 and in this regard to consider and, if thought fit, to pass with or without modification(s) the following Resolution as a Special Resolution:-

   "**RESOLVED THAT** pursuant to the provisions of Section 197, 198 and other applicable provisions of the Companies Act, 2013 (hereinafter referred to as "the Act") and the Rules made thereunder read with Schedule V to the Act, Regulation 17(6)(e) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and such other approvals as may be necessary in this regard, and based on the recommendations of the Nomination and Remuneration Committee and approval of the Board of Directors of the Company, consent of the Company be and is hereby accorded for payment of existing remuneration as minimum renumeration to Mr. Sanjay Chamria, Vice Chairman and Managing Director of the Company for the financial year 2019-20 and for the remainder of his tenure till 31st March 2021 in terms of the ordinary resolution passed by the shareholders of the Company at the 36th Annual General Meeting of the Company held on 19 September 2016 and revisions made pursuant to the same by the Board notwithstanding that the Company has losses or its profit are inadequate during the said year and remainder thereof, subject to compliance of conditions specified in second proviso to item (B) of Section II of Part II of Schedule V of the Act."

   RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to alter and vary the existing terms and conditions for payment of the remuneration in such manner as may be agreed to between the Board of Directors and Mr. Sanjay Chamria from time to time, in such manner and to such extent that variation, if made, shall be within the overall limits of the Act, read with Schedule V and do all such acts, deeds, matters and things and to take all such steps as may be required in this connection including seeking all necessary approvals to give effect to this Resolution."

6. Payment of existing remuneration to Mr. Mayank Poddar (DIN: 00009409), Chairman Emeritus and Wholetime Director of the Company in accordance with Regulation 17(6)(e) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and in this regard to consider and, if thought fit, to pass with or without modification(s) the following Resolution as a Special Resolution:-

   "**RESOLVED THAT** pursuant to Regulation 17(6)(e) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended and such other approvals as may be necessary in this regard, and based on the recommendations of the Nomination and Remuneration Committee and approval of the Board of Directors of the Company consent of the Company be and is hereby accorded for payment of existing remuneration to Mr. Mayank Poddar, Chairman Emeritus and Wholetime Director for the financial year 2019-20 and for the remainder of his tenure till 30 June 2021 in terms of the ordinary resolution passed by the shareholders of the Company at the 36th Annual General Meeting of the Company held on 19 September 2016, and revisions made pursuant to the same by the Board.

   RESOLVED FURTHER THAT the Board, be and is hereby authorized to do all such acts and deeds and things, to enter into such agreement(s),deed(s) of amendment(s) or any such document(s), consider necessary, proper, expedient or incidental for the purpose of giving effect to this Resolution."

Registered Office:	**By Order of the Board of Directors**
"Development House",	**For Magma Fincorp Limited**
24, Park Street,	
Kolkata-700 016	**Shabnum Zaman**
Date: 8 August 2020	**Company Secretary**

Notes:

1. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs ("MCA") has vide its circular dated May 5, 2020 read with circulars dated 8 April 2020 and 13 April 2020 (collectively referred to as "MCA Circulars") permitted the holding of the Annual General Meeting ("AGM") through VC / OAVM, without the physical presence of the Members at a common venue. In compliance with the provisions of the Act, SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (hereinafter referred to as "SEBI Listing Regulations") and MCA Circulars, the AGM of the Company is being held through VC / OAVM.

2. The Statement pursuant to Section 102 and other applicable provisions of the Companies Act, 2013 and rules made thereunder, with respect to Special Business set out in the Notice is annexed hereto and forms part of the notice. In terms of the aforesaid circulars, the businesses set out in the Notice shall be transacted only through remote e-voting or through the e-voting system provided during the meeting while participating through VC facility.

3. Considering the remuneration for FY 2019-20 is being paid to the Executive Directors viz. Mr. Mayank Poddar and Mr. Sanjay Chamria in the scenario of inadequate profits under Schedule V, statement pursuant to Clause B(iv) of Section II of Part II of Schedule V of the Act in respect of payment of remuneration is being provided as an Annexure to this Notice.

4. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since, the AGM is being conducted through VC/OAVM pursuant to MCA Circulars, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

5. Institutional/Corporate members are requested to send a duly certified copy of the Board Resolution pursuant to Section 113 of the Companies Act, 2013/Power of Attorney authorizing their representative(s)to attend the AGM through VC / OAVM on its behalf and to vote through remote e-voting. The said Resolution/Authorization shall be sent to the Scrutinizer by email through its registered email address to girishbhatia1956@gmail.com with a copy marked to evoting@nsdl.co.in

6. In terms of Sections 124 and 125 of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules'), as amended from time to time, dividends which remain unpaid/unclaimed over a period of 7 years will have to be transferred by the Company to Investor Education and Protection Fund of the Central Government. Accordingly, all unpaid / unclaimed amounts in respect of dividends paid by the Company for the year ended 31 March 2013 have to be transferred to the said fund by 23 August 2020. Shareholders are requested to encash the dividend before the due date of transfer i.e. 23 August 2020. Shareholders are also advised to encash the unpaid Dividend Warrants for the year ended 31 March 2013 or any subsequent year, before transfer to the above referred fund by writing a request to the Company Secretary, Magma Fincorp Limited, "Development House", 24, Park Street, Kolkata – 700 016. No claim will be entertained thereafter by the Company.

   The details of the dates on which dividend should be transferred to the aforesaid fund is given below:-

Financial Year	Date of Declaration	Due for transfer
2012-13	18 July 2013	23 August 2020
2013-14	31 July 2014	05 September 2021
2014-15	01 August 2015	06 September 2022
2015-16	19 September 2016	25 October 2023
2016-17	02 August 2017	07 September 2024
2017-18	02 August 2018	07 September 2025
2018-19	01 August 2019	06 September 2026

   The Company has uploaded the information in respect of the unpaid / unclaimed dividend amounts lying with the Company, as on the date of the last meeting held on 1 August 2019, on the website of the IEPF viz., www.iepf.gov.in and under "Investors Section" on the website of the Company viz., www.magma.co.in.

   Members are requested to note that pursuant to the provisions of Section 124(6) of the Companies Act, 2013, SEBI Listing Regulations and the IEPF Rules, all such shares in respect of which dividend has not been paid or claimed for seven consecutive years or more are also required to be transferred to IEPF. In this regard the Company has e-mailed individual notices on 22 May 2020 to the concerned shareholders whose e-mail IDs have registered with the Company for whom the dividend remains unclaimed and unpaid with the Company from FY 2012-13 onwards and also published notice in this regard in accordance with the IEPF Rules. The Company has so far transferred 4,02,803 Equity Shares to the IEPF Authority in accordance with the applicable provisions. The Company has also transferred an amount of ₹ 5,13,714/- to IEPF being the unclaimed dividend for the FY2011-12.

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

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

7. The members of the Company at their 30th Annual General Meeting held on Thursday, 15 July 2010 approved the sub-division of the Equity Shares of the face value of ₹ 10/- each fully paid-up into 5 Equity Shares of the face value of ₹ 2/- each fully paid-up. Accordingly, the Company had fixed Monday, 16 August 2010 as the Record Date to determine the shareholders eligible to receive the sub-divided Equity Shares and the holders of physical shares were advised through several shareholders communications to surrender / exchange the old share certificate of the face value of ₹ 10/- to receive the new share certificate of the face value of ₹ 2/-. The shareholders who have not yet surrendered / exchanged the old share certificate of the face value of ₹ 10/- are again requested to take new sub-divided share certificate of the face value of ₹ 2/- by surrendering / exchanging the old Equity Shares of the face value of ₹ 10/- each immediately at the Registered Office of the Company or Company's Registrar & Transfer Agent ('RTA'), M/s. Niche Technologies Private Limited, 7th Floor, Room No.7A & 7B, 3A, Auckland Place, Kolkata — 700 017.

8. SEBI vide its Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated 20 April 2018 read with Regulation 12 and Schedule 1 of SEBI Listing Regulations has mandated that for making dividend payments, companies whose securities are listed on the stock exchange shall use electronic clearing services as approved by the Reserve Bank of India. Further, pursuant to MCA General Circular 20/2020 dated 5 May 2020, companies are directed to credit the dividend of the members directly to the bank accounts of the members using Electronic Clearing Service.

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

   i. the respective Depository Participants (DP) (in case of the shares held in electronic mode) or;

   ii. the RTA i.e. Niche Technologies Private Limited at 7th Floor, Room No.7A & 7B, 3A, Auckland Place, Kolkata — 700 017 or at nichetechpl@nichetechpl.com (in case of the shares held in physical form).

   In case of non-availability or non-updation of bank account details of the shareholders, the Company shall ensure payment of dividend to such members through other postal or courier services.

9. Members holding shares in physical form are requested to intimate change in their registered address or bank particulars, mentioning full address in block letters with Pin code of the Post Office, mandate, bank particulars and Permanent Account Number (PAN) to the Company's RTA and in case of members holding their shares in electronic form, this information should be given to their Depository Participants immediately.

   As per Regulation 40 of SEBI Listing Regulations, as amended, securities of listed companies can be transferred only in dematerialized form with effect from, 1 April 2019, except in case of request received for transmission or transposition of securities. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Members can contact the Company or Company's Registrars and Transfer Agents, M/s. Niche Technologies Private Limited, for assistance in this regard. Members may also refer to process for dematerialisation of shares available on Company's website at weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/information-for-shareholders/. However, members can continue to make request for transmission or transposition of securities in physical form.

10. As per the provisions of Section 72 of the Act, the facility for making nomination is available for the Members in respect of the shares held by them. Members who have not yet registered their nomination are requested to register the same by submitting Form No. SH-13 or SH-14 (Cancellation or Variation of Nomination) to the Company. The said form can be downloaded from the Company's website at weblink i.e. https://magma.co.in/wp-content/uploads/2018/07/Form-SH-13-and-SH-14.pdf

11. The Company has entered into necessary arrangement with NSDL and CDSL to enable the shareholders to dematerialize their shareholding in the Company for which they may contact the Depository Participant of either of the above Depositories.

12. In compliance with the aforesaid MCA Circulars and SEBI Circular dated 12 May 2020, Notice of the AGM along with the Annual

Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/Depositories. Members may note that the Notice and Annual Report 2019-20 will also be available on the Company's website www.magma.co.in, websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively, and on the website of NSDL https://www.evoting.nsdl.com. For members who have not registered their email address, are requested to register their email IDs with the Company/ Depository Participants before 24 August 2020. The Company shall send the Notice only to such members whose e-mail ids get registered within the aforesaid time enabling them to participate in the meeting and cast their votes.

13. In compliance with the said Circulars, the Company has also published a public notice by way of an advertisement dated 24 June 2020 in The Financial Express (English) and Aajkaal (Bengali) along with their electronic editions, inter alia, advising the members whose e-mail ids are not registered with the Company, its Registrar and Share Transfer Agent (RTA) or Depository Participant(s) (DPs), as the case may be, to register their e-mail ids with them. Members not having their email ids registered are requested to download a copy of the annual report available at the website of the Company at www.magma.co.in

14. Members are requested to mention their Folio Number/Client ID/DPID 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.

15. Members who are holding shares of the Company in physical form through multiple folios in identical order of names are requested to write to the RTA along with their share certificates, to enable the RTA to consolidate their holdings in to one folio.

16. In case of joint holders attending the meeting, the member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote.

17. Members are requested to contact the Company's RTA for reply to their queries/redressal of complaints, if any, or contact Ms. Shabnum Zaman, Company Secretary at Email: secretary@magma.co.in/shabnum.zaman@magma.co.in.

18. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, and the Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013 read with rules issued thereunder will be electronically available for inspection by the members during the meeting.

19. The relevant documents referred to in this Notice and Explanatory Statement along with the certificate from Statutory Auditors certifying that the Company's Employee Stock Option Scheme is implemented in accordance with the SEBI (Share Based Employee Benefits) Regulations 2014 will be open for inspection electronically without any fees from the date of circulation of this Notice till the date of the AGM. Members seeking to inspect such documents can send an email to secretary@magma.co.in

20. Members seeking any information with regard to the accounts or any matter to be placed at the AGM, are requested to write to the Company on or before 24 August 2020 through email to secretary@magma.co.in. The same will be replied by the Company suitably.

21. Details pertaining to Directors who are being appointed/re-appointed is provided in the statement under Section 102 of the Act.

22. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.

23. Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.

24. At the thirty sixth AGM held on 19 September 2016, the Members approved re appointment of B S R & Co LLP, Chartered Accountants (Firm Registration No. 101248W/W-100022) as Statutory Auditors of the Company to hold office for a period of five years from the conclusion of that AGM till the conclusion of the 41st AGM, subject to ratification of their appointment by Members at every AGM, if so required under the Act. The requirement to place the matter relating to appointment of auditors for ratification by Members at every AGM has been done away by the Companies (Amendment) Act, 2017 with effect from 7 May 2018. Accordingly, no resolution is being proposed for ratification of appointment of statutory auditors at the 40th AGM.

25. Non-resident Indian shareholders are requested to inform about the following immediately to the Company or its Registrar and Share Transfer Agent or the concerned Depository Participant, as the case may be:-

    a) the change in the residential status on return to India for permanent settlement, and

    b) the particulars of the NRE account with a Bank in India, if not furnish.

Voting through electronic means:

26. In compliance with provisions of Section 108 of the Companies Act, 2013 read with rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2016 and as per Regulation 44 of the SEBI Listing Regulations, the Company is pleased to provide members with the facility of voting through electronic means in respect of business to be transacted at the meeting and the business may be transacted through e-voting services provided by NSDL.

27. The remote e-voting period commences on Friday, 28 August 2020 (9.00 A.M. IST) and ends on Sunday, 30 August 2020 (5.00 P.M. IST). During this period, members of the Company, holding shares either in physical form or in dematerialized form, as on the close of working hours on Monday, 24 August 2020 ('Cut-off date') shall be entitled to cast their vote electronically. The remote e-voting module shall be disabled by NSDL for voting on Sunday, 30 August 2020 after 5.00 P.M. IST. Once the vote on a resolution is cast by the member, he/she shall not be allowed to change it subsequently. Those Members, who will be present in the AGM through VC / OAVM facility and have not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system during the AGM.

    Process and Manner for Members Opting for Remote E-Voting

    The instructions for remote e-voting are as follows:

    Step 1: Log-in to NSDL e-voting system at https://www.evoting.nsdl.com/

    Step 2: Cast your vote electronically on NSDL's e-voting system.

    Step 1

    How to log-in to NSDL e-voting website

    1. Visit the e-voting website of NSDL by opening your web browser and typing the following URL: https://www.evoting.nsdl.com/ either on a desktop computer/laptop or on a mobile.
    2. Once the home page of e-voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.
    3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

       Alternatively, if you are registered for NSDL e-services i.e. IDEAS, you can log in at https://eservices.nsdl.com/ with your existing IDEAS log-in details. Once you log in to NSDL e-services after using your log-in credentials, click, on 'e-voting' and you can proceed to Step 2 i.e. cast your vote electronically.
    4. Your User ID details are given below:

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	User ID
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example, if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example, if your Beneficiary ID is 12************** then your user ID is 12**************
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the Company For example if folio number is 001*** and EVEN is 110922 then user ID is 110922001***

    5. Your password details are given below:
       a. If you are already registered for e-voting, then you can use your existing password to login and cast your vote.
       b. If you are using NSDL e-voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and change your password, as prompted by the system.
       c. How to retrieve your 'initial password'?
          i. If your email ID is registered in your demat account or with the Company, your 'initial password' is communicated to you on your email ID. Trace the emails sent to you from NSDL from your mailbox. Open the email and open the attachment (it will be a .pdf file). Open the file. The password to open the file is your 8-digit client ID for NSDL account to the last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
          ii. If your email ID is not registered with the Company/ Depository, please follow instructions mentioned below in this notice.

6. If you are unable to retrieve or have not received the 'initial password' or have forgotten your password:
   a. Click on "Forgot User Details/Password?" (for those holding shares in Demat accounts with NSDL or CDSL) option available on www.evoting.nsdl.com.
   b. A 'Physical User Reset Password?' (for those holding shares in physical mode) option is also available on www.evoting.nsdl.com.
   c. If you are still unable to get the password following the aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.
   d. Members can also use the OTP (One Time Password) based login for casting the votes on the e-voting system of NSDL.
7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
8. Now, click on "Login" button
9. After you click on the "Login" button, the home page of e-voting will open.

Step 2

How to cast your vote electronically on NSDL e-Voting system?

1. After successful logging in following Step 1, you will be able to see the home page of e-voting. Click on e-Voting. Then, click on 'Active Voting Cycles'.
2. Upon clicking on 'Active Voting Cycles', you will be able to see "EVEN" of all the companies in which you hold shares and whose voting cycles are in 'active' status.
3. Select "EVEN" of company for which you wish to cast your vote.
4. Now you are ready for e-voting as the voting page opens.
5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
6. Upon confirmation, the message "Vote cast successfully" will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Please remember that once you confirm your vote on the resolution, you will not be allowed to modify your vote.

General Instructions:

i. Institutional/Corporate shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF / JPG format) of the relevant Board Resolution/ Authority letter etc., together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to girishbhatia1956@gmail.com or shabnum.zaman@magma.co.in with a copy marked to evoting@nsdl.co.in.

ii. Mr. Girish Bhatia, Practicing Company Secretary (CP No. 13792), who have consented to act as the scrutinizer and are available for the purpose of ascertaining the requisite majority, have been appointed as the scrutinizer to scrutinize the remote e-voting process and e-voting system provided in the meeting in a fair and transparent manner.

iii. Scrutinizer shall immediately after the conclusion of the meeting will first count the votes cast during the meeting and thereafter unblock the votes cast through remote e-voting and within a period not exceeding 48 hours from the conclusion of the meeting make a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman of the Company or any other person authorized by him in writing, who shall counter sign the same and declare the result of the voting forthwith in accordance with applicable law.

iv. The results declared along with the Scrutinizer's Report will be posted on the Company's website www.magma.co.in at its weblink i.e. https://magma.co.in/about-us/investor-relations/ secretarial-documents/download-secretarial-documents/.The result shall be communicated to all the Stock Exchanges where the equity shares of the Company are listed and also to NSDL.

v. It is strongly recommended that you do not share your password with any other person and take utmost care to keep your password confidential. Log in to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the 'Forgot User Details/ Password?' or the 'Physical User Reset Password?' option available on www.evoting.nsdl.com, to reset the password.

vi. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and remote e-voting user manual for shareholders available at the "Downloads" section of www.evoting.nsdl.com, or call on the toll-free no.: 1800-222-990, or contact Ms. Pallavi Mhatre, Manager, National Securities Depository Ltd., Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400013, at the designated email address: evoting@nsdl.co.in or at telephone no.+91 22 2499 4545 who will also address grievances connected with voting by electronic means.

vii. Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 24 August 2020, may obtain the login ID and password by sending a request at evoting@nsdl.co.in or RTA. A person who is not a member as on the cut-off date should treat this notice for information purposes only.

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

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

28. PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL IDS ARE NOT REGISTERED WITH THE DEPOSITORIES FOR PROCURING ANNUAL REPORT AND USER ID AND PASSWORD FOR E-VOTING:

1. In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to Registrar and Share Transfer Agents, Niche Technologies Private Limited at nichetechpl@nichetechpl.com.

2. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to depositories.

   Alternatively member may send an e-mail request to evoting@nsdl.co.in for obtaining User ID and Password by providing the details mentioned in Point (1) or (2) as the case may be.

29. INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC / OAVM ARE AS UNDER:

a. Member will be provided with a facility to attend the Meeting through VC/OAVM through the NSDL e-Voting system. Members may access the same at https://www.evoting.nsdl.com under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVEN of Company will be displayed.

b. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush. Further members can also use the OTP-based login for logging into the e-Voting system of NSDL.

c. Members can participate in AGM through smart phone/laptop, however, for better experience and smooth participation it is advisable to join the Meeting through Laptops connected through broadband.

d. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.

e. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.

f. Facility of joining the AGM through VC / OAVM shall open 30 minutes before the time scheduled for the AGM and will be available for Members on first come first served basis

g. **For ease of conduct, members who would like to ask questions / express their views may register themselves as speaker by sending their request from their registered email address from 22 August 2020 (9.00 A.M) to 24 August 2020 (5.00 P.M) and their questions in advance at least one (1) day before AGM mentioning their name, DP ID and Client ID/folio number, PAN, email id, mobile number at secretary@magma.co.in.** The same will be replied by the company suitably. Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.

h. Members who need assistance before or during the AGM with regard to use of technology, can send a request at evoting@nsdl.co.in or use Toll-free No.1800-222-990, or contact Ms. Pallavi Mhatre, Manager, NSDL at the designated email ID evoting@nsdl.co.in or pallavid@nsdl.co.in or at Telephone No.022-2499-4545.

30. PROCESS AND MANNER FOR E-VOTING AT THE ANNUAL GENERAL MEETING ARE AS UNDER:

a. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.

b. Only those Members/ shareholders, who will be present in the meeting through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system at the AGM.

c. Members who have voted through Remote e-Voting will be eligible to attend the meeting. However, they will not be eligible to vote at the meeting.

d. For any grievances connected with the facility for e-Voting on the day of the AGM, kindly call on the toll-free no.: 1800-222-990, or contact Ms. Pallavi Mhatre, Manager, National Securities Depository Ltd., Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400013, at the designated email address: evoting@nsdl.co.in or at telephone no. +91 22 2499 4545.

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

As required under Section 102 of the Companies Act, 2013 (as amended) (the "Act") the following Explanatory Statement sets out all material facts relating to the Special Business set out in Item No. 3, Item No. 4, Item No. 5 and Item No. 6 of the accompanying Notice dated 8 August 2020.

ITEM NO. 3

Based on the recommendation of Nomination and Remuneration Committee, the Board of Directors of the Company had appointed Mr. Bontha Prasada Rao (holding DIN: 01705080) as an Additional Independent Director of the Company with effect from 10 December 2019. The Additional Director holds office only upto the date of this Annual General Meeting of the Company in terms of Section 161(1) of the Companies Act, 2013 ('the Act') but is eligible for appointment as Director. The Company has received a notice under Section 160(1) of the Act from a member signifying his intention to propose Mr. Rao's appointment as a Director of the Company. Mr. Rao has also given a declaration under section 149(7) of the Act that he meets the criteria for independence as provided under section 149(6) of the Act and fulfils the conditions specified in the Act and the Rules framed thereunder and Regulation 16 of the SEBI Listing Regulations for appointment as Independent Director and he is independent of the management.

Brief Profile of Mr. Bontha Prasada Rao:

Mr. Bontha Prasad Rao (66 years) is a Mechanical Engineering Graduate from Jawaharlal Nehru Technological University, Kakinada. He holds a Post-Graduate in Industrial Engineering from NITIE, Mumbai. He possesses versatile and varied experience both in strategic as well as operational management. His area of expertise is Engineering and Manufacturing Management. Mr. Rao has served as the Chairman and Managing Director (CMD) of Bharat Heavy Electricals Limited (BHEL), India till 31 December 2015. Mr. Rao laid the foundation for diversifying BHEL into non-power businesses such as in Railway transportation, Defence equipment etc. Forbes magazine ranked BHEL at No. 9 of World's Most Innovative companies in July 2011. He was awarded an honorary Doctorate by Jawaharlal Nehru Technological University, Andhra Pradesh and was a recipient of Dr. SN MITRA Memorial Engineering Excellence Award from INAE. He has been the Chairman of CII Public Sector Enterprises Council, and was on the Board of Governors of IIM, Kashipur. He is recognised as an eminent person in the Power Sector and have served on several technical committees of GoI on Development of Clean Coal Technologies.

The Board considers that induction of an eminent professional like Mr. Rao would immensely benefit the Company and therefore, recommends obtaining approval of the Members as an Ordinary Resolution for appointment of Mr. Rao for a term of three years. Mr. Rao is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director. Declaration has been received from Mr. Rao under RBI Corporate Governance Directions 2015. Mr. Rao along with his relatives do not hold any shares in the Company.

Mr. Rao is said to be concerned or interested in the proposed resolution as it relates to his own appointment. None of the other Directors and Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise in the said Ordinary Resolution.

ITEM No. 4

Based on the recommendation of Nomination and Remuneration Committee, the Board of Directors of the Company had appointed Mr. Sunil Chandiramani (holding DIN: 00524035), as an Additional Independent Director of the Company with effect from 10 December 2019. The Additional Director holds office only upto the date of the ensuing Annual General Meeting of the Company in terms of Section 161(1) of the Companies Act, 2013 ('the Act') but is eligible for appointment as Director. The Company has received a notice under Section 160(1) of the Act from a member signifying his intention to propose Mr. Chandiramani's appointment as a Director of the Company. Mr. Chandiramani has also given a declaration under section 149(7) of the Act that he meets the criteria for independence as provided under section 149(6) of the Act and fulfils the conditions specified in the Act and the Rules framed thereunder and Regulation 16 of the SEBI Listing Regulations for appointment as Independent Director and he is independent of the management.

Brief Profile of Mr. Sunil Chandiramani:

Mr. Sunil Chandiramani (50 years) is a Chartered Accountant and holds a Masters in Systems Management from National Institute of Information Technology. Mr. Chandiramani is a Management Consultant and the CEO of NYKA Advisory Services. Prior to his current venture, he was associated with Ernst & Young LLP (EY), India's leading professional services firm for 25 years. He was the National Director - Advisory Services Practices and had also led the Financial Services Sector and has worked very closely with several reputed Indian and MNC corporates.

He has rich experience and expertise in the area of Finance, Risk Management, Corporate Governance, Cost Reduction and Profitability Improvement, Digital Transformation, Analytics, Business Integration and HR Performance Measurement and Improvement.

The Board considers that induction of an eminent professional like Mr. Chandiramani would immensely benefit the Company and therefore, recommends obtaining approval of the Members as an Ordinary Resolution for appointment of Mr. Chandiramani for a term of three years. Mr. Chandiramani is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director. Declaration has been from Mr. Chandiramani under RBI Corporate Governance Directions 2015. Mr. Chandiramani along with his relatives do not hold any shares in the Company.

Mr. Chandiramani is said to be concerned or interested in the proposed resolution as it relates to his own appointment. None of the other Directors and Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise in the said Ordinary Resolution.

Mr. Rao and Mr. Chandiramani are not debarred from holding the office of Director by virtue of any SEBI Order or any other such authority pursuant to circulars dated 20 June 2018 issued by BSE Limited and the National Stock Exchange of India Limited pertaining to enforcement of SEBI Orders regarding appointment of Director by listed companies. Copy of the draft letter of appointment to be issued to Mr. Rao and Mr. Chandiramani setting out the terms and conditions would be available for inspection, without any fee, by the Members on the website of the Company at the Company's Registered office on all the working days except Saturdays 10:00 A.M to 12:00 Noon up to the date of the AGM.

Item No. 5

Mr. Sanjay Chamria (DIN: 00009894) was re-appointed as Vice Chairman and Managing Director of the Company for a period of 5 years w.e.f. 01 April 2016 in terms of ordinary resolution passed by the shareholders at the Annual General Meeting held on 19 September 2016.

Mr. Chamria has been instrumental in diversifying into new line of business i.e. general insurance and housing and under his indisputable leadership the Company has grown manifold both in size and turnover. Based on the recommendation of the Nomination & Remuneration Committee, the Board in its meeting held on 9 February 2016 considering his business acumen, vast knowledge and significant contribution made by Mr. Sanjay Chamria in the growth of the Company, approved his re-appointment as the Company's Vice Chairman and Managing Director of the Company for a further period of 5 years. The details of the remuneration approved by the shareholders of the Company in terms of the ordinary resolution passed at the Annual General Meeting of the Company held on 19 September 2016 and revisions made pursuant to the same by the Board is enumerated in the table given below.

During the financial year 2019-20 due to economic slowdown, liquidity squeeze for NBFC sector, outbreak of COVID-19 pandemic and due to additional provision made for COVID - 19, the Company has been unable to earn sufficient profits in the financial year 2019-20 which has become inadequate for the purpose of managerial remuneration in terms of Section 197 of the Companies Act, 2013.

Now, due to inadequacy of profits, approval of the Members is being sought by Special Resolution for the payment of existing remuneration to Mr. Sanjay Chamria, Vice Chairman and Managing Director of the Company for the period from 1 April 2019 to 31 March 2021 pursuant to Section II of Part II of Schedule V to the Companies Act, 2013 as amended from time to time.

This approval is also taken as an approval under Regulation 17(6)(e) of SEBI Listing Regulations, as applicable. The explanation in this regard has been clubbed with the next item of business as given below.

Based on the recommendation of Nomination and Remuneration Committee, the Board of Directors of the Company at their meeting held on 18 June 2020 has approved the proposal to seek approval of the shareholder by way of Special Resolution.

None of the Directors or Key Managerial Personnel of the company and/or their relatives, except Mr. Sanjay Chamria and his relatives, are concerned or interested, financial or otherwise in the resolution set out at item no. 5.

Item No. 6

The Securities and Exchange Board of India has made amendments in the Listing Obligations and Disclosure Requirements Regulations on 9 May 2018. Accordingly, under Regulations 17 sub-regulation (6)(e) was inserted newly as (with effect from 1 April 2019):

"the payment of any fees or compensation to executive directors who are promoters or members of the promoter group, shall be subject to the approval of the shareholders by special resolution, if:

a) the annual remuneration payable to such executive director exceeds ₹ 5 crore or 2.5 percent of the net profits of the listed entity, whichever is higher; or

b) where there is more than one such director, the aggregate annual remuneration to such directors exceeds 5 percent of the net profits of the listed entity."

At present, there are two executive promoter directors on the Board of Directors of the Company, viz., Mr. Mayank Poddar, Chairman Emeritus and Whole Time Director and Mr. Sanjay Chamria, Vice Chairman and Managing Director of the Company and they are falling under the above newly amended provisions of SEBI Listing Regulations. The shareholders have approved remuneration payable to them at that time as per Companies Act, 2013, while approving their re-appointment on 19 September 2016 via Ordinary Resolution. Pursuant to the authority given by the shareholders, the Board had also revised the remuneration of Mr. Poddar and of Mr. Chamria. The Company is seeking approval of the shareholders by way of special resolution for payment of remuneration as per existing terms and conditions from 1 April 2019 till the expiry of their respective term i.e. 30 June 2021 and 31 March 2021, respectively, in order to comply with the above mentioned newly introduced Regulation 17(6)(e) of SEBI Listing Regulations.

Based on the recommendation of Nomination and Remuneration Committee, the Board of Directors of the Company at their meeting held on 18 June 2020 has approved the proposal to seek approval of the shareholder by way of Special Resolution in order to comply with the above mentioned newly introduced Regulation 17(6)(e) of SEBI Listing Regulations.

The Board recommends the passing of the resolution as set out at Item No. 6, for approval of the members as a Special Resolution.

None of the Directors or Key Managerial Personnel of the company and/or their relatives, except Mr. Mayank Poddar and his relatives, are concerned or interested, financial or otherwise in the resolution set out at item no. 6.

The details of the existing remuneration of the Executive Directors:

Name	Mr. Mayank Poddar (₹ in Lakh p.a.)	Mr. Sanjay Chamria (₹ in Lakh p.a.)
Basic Salary	67.20	89.60
Housing Rent Allowance @50% of Basic Salary	33.60	44.80
Special Allowance	50.30	67.07
Commission	N.A	Not exceeding 1% of the Net Profits of the Company, payable annually, calculated in the manner laid down in section 198 of the Companies Act, 2013, after the approval of Annual Accounts at the Annual General Meeting of the Company, as may be recommended by the Nomination and Remuneration Committee of the Board of Directors of the Company
Leave Travel Concession	Reimbursement of all the expenses (like travel fare, lodging, boarding, conveyance and other expenses) incurred for self and family during the leave/ holiday travel period, whenever undertaken, once in a year, incurred in accordance with the Rules of the Company. In case they does not go on leave travel the Company shall pay him the entire eligible amount by way of Leave Travel Allowance	
Club Membership	Reimbursement of membership fee including admission and annual membership fee for one club in India	
Provident Fund	Contribution to Provident Fund not exceeding 12% of salary or such percentage limit as may be prescribed by Income Tax legislation.	
Gratuity	Gratuity payable shall not exceed half a month's salary for each completed year of service.	
Other terms	Provision for use of telephones at residence (including payment for local calls and long-distance calls) and Company's car shall not be included in the computation of perquisites. Entitled to any sitting fee for attending Meetings of the Board or any Committee thereof	
Service Contract Notice Period Severance Fees	5 years As per Company's Rules As per Company's Rules	
Stock Options	NIL	

STATEMENT PURSUANT TO CLAUSE B(iv) OF SECTION II OF PART II OF SCHEDULE V OF THE COMPANIES ACT, 2013

Since the payment of remuneration to Executive Directors being made under Part II Section II, the following disclosure is being given to comply with the provisions of Schedule V:

I. **General Information**

1. **Nature of Industry:** The Company is a Non-Banking Financial Company (NBFC), engaged in retail financing.

2. **Date or expected date of start of Commercial Production:** The Company was incorporated in 1978, is a Systematically Important Non Deposit Taking NBFC registered with Reserve Bank of India. The Company is into retail financing business for over 3 decades with strong management team and extensive industry experience.

3. **In case of new companies expected date of commencement of activities as per project approved by Financial Institution appearing in the Prospectus:** Not Applicable

4. **Financial performance during the last 3 Financial periods:**

(₹ In lakh)

Particulars	2016-17 *	2017-18	2018-19
Sales and Operating Income(Net)	197,297.85	206,318.09	223,114.60
Profit before Interest, Depreciation & Tax(incl. Exceptional Item)	99,687.52	129,862.56	147,067.55
Other Income	4,906.65	3,527.58	3,616.06
Profit Before Tax	1,070.81	23,708.70	40,287.91
Profit After Tax	609.68	20,122.54	27,512.87

Note: Standalone financial

** Figures for FY 2016-17 is as per I-GAAP*

5. **Foreign investments or collaborations, if any:** While the Company has foreign investment in its Equity and Debt instruments, the Company has not made any foreign investments and neither entered into any collaborations during the last year.

II. **Information about the Appointee**

Particulars	Mr. Mayank Poddar	Mr. Sanjay Chamria
1. Background details	Bachelor of Commerce	Chartered Accountant and Bachelor of Commerce
2. Past Remuneration for 3 years	**2019:** ₹ 168.40 lakh **2018:** ₹ 150.00 lakh **2017:** ₹ 150.00 lakh	**2019:** Salary: ₹ 224.60 lakh, Commission: ₹ 270.00 lakh **2018:** Salary: ₹ 200.00 lakh, Commission: ₹ 230.00 lakh **2017:** Salary: ₹ 150.00 lakh, Commission: NIL
3. Recognition or Awards	N.A	N.A.
4. Job Profile and his suitability	More than 34 years' experience in finance business. Contributes in policy formulation and provides overall support and guidance to the Board and Management.	He leads our management team, drives our new business initiatives and anchors strategic policy formulation and execution in our Company.
5. Remuneration	Existing Remuneration i.e. ₹ 168.40 lakh	Existing Remuneration i.e. ₹ 224.40 lakh Variable: Commission not exceeding 1% of the Net Profits of the Company, payable annually, calculated in the manner laid down in section 198 of the Companies Act, 2013, after the approval of Annual Accounts at the Annual General Meeting of the Company, as may be recommended by the Nomination and Remuneration Committee of the Board of Directors of the Company

Particulars	Mr. Mayank Poddar	Mr. Sanjay Chamria
6. Comparative remuneration Profile with respect to Industry, Size of the Company, profile of the position and person	The remuneration being paid to the Whole time Director by the Company is in line with the remuneration being paid by the companies of comparable size	The remuneration being paid to the Vice Chairman and Managing Director by the Company is in line with the remuneration being paid by the companies of comparable size
7. Pecuniary relationship directly or indirectly with the Company or relationship with managerial personnel, if any	Apart from receiving remuneration as stated above Mr. Poddar does not have any other pecuniary relationship with the Company or with the managerial personnel of the Company.	Apart from receiving remuneration as stated above Mr. Chamria does not have any other pecuniary relationship with the Company or with the managerial personnel of the Company.

III. Other Information

1. Reason for inadequate profit	Economic slowdown, liquidity squeeze for NBFC sector, outbreak of COVID-19 pandemic and due to additional provision made for COVID - 19, the Company has been unable to earn sufficient profits in the financial year 2019-20.
2. Step taken or proposed to be taken for improvement	1. Prudent Liquidity management 2. Opex control 3. Portfolio quality 4. Capital preservation
3. Expected increase in productivity and profits in measurable terms	COVID-19 is once in a century event and its effect is beyond comprehension due to the uncertainty of its spread and availability of solutions to control the pandemic. While the external environment is uncertain, the Company has initiated various digitization and cost rationalization measures and expects significant benefits of cost reduction from the same. The Company expects the performance to improve progressively as the economic activity returns to pre COVID levels.

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

Name	Mr. Mayank Poddar	Mr. Bontha Prasada Rao	Mr. Sunil Chandiramani
DIN	00009409	01705080	00524035
Age	66	66	51
Date of first appointment on the Board	December 18, 1978	10 December 2019	10 December 2019
Qualification	Bachelor of Commerce	Mechanical Engineer	Chartered Accountant
Expertise in specific functional area	More than 34 years' experience in finance business. Contributes in policy formulation and provides overall support and guidance to the Board and Management.	Engineering and Manufacturing Management. More than 37 years' diversified, versatile and varied experience both in strategic as well as operational management.	Over 25 years of experience of working in various industries. He has rich experience and expertise in the area of Finance, Risk Management, Corporate Governance, Cost Reduction and Profitability Improvement, Digital Transformation, Analytics, Business Integration and HR Performance Measurement and Improvement.

Name	Mr. Mayank Poddar	Mr. Bontha Prasada Rao	Mr. Sunil Chandiramani
Terms and conditions of appointment or re-appointment along with details of remuneration sought to be paid	Mr. Poddar retires by rotation at the ensuing AGM and being eligible, seeks re-appointment. He is entitled to remuneration	Mr. Bontha Prasada Rao will be appointed as a Non-Executive Independent Director of the Company w.e.f. 10 December 2019 for a term of 3 years and is not liable to retirement by rotation. He is entitled to sitting fees and commission, if any.	Mr. Sunil Chandiramani will be appointed as a Non-Executive Independent Director of the Company w.e.f. 10 December 2019 for a term of 3 years and is not liable to retirement by rotation. He is entitled to sitting fees and commission, if any.
Remuneration last drawn by such person, if applicable, (As per last audited balance sheet dated 31 March 2019)	₹ 168.40 lakh	-	-
*List of outside Directorships held in listed entities	NIL	NIL	NIL
**Chairman/Member of the Committee of the Board of Directors of other Companies in which he/she is a Director	NIL	Member of Audit Committee of Tata Boeing Aerospace Ltd.	Member of Audit Committee: 1. Ganesh Grains Limited 2. More Retail Limited
Shareholding in the Company	Nil	Nil	Nil
No. of Meetings of the Board attended during the year	No. of meeting held: 6 No. of meeting attended: 5	No. of meeting held during his tenure: 2 No. of meeting attended: NIL	No. of meeting held during his tenure: 2 No. of meeting attended: 2
Relationship with other Directors, Manager and other Key Managerial Personnel of the Company	No	No	No

**Includes Directorships in Listed entities.*

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

Registered Office:
"Development House",
24, Park Street,
Kolkata-700 016
Date: 8 August 2020

By Order of the Board of Directors
For Magma Fincorp Limited

Shabnum Zaman
Company Secretary

MAGMA
Investing in the smallest dream

NAVIGATING THROUGH TURBULENCE

MAGMA FINCORP LIMITED | ANNUAL REPORT 2019-20

Snapshots of 2019-20

Revenue*	₹ 2,563 Crores	+2.7% YoY
Profit after Tax	₹ 27 Crores	(91.1%) YoY
Total Disbursement	₹ 6,428 Crores	(26.6%) YoY
AUM (Loan Book)	₹ 16,134 Crores	(5.3%) YoY
Collection Efficiency	98.0%	(238) bps YoY
Net Income Margin*	7.7%	(71) bps YoY
Return on Asset	0.2%	(169) bps YoY
Return on Equity	1.0%	(1,198) bps YoY
Net NPA	4.2%	+109 bps YoY

* FY19 Nos. have been re-grouped

Contents

Corporate **Information**

CIN: L51504WB1978PLC031813

Board of Directors

Mr. Narayan K Seshadri
Non Executive Independent Chairman

Mr. Mayank Poddar
Chairman Emeritus and Whole time Director

Mr. Sanjay Chamria
Vice Chairman and Managing Director

Mr. V K Viswanathan
Non Executive Independent Director

Mrs. Vijayalakshmi Rajaram Iyer
Non Executive Independent Director

Mr. Bontha Prasada Rao
Non Executive Independent Director (Additional Director)

Mr. Sunil Chandiramani
Non Executive Independent Director (Additional Director)

Chief Financial Officer

Mr. Kailash Baheti

Company Secretary

Ms. Shabnum Zaman

Bankers

- Punjab National Bank (Lead Banker)
- State Bank of India
- ICICI Bank Limited
- UCO Bank
- Oriental Bank of Commerce (now merged with Punjab National Bank)
- United Bank of India (now merged with Punjab National Bank)
- Corporation Bank (now merged with Union Bank of India)
- IDBI Bank Ltd
- Indian Bank
- Bank of Baroda
- Union Bank of India
- Andhra Bank (now merged with Union Bank of India)
- Syndicate Bank (now merged with Canara Bank)
- Bank of Maharashtra
- Indian Overseas Bank
- Allahabad Bank (now merged with Indian Bank)
- Punjab & Sind Bank
- Catholic Syrian Bank
- IDFC First Bank Limited

Statutory Auditors

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

Maruthi Info-Tech Centre
11-12/1 Inner Ring Road, Koramangala, Bangalore- 560071

Secretarial Auditor

M/s. MKB & Associates
Practicing Company Secretaries

Manoj Kumar Banthia *(Partner)*
COP No.-7596
Shantiniketan, 5th Floor, Room No. 511,
8, Camac Street, Kolkata-700017

Registered Office

"Development House"
24, Park Street, Kolkata-700 016
Tel: +91 33 4401 7350
Email Id: secretary@magma.co.in
Website: www.magma.co.in

Correspondence Address

Ecospace Business Park, Premises No.501
Block-4A, 5th Floor, Rajarhat, New Town
Kolkata - 700 160, West Bengal

Corporate Office

501, Rustomjee Aspree, 5th Floor, IMAX Dome Theatre Road,
Off Eastern Express Highway, Everad Nagar, Sion East,
Mumbai, Maharashtra - 400022

Registrar and Share Transfer Agent

Niche Technologies Private Limited
(Shares and Debentures through private placement)

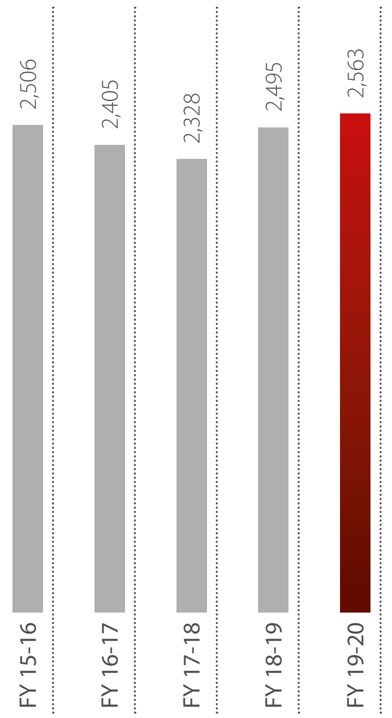
3A, Auckland Place, 7th Floor,
Room No. 7A & 7B, Kolkata - 700 017
Tel No.: 033- 2280 6616/6617/6618
Fax No.: 033 - 2280-6619
Email Id : nichetechpl@nichetechpl.com

KFin Technologies Private Limited
(Formerly, Karvy Fintech Private Limited)

(Retail Debentures)
Selenium Tower B, Plot No. 31-32,
Financial District, Nanakramguda, Serilingampally,
Hyderabad, Rangareddy, TG - 500032, India
Tel: +91 40 6716 2222
Fax: +91 40 2343 1551
Email: einward.ris@kfintech.com
Website: www.kfintech.com

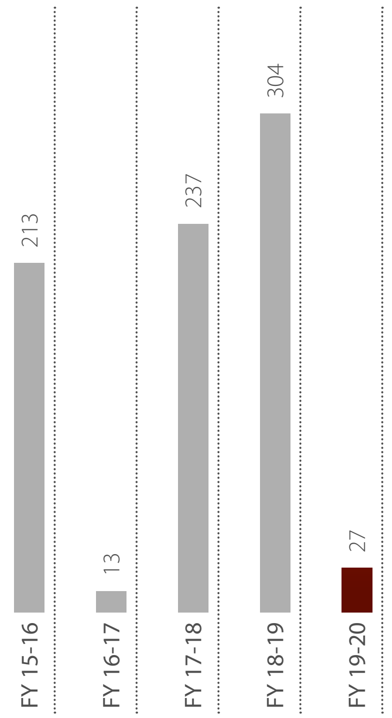
Key Performance **Indicators**

Revenue*
₹ in Crores



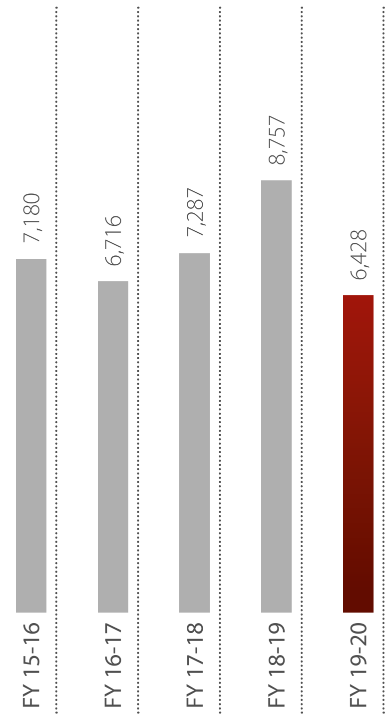
2.7% YoY

Profit after Tax
₹ in Crores



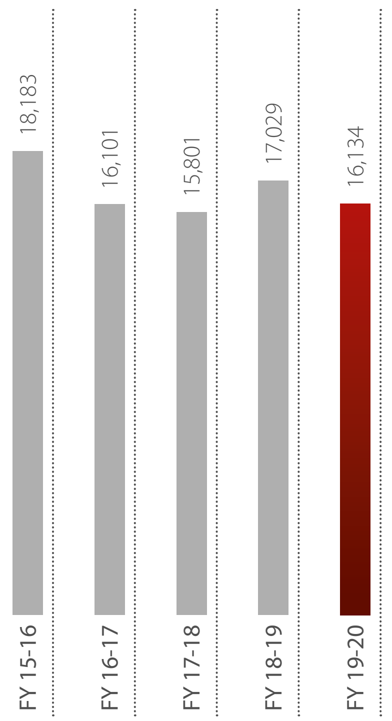
(91.1%) YoY

Total Disbursements
₹ in Crores



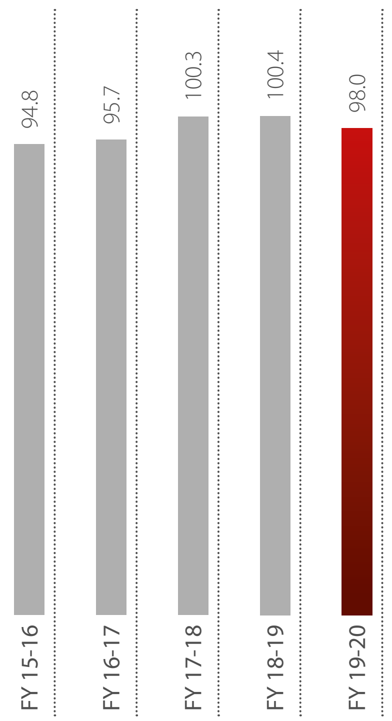
(26.6%) YoY

Assets Under Management
₹ in Crores



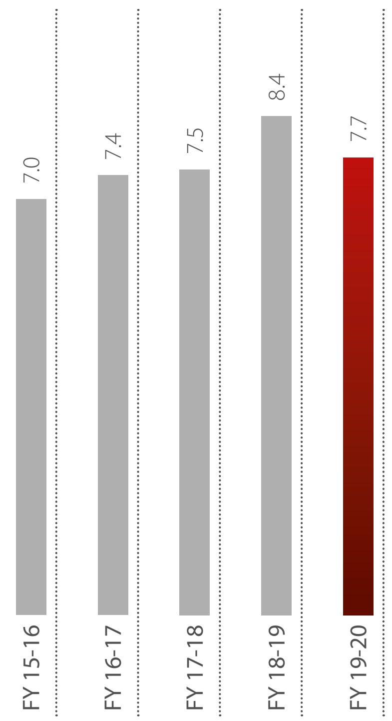
(5.3%) YoY

Collection Efficiency
%



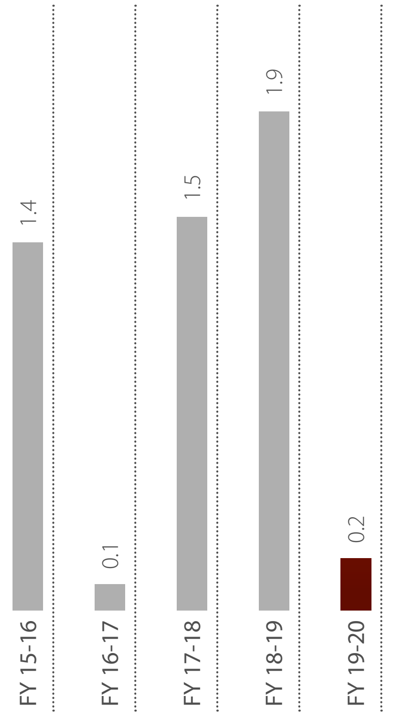
(238) bps YoY

Net Income Margin*
%



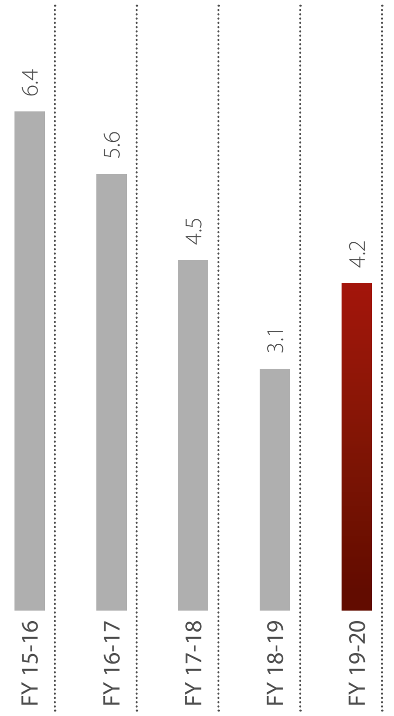
(71) bps YoY

Return on Assets
%



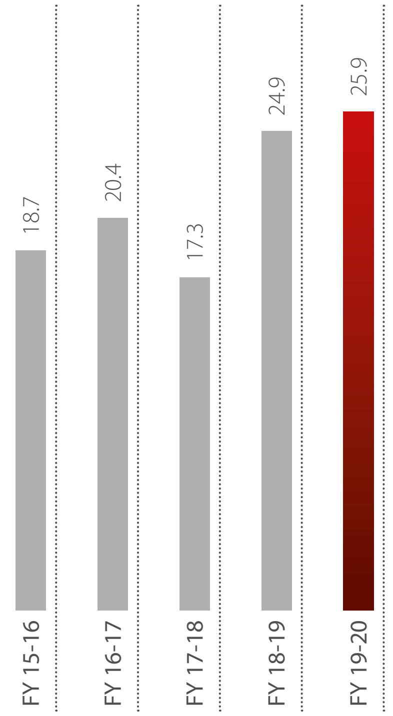
(169) bps YoY

Net NPA
%



109 bps YoY

Capital Adequacy Ratio
% (Standalone)



103 bps YoY

Loan Book by Product
in %

Car and Utility Vehicle

16.9%

Commercial Vehicle

8.4%

Construction Equipment

6.4%

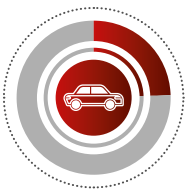
Tractor

8.2%

Mortgage

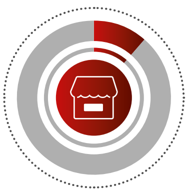
24.0%

Used Vehicles



24.6%

SME Loans



11.5%

Loan Book by Geography
in %

37% North
25% South
20% East
18% West

* FY18-19 Nos. have been re-grouped

Review by the Vice Chairman and Managing Director

Dear shareholder,

India is passing through one of the most challenging economic phases on account of the economic slowdown and the pandemic-induced lockdown.

The downtrend in India's NBFC sector commenced in September 2018 and affected fund inflows; the exposure of mutual funds in various NBFC debt instruments declined sharply from ₹150,000 Crores in July 2018 to ₹70,000 Crores in January 2020.

This reality was compounded by one of the slowest economic growth rates in decades. The offtake of commercial vehicles de-grew 29% between April 2019 and March 2020, compared to the corresponding period in the previous financial year. Within the commercial vehicles segment, medium & heavy commercial vehicles (M&HCVs) and light commercial vehicles declined 42% and 20% respectively during the year under review. Passenger vehicle sales declined 18% in 2019-20 and within this segment, sales of passenger cars and vans declined 24% and 39% respectively; the sales of utility vehicles remained flat.

Magma's responsive business model

The big question that everyone is asking is whether a long-standing NBFC like Magma will be able to weather the storm.

The principal message that I wish to send out is that Magma is addressing challenges with speed and sensitivity. This is helping reorient our business, strengthening our ability to resist the slowdown and empowering us to capitalise on a projected recovery.

During the last financial year, Magma's responsiveness comprised a complement of initiatives related to a robust funding pipeline, enhanced liquidity, stronger product mix and Covid-19-induced slowdown preparedness.

Funding: In the business of retail financing, success is derived from the ability to possess an anytime access to disbursable funds. As funds from longstanding financing sources (insurance companies and mutual funds) declined in 2019-20, the NBFC sector was restricted to borrow largely from commercial banks at relatively elevated costs as banks increased their risk premium for NBFCs in the wake of losses suffered from their exposure to large NBFCs that failed between September 2018 and July 2019. Despite the prevailing weakness, the Company leveraged its sectorial respect to mobilise ₹6,466 Crores from various lenders (even as this came at an increase in average cost by 90 bps) during the year under review. The result is that in a liquidity-strapped economy, the company ended 2019-20 with ₹550 Crores of cash in hand, sanctioned but unutilised credit working capital limits of ₹600 Crores and a new borrowing pipeline of around ₹250 Crores. We believe that this funds availability will make it possible for the company to capitalise with speed on economic upturns, strengthening margins, brand and market share. As a measure of prudence, Magma balanced its asset-liability mismatch in the one year bucket; besides, as an additional de-risking, the company's borrowings are now completely sourced from long-term sources (though cash credit is shown as repayable in 6m-12m buckets for ALM computation). We believe that our decision to build a war chest of disbursable funds and sanctions at a time when banks are turning averse to lending to the NBFC sector represents a competitive advantage.

Committed: At a time of sectorial weakness and uncertain economic environment, we believe that companies enjoying higher liquidity are likely to outperform. Magma focused on enhancing its liquidity at a time of declining sectorial cash flows; the company selected to moderate disbursements to shift from short-term funding to 100% long-term funding. As an extension of this liquidity, the company voluntarily refused a moratorium extended by lenders and communicated its intent in meeting its pre-decided repayment schedule, strengthening stakeholder confidence.

Product mix: Even as asset-backed finance remained the company's largest business segment, the company moved with speed to reorient business away from the financing of new commercial vehicles

(following a sharp sales decline) to the pre-used variety during the year under review. The company steered its ship away with agility: the share of used vehicles in total disbursements during the year increased to 38% compared with 28% in 2018-19. This switch was accompanied by traction and higher yields at a time of rising funds cost, making it possible for the company to protect its profitability.

Enhancing productivity: The company maximised human productivity on the one hand and capped operational expenditure on the other, protecting profitability. The Company emphasised a greater use of technology across loan processing, enhancing operational efficiency, customer engagement and creating a secured infrastructure.

Lockdown preparedness: The national lockdown following the outbreak of the Covid-19 pandemic put a premium on the need to work from home without compromising organisational effectiveness. During this lockdown, the company strengthened its collection efficiency to minimise credit loss. It focused on reducing delinquency by converting customers from the delinquent to non-delinquent bucket; it reduced the extent of delinquency for certain customers.

Performance overview

The complement of these initiatives in a challenging environment helped the Company report a 2.7% increase in revenues to ₹2,563 Crores in 2019-20 from ₹2,495 Crores in 2018-19. Disbursements during the year declined 26.6% to ₹6,428 Crores in 2019-20 from ₹8,757 Crores in 2018-19. Assets under management declined to ₹16,134 Crores as on 31st March 2020 from ₹17,029 Crores as on 31st March 2019, reflecting a decline of 5.3%. Our gross NPA stood at 6.4% in 2019-20 (4.8% in 2018-19) and net NPA stood at 4.2% (3.1% in 2018-19). The company's EBIDTA for the year stood at ₹1,451 Crores against ₹1,615 Crores in 2018-19; profit after tax was reported at ₹27 Crores in 2019-20 against ₹304 Crores in 2018-19.

The company's focus product segments (loans for used vehicles, tractors, affordable housing and SME finance) continued to perform in line with the strategic direction. The contribution of focus products in the disbursement mix increased from 57% in FY19 to 75% in FY20.

During the year under review, the company continued to deepen its business broad-basing. The company grew its pan-India presence in the affordable housing finance segment (through its wholly owned subsidiary), reducing its dependence on any particular geography. During the year, housing finance disbursement grew 24%, increasing total assets under management to ₹3,880 Crores. Based on the encouraging traction of the business, the promoter invested ₹100 Crores in additional capital, growing the total capital of the business to ₹481 Crores by the end of the year under review. We believe that by right-sizing the Balance Sheet, the company stands to borrow sizably and at a lower cost, strengthening its position to initiate a robust virtuous cycle. Besides, around 4% of the company's home loan portfolio was covered by the PMAY interest subvention scheme, moderating costs for borrowers, enhancing their repayment comfort and strengthening our Balance Sheet for that business.

The SME finance business curtailed disbursements at ₹1,018 Crores during the year under review and focused only on high quality assets. Being a key focus area for the government, we expect continued support that will keep growing this business sustainably.

The Gross Written Premium for the general insurance business grew 26% during the year. We continued to forge stronger partnerships with prominent OEMs: with Mahindra & Mahindra for its entire range of vehicles, Piaggio for three-wheelers, Royal Enfield for two-wheelers and Maruti Suzuki and Hyundai Motors for their passenger vehicles. This reinforced our presence among the country's largest vehicle manufacturers (passenger cars, commercial vehicles and tractors), strengthening our prospects of carving away a sizable share of business when the economy revives. We strengthened our health portfolio with the relaunch of an existing product with additional benefits and working in a dedicated manner with health policy-focused distribution agencies.

Magma's cautious optimism

At Magma, we expect that the Indian economy could remain sluggish across the foreseeable future on account of the prevailing slowdown and impact of the lockdown.

However, we are cautiously optimistic about growing our business. The downward repo rate revisions by RBI to record lows make it possible to reduce our fund costs, strengthening our prospective profitability. The Government of India announced a ₹20 lakh Crores economic relief stimulus with the priority of reviving the MSME sector. The extension of the interest subvention scheme under PMAY until March 2021 is expected to popularise affordable housing finance products.

This provides us with the optimism that Magma possesses deep shock absorbers and should be able to survive the downturn and capitalise on an economic recovery.

Sanjay Chamria,
Vice Chairman and Managing Director

BOARD REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

Dear Shareholders

Your Directors have pleasure in presenting the 40th Annual Report along with the Audited Financial Statements of the Company for the financial year ended 31 March, 2020.

FINANCIAL HIGHLIGHTS

(₹ in lakh)

Particulars	Standalone		Consolidated	
	FY2019-20	FY2018-19	FY2019-20	FY2018-19
Total income	221,903.40	226,730.66	256,287.78	249,469.83
Profit before interest and depreciation	122,979.54	147,067.55	145,139.63	161,439.46
Less: Interest and finance charges	112,397.10	101,764.01	129,382.18	112,223.40
Less: Depreciation	7,164.14	5,015.63	7,478.99	5,046.39
Profit before tax	3,418.30	40,287.91	8,278.46	44,169.67
Share of profit of joint ventures	-	-	(100.72)	66.42
Tax Expense	4,419.38	12,775.04	5,472.40	13,835.46
Profit after tax	(1,001.08)	27,512.87	2,705.34	30,400.63
Add: Other Comprehensive Income/ (loss)	(617.26)	(182.29)	(82.99)	(496.70)
Total Comprehensive Income	(1,618.34)	27,330.58	2,622.35	29,903.93
Profit available for appropriation				
Profit after tax	(1,001.08)	27,512.87	2,705.34	30,400.63
Balance of profit for earlier years	32,540.96	13,257.93	46,965.00	25,498.14
Profit available for appropriation	31,539.88	40,770.80	49,670.34	55,898.77
Add: Other Comprehensive Income/ (loss)	(288.96)	(122.73)	(308.33)	(136.66)
Transfer to statutory reserve	-	(5,510.00)	(852.97)	(6,200.00)
Less: Dividend paid	(2,597.65)	(2,597.11)	(2,597.65)	(2,597.11)
Balance carried forward	28,653.27	32,540.96	45,911.39	46,965.00

ECONOMIC AND INDUSTRY OVERVIEW

Global Economic Overview

The global economy grew 2.9% in 2019 compared to 3.6% in 2018, clearly showing weakness in the global business environment. The global trade grew at a mere 0.9% in 2019 due to trade tensions and slower economic growth.

The COVID-19 pandemic has struck a devastating blow to an already-fragile global economy. Lockdowns and other restrictions needed to address the public health crisis, together with spontaneous reductions in economic activity by many consumers and producers, constitute an unprecedented combination of adverse shocks that is causing deep recessions in many advanced economies as also in emerging markets and developing economies. According to the International Monetary Fund (IMF), the global economy is expected to shrink by over 3 per cent in 2020 – the steepest slowdown since the Great Depression of the 1930s.

Uncertainty about the length and depth of this health crisis propelled economic and financial crisis. Very well-respected studies have suggested that Emerging Market and Developing Economies could suffer output losses of 3-8 percent in the short term.

Governments in many countries have taken fiscal and monetary policy action on unprecedented scales in response to the pandemic to support demand and economic activities.

Indian Economic Overview

India emerged as the fifth-largest world economy in 2019, overtaking the UK and France with a gross domestic product (GDP) of $2.94 trillion. India jumped 14 places to 63 in the 2020 World Bank's Ease of Doing Business ranking, riding on reforms in several areas and a substantial bump-up from the insolvency law rolled out in 2016. The country climbed 79 positions in the past five years and was among the top 10 performers for the third year running.

GDP growth for Q4 FY20 was 3.1%, full year FY20 was 4.2% and FY21 GDP is projected to degrow by 5% year-on-year, with a negative bias. The outbreak of COVID-19 and the subsequent lockdown is expected to significantly moderate aggregate demand. To mitigate the reality, the government announced a ₹ 1.7 lakh crore relief package for the poor migrant workers which included direct cash transfer to farmers, increased wages under MGNREGA scheme and utilisation of welfare funds for construction workers among others. The government also announced an economic package of ₹ 20 lakh crore, benefitting the MSME segment, agrarian sector and provision for free rations to migrant workers.

Industry Overview

NBFC Sector

Non-banking finance companies (NBFCs), an integral component of the Indian lending ecosystem, could see a major impact of COVID-19 on their liquidity position and asset quality in the financial year 2020-21 due to complete halt of economic activity due to massive lockdown. Before the coronavirus outbreak, RBI and the government took several measures to support NBFCs since August 2019, especially after credit crisis and confidence crisis in the NBFC sector, due to default by some major financial institutions in Infra sector. The COVID-19 pandemic clipped the recovery. Small and medium-sized NBFCs are most at risk due to the disruption caused by the COVID-19 outbreak. The central bank has sought to cushion borrowers and lenders against the coronavirus outbreak effect, allowing companies a six-month grace period on loan repayments. In last 2 months, several measures have been taken by RBI and Finance Ministry to boost liquidity and economy as follows:

Measures taken by RBI

- **Repo Rate and Reverse Repo rate-** Significant reduction of repo rate by 75 bps in March and further by 40 bps in May to 4%. Similarly, the reverse repo rate has also been reduced to 3.35%
- **CRR-** Reduction of Cash Reserve Ratio (CRR) by 1%, to 3% applicable from March 28, to inject ₹ 1,37,000 crore.
- **Loan Moratorium-** In March, RBI Governor announced that lenders could give a moratorium of 3 months from March 2020 to May 2020 which was further extended by 3 months in May 2020 from June 2020 to August 2020 on repayment of all term loans. Those accounts that have availed the moratorium facility, the period of moratorium will be excluded from the 90-day NPA classification norms of the RBI.
- **TLTRO 1.0 & 2.0-** Introduction of long-term repo operation (LTRO) facility infusing ₹ 1,50,000 crore worth of liquidity into the economy through banks by launching the Targeted Long-Term Repo Operation (TLTRO) (1.0) and (2.0) facilities. Given that the primary beneficiaries of TLTRO 1.0 turned out to be public sector entities and large corporates, the RBI also launched TLTRO 2.0 for a further amount of ₹ 50,000 crore to cater to the non-banking finance and micro finance sector.
- **Special Refinance Facility-** Special refinance facility of ₹ 50,000 crore to NABARD (₹ 25,000 crore) for refinancing regional rural banks, cooperative banks and micro finance institutions, SIDBI (₹ 15,000 crore) for on-lending/refinancing and NHB (₹ 10,000 crore) for supporting housing finance.

Measures taken under Economic stimulus package (Atmanirbhar Bharat)

- **₹ 30,000 crore Special Liquidity Scheme for NBFCs/HFCs/ MFIs-** Under this scheme, investment is to be made in primary & secondary market transactions in investment grade debt paper of NBFCs/HFCs/MFIs. Securities will be fully guaranteed by the Central Government.
- **₹ 45,000 crore Partial Credit Guarantee Scheme 2.0 for NBFCs-** Existing PCG scheme to be extended to cover borrowings such as primary issuance of bonds/CPs. Government to provide 20% first loss sovereign guarantee to PSBs, AA and below rated papers including unrated papers to be eligible for investment. This scheme will result in the liquidity of 45,000 crore
- **₹ 3,00,000 crore Collateral free** automatic loans to MSMEs, Government to give 100% credit guarantee cover to banks and NBFCs on principal and interest for additional loans up to 20% of the outstanding as on 29th February 20 with Banks/NBFCs/ FIs. The said Scheme has also been extended to HFCs (for LAP segment). The Scheme aims to extend additional funding to eligible borrowers in order to help them through the liquidity crunch faced by them due to the crisis.
- **Credit Linked Subsidy Scheme for MIG under PMAY(U) extended up to March '21-** This scheme is aimed at achieving government's objective of housing for all. The extension is an action-oriented reform for the revival of affordable housing segment ensuring job creation, and stimulus to demand and boosting the supply chain.

Overview of underlying asset class

Automobile sector

- Auto sales dipped by 18% in FY20 as compared to FY19 and new sales were driven by demand in semi-urban and rural markets.

Passenger vehicles, including Car & MUV would see significant drop in H1 FY21 considering reduced discretionary purchases.

- A faster recovery of the Rural sector and a good Rabi harvest expected to support tractor demand immediately post easing of lockdown.
- Used vehicle transactions likely to be lesser impacted in FY21 considering lower market prices, BS VI transitioning and extended time gap in regularization of the new vehicles supply chain.

SME Sector

- MSME sector is expected to be directly impacted due to lockdown and the uncertain economic situation.
- Cash-flows impact likely to remain in the short to medium term, even after lockdown eases, due to supply chain disruptions and counterparty debtor risk across the value chain.
- Recovery is expected to be slow owing to subdued GDP growth and sluggish demand. However, measures from RBI and Government are likely to expedite the recovery process.
- Asset quality concerns are expected to pose challenge over the next few years.

Mortgage Sector

- Overall Housing demand expected to be subdued in FY21.
- Project completion may get delayed and prospective buyers in turn may delay purchase decision, especially in large cities.
- Retail segment, especially ready, self-construction housing demand likely to pick up. There will be housing demand in Tier 2, 3, and 4 cities.

OVERVIEW OF COMPANY'S PERFORMANCE

Despite volatile economic environment, the Company focused on capital preservation, collections, stringent operating expenses management and strengthening Balance Sheet.

The new initiatives undertaken by the Company continues to show positive impact in all areas during the current year.

Disbursements and Loan Assets

During the year FY2019-20, the standalone disbursements declined by 33% i.e., from 767,204 lakh in FY 2018-19 to ₹ 511,319 lakh in FY2019-20. Similarly, the consolidated disbursements declined by 27%, i.e., from ₹ 8,75,736 lakh in FY2018-19 to ₹6,42,832 lakh in FY2019-20. The decline was mainly due to the degrowth in Car, CV, CE, Tractor and SME loans and the focus of the Company was on maintaining the portfolio quality in the light of adverse economic trends and therefore, be conservative in incremental lending and restricting it to customers with existing track record and/or good security.

Total Loan Assets as on 31 March 2020 on standalone basis decreased by 12% y-o-y basis to ₹12,85,086 lakh and the total Loan Assets on consolidated basis decreased by 5% to ₹16,13,353 lakh.

Asset Quality

The consolidated Stage 3 Assets (Gross Non-Performing Assets (GNPA)) ratio on 3 month overdue basis on loans, increased from 4.8% in March 2019 to 6.4% in March 2020. Similarly, the Net Non-Performing Assets (NNPA) ratio on loans has increased from 3.1% in March 2019 to 4.2% in March 2020. The increase is mainly due to higher delinquencies in CV, CE, and Tractor portfolio due to sluggish demand and weak macro-economic scenario. While the fresh slippages during the year were lower than previous year, the NPA customers didn't have enough money to roll back the contracts to standard buckets and the collections suffered due to the same and finally, in the last fortnight of March, 2020 on account of disturbance due to COVID 19 and later lock down, the field activities were severely curtailed.

Liquidity

Magma has been able to steer through this liquidity crisis well, primarily because our Business Model, both in NBFC and HFC is focused on retail lending with –

a. Average ticket size of ₹ 4 to 6 lakh for ABF, ₹ 9-13 Lakh for Mortgage and ₹ 17-20 lakh for SME Business;

b. Pan India presence through its 314 branches spread across 21 States;

c. Diversified product mix, with no single product comprising more than 20% of the portfolio;

d. Our robust track record of asset securitization, having done securitization of over 248 pools for total asset value of over ₹ 45,817 Crore over past 13 years with diverse investors, namely Public Sector Banks, Private Sector Banks, Foreign Banks and Mutual Funds.

e. We exited March 2020 with liquidity of ₹ 1,527 Crore comprising of available cash in hand of ₹ 226 Crore and unutilized credit limits of ₹ 1,301 Crore.

f. Our borrowings are principally in form of Term Loans, Securitisation and Working Capital facilities. Hence, our scheduled repayments in the months of April and May 2020 are less than ₹ 100 Crore.

Given our liquidity position, we decided against taking moratorium from our lenders and sent a suo moto communication to all Banks informing them of our intent to make all payments as per agreed repayment schedule.

Even while we made our offer to all our customers to take moratorium, and we did not seek any moratorium from our lenders, the inflow from our customers was good enough to pay all our expenses and liabilities, and as a result we closed the first Moratorium period with the same level of liquidity as we had on 31 March 2020.

Business – Strategy and Outlook

Key Initiatives FY2020:-

- A brand-new cloud-based loan origination system (LOS) along with credit approval engine (rule-based decision making) was implemented for SME line of business.
- Data Analytics: Implementation of three new cloud enabled data marts namely Finance data mart, Risk data mart and Cross sell data mart; data marts and downstream analytics will accelerate delivery of business insights and performance reporting.
- Introduction of robotic process automation (RPA) technology for intelligent automation of back-office processes is bolstering efficiency and accuracy at a lower cost of operations.
- A robust Business Continuity Plan as a response to COVID addressing financial planning, business strategy realignment, employee productivity re-focus, IT enablement and renewed customer engagement.

Asset Backed Finance (ABF)

Disbursement declined by 31%, from ₹ 587,673 lakh in FY2018-19 to ₹ 405,497 lakh in FY2019-20. The decline is mainly due to sluggish demand in Car, CV & CE products and weakening credit profile of the customers due to deployment issues.

- Healthy disbursement growth in focus products namely Used Assets which achieved YOY growth of 11% in FY2019-20.
- Used Assets AUM contribution increased from 19% in FY2018-19 to 25% in FY2019-20
- Direct channel contribution significantly grew from 31% in Q1FY2017-18 to 41% in Q4FY2019-20.

ABF business continued portfolio re-shaping, by increasing contribution of focus products, which is yielding positive results.

Mortgages Business

The Company showed a significant growth this year with disbursement increasing by 24% over previous year. The overall disbursement increased from ₹ 1,09,182 lakh in FY2018-19 to ₹1,35,508 lakh in FY2019-20. The increase is due to the following:-

- Stellar growth in Home loan portfolio of 28%. The disbursement in home loans grew from ₹ 64,700 lakh in FY2018-19 to ₹ 82,671 lakh in FY2019-20 in line with "GO HOME LOAN" strategy implemented by the Company.
- The contribution of home loan portfolio increased from 25% in FY2016-17 to 47% in FY2019-20 in the overall housing AUM.
- Company's "GO DIRECT" strategy for transition from DSA model to direct sales model improved direct sourcing from 28% in Q1FY18 to 78% in Q4FY20.
- Focused deep market penetration in 103 locations across 19 states using unit model implementation.

The push for affordable housing by the Government of India will further expand the Company's current housing portfolio. The Company is poised towards being a unique affordable finance Company having a national presence.

SME Business

Disbursement declined from ₹ 178,880 lakh in FY2018-19 to ₹101,827 lakh in FY2019-20 as a result of tightening of SME lending on account of overall economic slowdown and its impact on the SME segment. The asset under management decreased by 18% i.e. from 227,755 lakh as on 31 March 2019 to ₹ 1,85,860 lakh as on 31 March 2020.

The key initiative for the SME business during the year was launch of the MScore Credit Rule Engine launched, along with back-tested Credit Scorecards for improvement in credit quality.

With geographical expansion and focus on portfolio quality the SME business is expected to return growth in the coming years and will contribute significantly to the bottom line of the Company.

Insurance business achieved ₹1,29,392 lakh Gross Written Premium for FY2019-20 registering a growth of 26.1% YoY vs the industry growth of 11.5%. The insurance business reached a customer base of 1.9 million in FY2019-20 with 6500+ partners as at March 2020. The business continues to witness productivity improvements in retail agency, OEM and banc assurance channels. The Company is empaneled with six OEMs as at March 2020, of which 5 were added in FY2019-20. The Company has commenced business with 3 OEMs and system integration is under process for the others. The Company continues to increase its Non motor commercial portfolio backed by strong panel of reinsurers. The servicing infrastructure for retail and group health business has been put in place which will help growth in health insurance business in the coming years.

Branch network

Magma's branch network stood at 314 branches in FY2020 as compared to 310 branches in FY2019. The Company has a pan India presence with good geographical diversification. The Company continues to exploit the untapped potential of existing branches and ensure that more products are available across our branch network.

SWOT ANALYSIS

Opportunities, Challenges and Outlook

Strengths

- Diversified portfolio products across asset finance, business finance and mortgage finance.
- Pan-India presence with 314 branch offices, primarily in Rural and Semi Urban locations.
- A well-defined and scalable organizational structure based on product, territory and process knowledge.

- Complete Digital process through entire customer lifecycle.
- Customer focus Product innovation and superior delivery.
- Experienced senior management team.
- Strong relationships with public, private as well as foreign banks, institutions and investors.
- Ability to meet the expectations of a diverse group of investors and excellent credit ratings.
- Innovative resource mobilisation techniques and prudent fund management practices.

Weakness

- Business and growth directly linked with the GDP growth of the country.
- Liability profile and dependence on banks for leverage and ALM mismatch.
- Company's Customers are more vulnerable to negative effects of economic downturn.
- Uncertain economic environment.

Opportunities

- Focus on MSME segments traditionally not serviced by banks (non-salaried professionals, individuals, traders and transporters).
- Large untapped rural and urban markets.
- Enhance digital solutions for business/collections.

Threats

- Slower economic activity and weak rural demand could lead to high credit costs due to COVID-19 pandemic.
- Increased competition across the Company's product segments from captive finance companies and small finance banks.
- Inadequate availability of bank finance and upsurge in borrowing cost
- External risks associated with liquidity stress, political uncertainties, fiscal slippage concerns, etc.
- Growing number of Fintech companies.

FINANCIAL PERFORMANCE AND THE STATE OF THE COMPANY'S AFFAIRS

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

The Company's Profit after Tax (PAT) on consolidated basis decreased to ₹ 2,705 lakh in FY2019-20 compared to ₹ 30,401 lakh in FY2018-19.

The Company has maintained stable net interest margin (NIM) of 7.7% despite facing a high interest rate scenario. Better interest cost management and a prudent mix of products helped the Company maintain its net interest margin (NIM).

Net Income from Operations (i.e. total income less finance cost) on a consolidated basis decreased by 7.5% from ₹ 137,246 lakh in FY2018-19 to ₹126,906 lakh in FY2019-20.

Total Income increase by 2.7% from ₹ 249,470 lakh in FY2018-2019 to ₹ 256,288 lakh in FY2019-2020.

The write offs and provision increased from ₹ 24,671 lakh in FY2018-19 to ₹ 48,579 lakh in FY2019-20 inclusive of one time COVID Provisions to the extent of ₹ 10,903 lakh.

On a Standalone basis, the Capital Risk Adequacy Ratio (CRAR) for the year FY2019-20 was 25.9%, against the RBI stipulated norm of 15% for non-deposit taking Asset Finance Companies.

Details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios:

1. Debt Equity ratio has fallen from 4.60 to 3.98 at standalone level and from 4.79 to 4.36 at consolidated level. This represents a fall of 13% and 9% at standalone and consolidated level respectively.
2. There is a significant decrease in Return on Assets (ROA) by 91.2% and Return on Equity (ROE) by 92.4% in FY20 (as compared to FY19), due to increase in Net Credit Cost by 96.9% on a YoY basis from ₹ 24,671 lakh to ₹ 48,579 lakh, primarily on account of provision created due to the pandemic (COVID-19) and a onetime impact due to re-measurement of opening net Deferred Tax Assets, as a result of opting to pay income tax at a concessional rate.

CHANGE IN NATURE OF BUSINESS

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the requirements in terms of Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (hereinafter referred to as 'Listing Regulations') your Company prepared Consolidated Financial Statements in accordance with

Ind AS 110 - "Consolidated Financial Statements" and Ind AS 27 - "Separate Financial Statements". The Consolidated Financial Statements forms part of this Report.

SUBSIDIARY AND JOINT VENTURE COMPANIES

Magma Housing Finance Limited (MHFL) is a wholly owned subsidiary of the Company. MHFL has made disbursements of ₹ 131,513 lakh in FY2019-20 against ₹108,532 lakh in previous year. MHFL has earned a PBT of ₹ 5,429 lakh for the year ended 31 March 2020 against ₹ 4,700 lakh in previous year.

During the year under review, the Company had infused capital aggregating to Rs. 100 crore in Magma Housing Finance Limited by subscribing to its Equity Shares on Rights Issue basis.

The Company's Joint Venture with HDI Global SE for General Insurance Business in India named Magma HDI General Insurance Company Limited (Magma HDI) (the 'JV Company') has shown good growth in the current year. Magma HDI has reported Gross Written Premium (GWP) of ₹ 129,392 lakh in FY2019-20 against ₹ 102,582 lakh in FY2018-19. Magma HDI has earned PBT of ₹ 568 lakh for the year ended 31 March 2020 as against negative PBT of ₹ 841 lakh for the year ended 31 March 2019.

Jaguar Advisory Services Private Limited (JASPL), a Joint Venture with HDI Global SE is an advisory services Company domiciled in India. Presently, JASPL provides manpower services. JASPL has earned a PBT of ₹ 0.58 lakh for the year ended 31 March 2020 against ₹ 1.05 lakh in previous year.

None of the companies have ceased to be subsidiary/joint venture of your Company during the year under review

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

TRANSFER TO RESERVE

In view of Net loss during the year the Company is not proposing any Transfer to Statutory Reserve as required under Regulation 45-IC of Reserve Bank of India Act, 1934 issued by RBI.

DIVIDEND

As stipulated in Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has in place the Dividend Distribution Policy which is available on the Company's website at its weblink i.e.https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/. The same also forms part of the Board's Report and is annexed as **Annexure 6**.

With a view to conserve capital, given the challenging situation caused by the ongoing COVID-19 pandemic, the Board of Directors has not recommended any dividend on Equity Shares of the Company for the financial year ended 31 March, 2020.

DEPOSITS

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

EMPLOYEE STOCK OPTION SCHEME

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

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

The details of the options granted and outstanding as on 31 March 2020 along with other particulars as required by Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014 is available on the website of the Company www.magma.co.in at https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/ and the Auditors' Certificate would be placed at the forthcoming Annual General Meeting pursuant to Regulation 13 of the said Regulations.

SHARE CAPITAL

Equity Shares

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

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

During the year, the following Equity shares were allotted upon the exercise of stock options by the employees:

1. 1,32,600 Equity Shares of the face value of ₹ 2/- each, were allotted to the eligible employees at a price of ₹ 2/- per Equity Share.
2. 58,476 Equity Shares of the face value of ₹ 2/- each, were allotted to the eligible employees at a price of ₹ 39.45/- per Equity Share (including a premium of ₹ 37.45/- per Equity Share).

After the close of financial year, 4,800 Equity Shares of face value of ₹ 2/- each were allotted to the eligible employees at face value upon the exercise of stock options by the employees.

Consequent to the issue of the additional Equity Shares as above, the issued, subscribed and paid up Equity Share Capital of the Company as on the date of this Report stands increased to ₹ 53,90,40,224/- (Rupees Fifty Three Crore Ninety Lakh Forty Thousand Two Hundred and Twenty Four only) divided into 26,95,20,112 Nos. (Twenty Six Crore Ninety Five Lakh Twenty Thousand One Hundred and Twelve only) of Equity Shares of ₹ 2/- each as on date.

FINANCE

Public Issuance of Secured Redeemable Non-Convertible Debentures

Your Company raise funds through Term loans, Securitisation and Non-Convertible Debentures to meet its business needs. Your Company in its maiden retail issue of Secured Redeemable Non-Convertible Debentures (NCDs) of face value of ₹ 1000/- each for an amount of ₹ 200 crore ("Base Issue Size"), with an option to retain over subscription up to ₹300 crore aggregating to ₹ 500 crore (the "Overall issue size/ Tranche I Issue") had allotted 20,14,145 nos. of NCDs on 6 May 2019 for an amount of ₹ 201.41 crore. These securities are listed with National Stock Exchange of India Limited and BSE Limited. This new instrument of retail NCDs helped broaden the liability mix as well as diversifying the investor base and profile.

The net proceeds received from the Issue have been used for the purpose of onward lending, financing, and for repayment/ prepayment of interest and Principal of the existing borrowings of our Company and for general corporate purposes as mentioned in the Tranche I Issue Prospectus. Details of the Issue and the end use were duly furnished to the Audit Committee.

Private Placement Issue of Debentures and Bank borrowings

During the year, the Company has raised ₹ 350.00 crore through issuance of 3,500 nos. of Unrated, Unlisted, Senior, Secured Redeemable Non-Convertible Debentures of face value ₹ 10 lakh each under Voluntary Retention Route (VRR) for investment in Indian debt by Nederlandse Financierings Maatschappij Voor Ontwikkelingslanden N.V. (FMO), a Dutch Entrepreneurial Development Bank, to support the Company's on-going growth plans. The proceeds of the issue have been utilized for the Company's ongoing business operations including expansion and growth of its Micro and Small and Medium Enterprise (MSME) loan portfolio.

During the year, the Company has raised fresh long term Secured Loans of ₹1025.00 crore from Banks and Financial Institutions. The Company has also raised funds of ₹ 2646.15 crore from Banks, Mutual funds and NBFCs through fresh issue of Pass Through Certificates (PTCs) and Direct Assignment under the Partial Credit Guarantee (PCG) Scheme of the Govt. of India.

RBI GUIDELINES

The Company continues to comply with all the applicable regulations prescribed by the Reserve Bank of India ("RBI"), from time to time.

CREDIT RATING

During FY2019-20, rating for Short-term debt instruments from CRISIL were re-affirmed at CRISIL A1+. CARE Ratings reaffirmed its ratings on the Company's Short term debt instruments at CARE A1+, Bank Facilities, long term Secured and Subordinated Debt instruments at CARE AA- and Perpetual Debt instruments at CARE A+. The long term Secured Debt instruments and Bank Facility ratings of the Company have been reaffirmed by ICRA & India Ratings & Research Private Limited at ICRA AA - and IND AA- respectively. AA- reflects that these instruments have high degree of safety regarding timely payment of financial obligations and carry very low credit risk. ACUITE (erstwhile SMERA) and Brickwork Ratings have reaffirmed AA rating for Unsecured Subordinated Debt Instrument rated by them. Brickwork ratings & ACUITE have also assigned AA rating for the Secured Redeemable Non-Convertible Debenture of the Company. However, Outlook has been revised from 'Stable' to 'Negative' by ICRA, ACUITE, CARE Ratings and India Ratings has placed the rating under 'rating watch negative'.

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

A status of ratings assigned by rating agencies and migration of ratings during the year is provided in note no. 54(i) to the standalone financial statements of the Company.

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

Particulars of loans, guarantee and investments outstanding during the financial year is furnished in note nos. 6, 7, 45 and 53 to the standalone financial statements of the Company.

RISK MANAGEMENT

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

To make the current Risk Management practice more robust and aligned to the industry practice, the management has set up an internationally accepted forward looking Integrated Risk Management (IRM) Framework. This covers all risks families including but not limited to Credit Risk, Market & Interest Risk, Compliance Risk, Operational Risk, Reputational Risk and Financial Risk. The said framework facilitates identification, measurement, mitigation and reporting of risks through constant monitoring of Key Risk Indicators within the organisation. Involvement of the Senior Management team in implementation of the IRM framework ensures achievement of overall organisational objectives across all business units.

The risk management infrastructure operates on five key principles:

1. An overarching Risk Appetite Statement that defines the shape of the portfolio, delivering predictable returns, through economic cycles, and optimizing enterprise-wide risk-return and capital deployment.
2. Independent governance and risk management oversight.
3. Establishment of forward looking Strategic Risk Assessment with pre-emptive credit and liquidity interventions, to ensure proactive early action in the event of emerging market adversity.
4. Maintenance of well-documented risk policies with performance guardrails.
5. Extensive use of risk and business analytics, and credit bureau as an integral part of decision making process.

The Integrated Risk Management group is headed by the Chief Risk Officer, who is responsible for overseeing Magma's risk functions including credit risk, market risk, compliance risk, operational risk, reputational risk and financial risk across all businesses, products and processes.

Credit Risk

Magma adopts an independent approval process guided by product policies, customer selection criteria, credit acceptance criteria and other credit underwriting processes for sanctioning and booking each loan. This allows each customer to be independently assessed based on both financial and non-financial measures.

All credit policies are clearly documented and approved by the Risk Management Committee of the Board. Credit policies are reviewed on a periodic basis driven by changes in macro-economic, industry/segment and credit bureau in addition to internal portfolio performance.

Credit approval and administration is managed through a judicious use of Credit Rule Engine, assessment by seasoned credit appraisal experts and an appropriate delegation of credit authority.

Portfolio quality improvement is a constant exercise. We use the statistical benchmark of Early Warning Indicators and Continuous Portfolio Monitoring Indicators and basis these indicators carry out Hind sighting exercise to make appropriate intervention in the Credit Policy to further improve the portfolio quality and reduce the ultimate losses. During the end of financial year, we have been faced with unprecedented health and economic crisis on account of COVID-19 which has led us to further enhance the credit processes due to uncertain economic conditions. All Credit approved customers were again approached to understand the need for loan in uncertain scenario and appropriate actions viz., withdrawing of Credit approval has been taken where we found that the customer may not need the loan anymore. We have surveyed more than 200000 customers to understand the effect the crisis has on them and obtained invaluable feedback which will help us further modify our credit policies and processes.

Operational Risk management

Operational risk framework is designed to cover all functions and verticals towards identifying the key risks in the underlying processes.

The framework, at its core, has the following elements:

1. Documented Operational Risk Management Policy.
2. Well defined Governance Structure.
3. Use of Identification & Monitoring tools such as Loss Data Capture (LDC), Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRIs).
4. Standardized reporting templates, reporting structure and frequency.
5. Regular workshops and training for enhancing awareness and risk culture.

Magma has adopted the internationally accepted 3-lines of defense approach to operational risk management.

First line - Each function/vertical undergoes transaction testing to evaluate internal compliance and thereby lay down processes for further improvement. Thus, the approach is "bottom-up", ensuring acceptance of findings and faster adoption of corrective actions, if any, to ensure mitigation of perceived risks.

Second line – Independent risk management vertical supports the first line in developing risk mitigation strategies and provides oversight through regular monitoring. All key risks are presented to the Risk Management Committee on a quarterly basis.

Third line – Internal Audit conducts periodic risk-based audits of all functions and process to provide an independent assurance to the Audit Committee.

In FY20, the Operational Risk (OR) team has helped identify, assess, monitor and mitigate risks across the organization. RCSA exercises and OR reviews have been conducted for key business units / support functions, and action plans have been developed to plug process gaps. The OR team helps senior management monitor risks through quarterly reporting of OR information to the RMC.

The OR team has also developed an Event Risk register to document the risks the organization is exposed to, and corresponding controls put in place, to deal with the COVID-19 situation.

Fraud Risk Management

Overview

Fraud can undermine the effective functioning and divert scarce and valuable resources of the organization. Moreover, fraudulent and corrupt behavior can seriously damage reputation and diminish trust to deliver results in an accountable and transparent manner. To combat the fraud the organization has effective corporate governance and framework for preventing, identifying, reporting and effectively dealing with fraud and other forms of corruption. Magma is consistently putting effort to prevent, detect and contain frauds. There is an independent Unit (Fraud Risk Management) to monitor, investigative, detect and prevent frauds.

Scope

Magma is committed to preventing, identifying and addressing all acts of fraud against the organization, whether committed by the staff members or other personnel or by third parties. Magma Fincorp has zero tolerance for fraud. To this effect, Magma Fincorp is committed to raising awareness of fraud risks, implementing controls aimed at preventing fraud, and establishing and maintaining procedures applicable to the detection of fraud.

Governance Structure

As a second line of defense Fraud Risk Management, monitors & checks compliance and report all fraud risks in the institution on ongoing basis. The independent function reports into the Chief Risk Officer. All frauds as specified by the regulator are being monitored by the Audit Committee and Board of Directors.

Roles and Responsibility of Fraud Risk Management

Component	Principle
Control Environment	• Fraud Risk Operating manual is developed and reviewed periodically. • All processes are being reviewed through ORM and Fraud risk to mitigate unforeseen gaps
Risk assessment	• Comprehensive fraud risk assessments are done in support with ORM. • Processes are being reviewed to plug the gaps. • Learning through investigations is shared to mitigate the open risks for more effective policy.
Control activities	Preventive and detective fraud control activities are deployed to mitigate the risk of fraud events occurring or not being detected in a timely manner. • Customer Screening through documents review • Fraud prevention tool for sophisticated de-duplication • Investigations & Mystery Shopping • Post Disbursement Checks • Branch Assurance • Negative Database Repository • Regulatory reporting
Information & communication	• Magma has established a communication process to obtain information about potential fraud through whistle blower policy and has deployed a coordinate approach to investigation and corrective action to address fraud appropriately and in a timely manner.
Monitoring	• All frauds are reported to the regulator and are reviewed by the Audit Committee as well as board of directors.

Enhanced surveillance during lockdown

In the COVID 19 scenario, intensified surveillance activities by FRM are now happening on a regular basis. Findings are being shared with respective businesses and corrective actions monitored.

The FRM department also focuses on the training of other functions (credit and operations) for better fraud prevention by the first line of defense.

Market Risk

Any mismatch in tenures of borrowed and disbursed funds may result in liquidity crisis and thereby impact the Company's ability to service its loans. Thus, it is imperative that there exists nil or minimal mismatch between the tenure of borrowed funds and assets funded. Magma has well-defined treasury policies for managing liquidity, investments, interest rate and borrowings. The Company has endeavored to maintain appropriate asset liability maturity with regard to its tenure and interest rates.

The Company has taken the following measures to rectify/bridge the cumulative negative mismatch and diversify the borrowing profile in the FY2019-20:

1. Raised long term funds from banks and financial institutions.
2. Raised long term funds through Securitisation
3. Raising long term funds through private placement and public issue of Secured NCDs.
4. Fully repaid the short-term Commercial Paper

Foreign exchange risk

The Company does not have any exposure to foreign exchange risk, since its disbursements are in rupee terms and the nature of its borrowings are also in domestic rupee debt.

Liquidity risk management

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

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

The Company has a comfortable liquidity position by way of unutilized Bank line and investment in Fixed Deposits and further supported by funds raised through Term Loans, Secured Debentures, and Securitization.

People Risk

Magma provides a conducive work environment to its employees that enables them to perform well and hone their skills. Our policies are designed to ensure a healthy and safe workplace, free from discrimination or harassment. Our people are our most valuable asset and we are committed to attract, engage and retain talent to create long-term value for our customers and stakeholders.

People risks that Magma focuses on includes following:

Inadequate availability of skilled manpower:

- Limited availability of candidates with appropriate skillset, experience and culture fitment.

Productivity Risk:

- Longer learning curve leads to low output.
- Time taken to filling of required manpower hampers installed capacity.

Succession planning:

- Risk to business continuity due to lack of leadership succession.

Magma is proactive in identifying and addressing risk aspects around people and address them in a timely and comprehensive manner.

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

INTERNAL CONTROL SYSTEM

Internal Control and Audit

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

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

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

Internal Financial Control

The Company has in place adequate internal financial controls with reference to financial statements, commensurate with the size, scale and complexity of its operations. Review of the internal financial controls environment of the Company was undertaken during the year which covered testing of Process, IT and Entity level controls including review of key business processes for updating Risk Control Matrices, etc. The risk and control matrices are annually reviewed, and control measures are tested and documented. Moreover, the Company continuously upgrades its systems and undertakes review of policies, guidelines, manuals and authority matrix. The internal financial control is supplemented by extensive internal audits, regular reviews by the Management and standard policies and guidelines to ensure reliability of financial and all other records to prepare financial statements, its reporting and other data. The Audit Committee of the Board reviews internal audit reports given along with management responses. The Audit Committee also monitors the implemented suggestions. The Company has, in material respect, an adequate internal financial control over financial reporting and such controls are operating effectively. The statutory auditors of the Company have also certified on the existence and operating effectiveness of the internal financial controls relating to financial reporting as of March 2020.

VIGIL MECHANISM/ WHISTLE BLOWER POLICY

Pursuant to Section 177(9) of the Companies Act, 2013 and Regulation 4(2)(d)(iv) of the Listing Regulations, the Company has in place a vigil mechanism named "Breach of Integrity and Whistle Blower (Vigil Mechanism) Policy" to provide a formal mechanism to the Directors and employees to report their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy. The Policy provides for adequate safeguards against victimisation of employees who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee.

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

HUMAN RESOURCE - PEOPLE COUNT AT EVERY STEP

At Magma, we believe that key pillars to business are people, processes, product and technology. Our endeavour is to create a conducive environment in which all four pillars work in harmony for the success of the organisation and its people.

➢ Dealing with the situation arising from COVID 19 –

The global coronavirus (COVID-19) pandemic has upturned life for the mankind. Nearly 1/3rd of the world's population including a large part of India has been under lockdown since middle of March 2020. Magma navigated the crisis well. As mature organization, we had planned our Business Continuity Plan (BCP) well ahead of the lockdown and moved to 'Work from Home' immediately when the lockdown was announced. Resultant, we continued to perform with least disturbance in situation of lockdown. Some key happenings prior to and immediately post lockdown –

- Each business and support function had developed SOPs on work from home and circulated to the teams at HO, Zones, Regions and Branches and conducted online training through multiple sessions.
- All our branches and offices adopted BCP since 19th March 2020, as the pilot was done in advance.
- All business/functions had daily huddle at multiple levels over VC/calls to guide the teams below and review the situation and take decisions on evolving basis.
- At top leadership level, we were having daily huddle to review and ensure people safety, and collections to the extent possible with help of digital platforms.
- We set up 24*7 helpline and Emergency Response Team of 85+ people on Pan India basis to support 6,300+ employees working on any health-related issues for self and their families and created a fund to support them financially.
- The risk management team increased its vigil and sampling on cash and bank transactions and IT teams intensified information security features.
- The Board was appraised of the situation and our response to deal with emerging situation. They were appraised on employee safety and welfare, biz continuity and contingency plans, beefing up additional liquidity and maintaining cash flows.
- IT systems were beefed up in terms of cloud server capacity, bandwidth, VPN at homes of people operating from home, security features augmented, and surveillance systems upped to protect against any data leakage, hacking or theft in such situations.

Magma's priorities continue to be ensuring employee safety, maintaining sufficient liquidity, and protecting asset quality while treating our customers with care. We are deeply concerned about our customer's health and safety, and we will stand by them in these difficult times.

➢ Learning and development

In continuation of our efforts to make Magma a self-developing Organization, we have taken various learning initiatives delivered through an e-Learning platform and instructor led programs. This year special emphasis has been on developing 'digital learning mediums' though Magma has been using webinars way before COVID came. We have been doing webinars since June 2019 and have converted our Induction program to a digital medium.

Few Key Learning Initiatives taken during the year across businesses:

1) A program named Neenv for Assistant Managers and Branch Managers (AM/BM) to help build performance driven culture. Managerial effectiveness Session are conducted to help handhold team members to deliver enhanced productivity and add to the overall growth and success of our organization:

    a. **Huddle Day** - Monthly knowledge intervention at Branches by AM/BM to update Field Officers on new developments, share knowledge Inputs and Gaps noticed, chalk out plan on last month's improvement and identify focus areas, and appreciate performers.

    b. **Performance Coaching** - Great managers strive to do right for their employees - treat them well, motivate them to succeed, and provide the support and coaching each person needs. Keeping with the ethos, a focused group of AMs & BMs are regularly made to practice on the skills on factual scenarios.

2) Functional Learning Support through - Nuggets/Videos/Webinars.

3) **Support in times of COVID 19 -**

    a. Inform, Guide and Nurture employees to sustain during COVID and lockdown times

    b. Create a platform for Idea Generation, quizzes and contests

    c. Prepare for "bounce back" scenarios

    d. Constant reskilling – Nuggets/Videos/Webinars

The key focus is to leverage L&D and business partnership to co-create novel learning methods and embedding them to deliver business outcomes.

Driven by technology

We have embedded technology to ease our people processes. Our onsite PeopleSoft platform has all modules which are delivered on the internet including recruitment, employee confirmation, performance management, separation for employees and real-time dashboard for leaders to take informed decisions. We continue to ensure a great new joinee experience through our online Onboarding program, right from joining formalities to the induction in the Organisation, and subsequently all employee Policies and information, all of it happens online.

Incentive schemes

Incentive is an important driver of business outperformance. We have schemes for employees in Line (revenue generating, customer facing) roles designed with clear key performance indicators (KPIs). The scheme design incorporates specific nuances to ensure that each plan is aligned with the business objectives. At the frontline, we have monthly incentive schemes, while at supervisory roles, the frequency is quarterly and annually. These are dynamic schemes that reflect changes in the external macroeconomics environment and revisited each year.

We also launched the" Monthly Performance Review Management" (MPRM) program – first of its kind in Magma, where monthly performance communications were sent to the frontline staff. With the help of this program, we institutionalized the "Monthly Manager Review" as a performance culture practice.

Key HR Initiatives

Our retention strategy starts from the hiring stage and continues through the entire employee life cycle management. We are having the following retention strategies:

- Hire people who meet the job role and Value system of Magma
- Promote people Internally as the first choice for a vacant position
- To strengthen our new joinees experience we launched "Aarambh" and "Maitree 3.0"
- Launched performance recognition programs-"MPRM"
- Launched a technology platform to facilitate resolution of employee queries
- Launched monthly Reward & Recognition programs to achieve business outcomes

Outlook

In the coming year, Magma is focusing upon following areas in the People Agenda:

- **Culture**

  Initiatives are being deployed to create stories and symbols that manifest the Values of integrity, collaboration and respect.

- **Retention**

  - Managerial capability enhancement through training and coaching
  - To drive succession planning and career progression
  - Leverage the Talent Council framework for internal promotions.

- **Productivity**

  - Re-enforcement of Supervisor accountability and responsibility.
  - Deploy performance review framework.

- **Engagement**

  - Promote and conduct organisation level communication initiatives such as Leadership interaction through webcast

- "Vartalaap", Annual day celebration-"Magma Mahotsav".
- Programs for Regular engagement with employees across all levels.

➢ Prevention of Sexual Harassment at Workplace

The Company has zero tolerance towards sexual harassment at the workplace and has adopted a 'Policy for Prevention of Sexual Harassment' to prohibit, prevent or deter any acts of sexual harassment at workplace and to provide the procedure for the redressal of complaints pertaining to sexual harassment, thereby providing a safe and healthy work environment, in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act 2013 and the rules thereunder. We have also constituted an Internal Committee to consider and address sexual harassment complaints in accordance with Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the year under review, one complaint of sexual harassment was reported by the Internal Committee. Appropriate action has been taken and the complaint was disposed off during the year. To build awareness and appreciation of this area, we have implemented an online knowledge module leveraging our learning management system.

The focus in the coming year is to emphasis and embed ethical work practices and integrity driven behaviour as one of the prime employee behaviour. For this effect one of the core initiatives is to embed evaluation of this behavior in every step of the employee life cycle, i.e., from recruitment to separation.

INFORMATION TECHNOLOGY

Magma continues to anchor on technology to drive efficiency and effectiveness of critical functions across the value chain of processes encompassing Customer service, sales, operations and risk management. This year Information Technology focused on empowering the sales and Customer service teams with reduced turnaround time, improved decision making and higher productivity to improve Customer engagement and the quality of service. The controls and the workflow for credit risk assessment were significantly enhanced through automated policy rules and scorecards. In this year, Magma also embarked upon its digital transformation journey on the cloud.

As part of Project Navodaya, a brand new cloud based loan origination system (LOS) along with credit approval engine (rule based decision making) was implemented for SME line of business, with an objective of providing a high availability application that can quickly scale up, as per the growth needs of the business. The new application was developed keeping in mind a workflow driven design that caters to a digital journey with minimal requirement of physical documents. The same is underway for our Mortgage business, and will be launched in FY21. Additionally the Business Process Re-engineering exercise led revamp of the ABF LOS resulted in substantial gains in field team productivity.

The analytics based automated Credit Engine for SME business has improved the consistency in decision making and increased the process efficiency of credit risk assessment through straight-through processing, while delivering the economy of scale. The Credit Engine is directly integrated with the new loan origination solution on cloud, to provide reliable and timely decisions for SME loan products.

A completely automated capability was developed for Field Officers on the ground to enable incentive payment immediately upon deal booking. The automation has improved the morale of Field Officers, thus ensuring higher productivity.

The augmentation of the mobile sales and collection applications to support the 'bring your own device' (BYOD) flexibility for the Field Officers have resulted in increased productivity and efficiency for them, along with cost savings for the Company by eliminating the need to procure Company owned tablets.

Data Analytics continues to remain as a top enabler for Magma and the implementation of operational data store and data marts is a great stride forward towards elevating maturity in business intelligence and insights driven decision making. The data marts and downstream analytics will accelerate delivery of business insights and performance reporting, and will additionally enhance the architecture of solutions under business insights portfolio to be future ready.

The introduction of robotic process automation (RPA) technology for intelligent automation of back-office processes is bolstering efficiency and accuracy at a lower cost of operations. The organization continues to persistently identify opportunities for improving productivity and turn-around-time in key processes through meticulous leverage of proven technology, tools and platforms.

The COVID 19 situation developed rapidly from the end of March 2020 and Magma could successfully use technology to empower its employees to work from home and remain productive, while not compromising on information and cyber security. During FY2020-2021, the Information Technology will continue to deliver digital capabilities by driving productivity improvements, reducing turn-around-time for disbursements and opening up new avenues of business opportunities.

CORPORATE IMAGE BUILDING & ENGAGING TARGET AUDIENCE

Some of the key initiatives undertaken by Magma during the year are:

➢ Marketing Activities

Magma continues to tap the markets through organising focused marketing activities such as Loan Mela in various markets. This accelerated a flow of enquiries, strengthened the brand recall and channel relationships. Our maiden NCD Campaign saw an ATL blitz including print, electronic, outdoor and Digital campaigns which added to the brand awareness and recall in major markets.

Digital initiatives

We strengthened our presence on digital platforms. The objective is to reinforce connect with customers and dealers. We beefed up our presence on social media channels such as Facebook, Linkedin, Twitter with regular business updates, posts on the various achievements of the Company. Further, Magma posted various articles, TV interviews contributed by the management which helped in Thought leadership.

Internal activities

The internal communication team hosts several business driving contests for our sales and collection teams. These contests motivate our teams and strengthens our relationship with the Channels. Regular organisational updates through e-mailers and internal branding, employee engagement activities, virtual town halls such as vartalaap and alaap, reward & recognition programmes formed important part of Magma's internal branding initiative.

Customer connect programmes

During FY20, we focussed on cross sell to the existing customer base. Red Carpet Day (Grahak Diwas) activation was undertaken at 200 odd branches on a particular day of the month giving special offering to customers with good track record. Promotional initiatives included the use of mass SMS blast, tele-calling and branch branding.

Public Relations

Magma maintained its corporate image with external stakeholders and the media throughout the year. Our views on the NBFC industry, business outlook, product innovations have all been covered by the best in the financial media, print and electronic media channels. Interviews of senior management, authored articles and views on industry changes were the highlights of the year. We also made our presence felt at large BFSI and Technology events where the Magma leadership shared their industry views. We won NBFC of the Year 2019 at the Indian Banking Summit apart from being recognised at large forum for our achievements in Information Technology, Corporate Social Responsibility and Corporate Communications.

Corporate Social Responsibility (CSR)

Magma continued to invest in our flagship CSR programmes to give back to society throughout the year. Our initiatives such as Highway Heroes, M-Scholar, M-Care, Swayam etc. made large scale impact on society and grabbed industry attention. We were recognised with as many as three awards for the excellence in CSR in FY20 from notable organisation such as IPE, Asian Customer Engagement Forum and UBS Forum.

We continued to invest in ending Class room hunger by way of sponsoring midday meal for kids from underprivileged families in 7 states. Even the employees as part of corporate volunteering, contributed for the same cause through notable NGO, Akshay Patra Foundation.

CUSTOMER RELATIONSHIP MANAGEMENT

Magma aims to be the most trusted and accessible financial services institution, promoting financial inclusion and creating value for all its stakeholders. Customer Service is a key focus area for our Company. Our Company also believes in integrity, good governance, professionalism, transparency and client satisfaction.

In FY20, several key initiatives were undertaken to transform Customer Experience:

- **Implementation of Net Promoter Score (NPS)** which is a leading indicator of Customer Loyalty and Cross Sell. We have tied up with Litmus World, a leading brand in Customer Loyalty Assessment to conduct NPS survey through independent assessment. Customer experience across key touch points – Sales, Onboarding, Service and Exit conducted based on a detailed questionnaire.
- Projects undertaken based on feedback received during NPS survey has resulted in significant improvement in NPS which has gone up from **18% to 33% (80% increase)**
- Asset finance business has an extremely healthy NPS score in the range of **40 -45** which is one of the best in the industry.
- As the next step towards strengthening **Customer Centricity Culture**, Customers are asked to rate their experience with **Field Officers**.
- **Structured Customer Engagement program is implemented** –Proactive connect to prevent complaints etc.

Post implementation of Customer Relationship Management solution (Microsoft Dynamics) for Customer Service and Lead Management in FY 2019, Magma continues to track the benefits realized and work on the next level of customization needed.

Benefits realized in FY20:

- Registration of Query, Request and Grievance has increased by 3 times
- Average call handling time has reduced by 50%
- Time taken for request & complaint resolution has increased by 30%
- Lead generation has tripled from average 4,000 leads to 12,000 leads a month.
- Cross Sell disbursal volume has also tripled from average ₹ 40 Crore to ₹ 120 Crore a month.

In order to ensure we treat customers fairly, we have implemented the following:

Transparency:

- Tariff sheet included in Welcome Letter to ensure complete transparency of all charges.
- SLA for each request & complaint communicated to customer at the time of registration.
- Voice of customer recorded for every request & complaint that gets resolved to track customer satisfaction.

Servicing customers in their preferred language

- Agreement copy in vernacular languages are displayed at branches and uploaded on website.
- Sanction letter is also provided in vernacular language & acknowledgement taken.
- Customer calls & SMS are handled in regional language to maintain & increase awareness.

Handling Grievances effectively:

- Mode of Welcome Letter & Agreement copy dispatch changed to registered post to avoid delay in document receipt.
- 100% of complaints are resolved in 15 days.
- Complaints RCA Forum conducted on a quarterly basis to address key process gaps.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Directors

Appointment

On the recommendation of the Nomination and Remuneration Committee, Mr. Bontha Prasada Rao (DIN: 01705080) and Mr. Sunil Chandiramani (DIN: 00524035) were appointed as Additional Directors in the capacity of Non-Executive Independent Directors for a period of 3 years with effect from 10th December 2019 to 9th December 2022, subject to the approval of the Members at the ensuing Annual General Meeting (AGM).

Mr. Rao and Mr. Chandiramani were not disqualified from being appointed as Directors as specified in terms of Section 164 of the Companies Act, 2013.

Appropriate resolution seeking your approval to the aforesaid appointment along with brief profile of Mr. Rao and Mr. Chandiramani is appearing in the Notice convening the 40th AGM of your Company.

Re-appointment

Mr. Narayan K Seshadri (DIN:00053563) was re-appointed as an Independent Director of the Company for another period of five years with effect from 25th September 2019 to 24th September 2024 considering his expertise, skills and knowledge, particularly in the field of finance and accounts. His re-appointment as Independent Director was approved at the 39th AGM by the Members. He is not liable to retire by rotation.

Retirement by Rotation

In accordance with the provisions of the Companies Act, 2013 and Regulation 36 of the Listing Regulations, Mr. Mayank Poddar (DIN: 00009409), retires at the ensuing AGM, and being eligible offers himself for re-appointment.

The brief resume/details relating to Director who is to be re-appointed is furnished in the Notice of the ensuing AGM.

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

Cessation

Ms. Madhumita Dutta-Sen (DIN:07885010), Nominee of International Finance Corporation (IFC) who was appointed as a Non-Executive Director of the Company on 28 August 2017, resigned as a Director from the close of business hours of 15 May 2019. The Board of Directors recognizes and places on record her valued contribution and unstinted support to the Company in the capacity of director.

Mr. Satya Brata Ganguly (DIN: 00012220), who was first appointed as Non-Executive Independent Director on the Board of the Company on 16 July 2010, and was reappointed as Non-Executive Independent Director for a term of five consecutive years with effect from 25 September 2014 pursuant to the provisions of the Companies Act, 2013 has completed the tenure of his directorship on 24 September 2019 and relinquished his office as the Independent Director of the Company. The Board has placed on record its deep sense of appreciation of the valuable contribution made by Mr. Ganguly during his long association with the Company.

Independent Directors

The Company has received declarations pursuant to Section 149(7) of the Companies Act, 2013, from all the Independent Directors (IDs) of the Company confirming that they meet the criteria of independence as prescribed both under Section 149(6) of the Companies Act, 2013 read with rules framed thereunder and in terms of Regulation 16(1)(b) of Listing Regulations. All the IDs of the Company have registered their names with the data bank of IDs maintained by Indian Institute of Corporate Affairs (IICA).

In terms of Regulations 25(8) of the Listing Regulations, the Independent Directors have confirmed that they are not aware of any circumstance or situation which exists or may be anticipated that could impair or impact their ability to discharge their duties. The Board is of the opinion that the independent directors appointed during the year have requisite experience and expertise (including proficiency).

Separate meeting of the Independent directors was held on 30 January 2020.

Fit and Proper Policy

All the Directors of the Company have confirmed that they satisfy the "fit and proper" criteria as prescribed in Chapter XI of RBI Master Direction No. DNBR. PD. 008/ 03.10.119/2016-17 dated 1st September, 2016 and that they are not disqualified from being appointed/continuing as Directors in terms of Section 164(2) of the Companies Act, 2013.

Familiarisation Programme for Independent Directors

In compliance with the requirement of Regulation 25 of Listing Regulations, the Company has put in place a Familiarisation Programme for the Independent Directors to familiarise them about the Company and their roles, rights, responsibilities in the Company. The details of the Familiarisation Programme along with the number of hours spent by each of the Independent Directors during the Financial Year 2019-20 is explained in the Corporate Governance Report. The same is also available on the website of the Company www.magma.co.in at https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

Performance Evaluation

The Board of Directors has carried out an annual evaluation of its own performance, Board Committees and individual Directors, pursuant to the provisions of the Companies Act, 2013 and Listing Regulations.

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

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

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

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

Outcome of evaluation process

Based on inputs received from the members, it emerged that the Board had a good mix of competency, experience, qualifications and diversity. Each Board member contributed in his/her own manner to the collective wisdom of the Board, keeping in mind his/her own background and experience. There was active participation and adequate time was given for discussing strategy. Overall, the Board was functioning very well in a cohesive and interactive manner.

Previous year's observations and actions taken

Based on the evaluation undertaken few observations and action taken for FY2018-19 inter-alia include:

- In respect of Regulatory Changes it was suggested that a short smart note should be circulated to the Board Members as soon as possible highlighting the changes and implications on the Industry/ Company. The Company regularly updates the Board on the regulatory changes along with its impact on the Company. Further regulatory updates and its impact on the industry also forms part of the presentation placed at the Committee and Board Meetings on a quarterly basis.
- Independent interactions with the internal auditors: The internal auditor and the statutory auditor had a separate session with the independent directors of the Company at the Audit Committee meeting.

Proposed actions based on current year observations

Based on the evaluation of FY2019-20, some areas of improvement were suggested specifically highlighting the following points:

- In respect of important development in regulatory changes, taxation, rating and legal environment concerning our business, a short smart note should be circulated to the Board Members as soon as possible highlighting the changes and implications on the Industry/ Company.
- Introduction of the Pre-audit meeting.
- Conducting a strategy session.

Remuneration Policy

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

Key Managerial Personnel

In terms of Section 203 of the Companies Act, 2013, the following are the Key Managerial Personnel (KMP) of the Company as on 31 March 2020:

1. Mr. Mayank Poddar, Chairman Emeritus and Whole Time Director;

2. Mr. Sanjay Chamria, Vice Chairman and Managing Director;
3. Mr. Kailash Baheti, Chief Financial Officer;
4. Mrs. Shabnum Zaman, Company Secretary;

Code of Conduct for Directors and Employees

The Company has adopted a Code of Conduct for its Directors and employees including a code of conduct for Independent Directors which suitably incorporates the duties of Independent Directors as laid down in the Companies Act, 2013. The said Codes can be accessed on the Company's website at www.magma.co.in

In terms of the Listing Regulations, all Directors and Senior Management Personnel have affirmed compliance with their respective codes. The Vice Chairman and Managing Director has also confirmed and certified the same, which certification is provided at the end of the Report on Corporate Governance.

DIRECTORS' RESPONSIBILITY STATEMENT

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

a. that in the preparation of the annual accounts for the year ended 31 March 2020, the applicable Ind AS have been followed along with proper explanation relating to material departures, if any;
b. that such accounting policies as mentioned in Notes to the annual accounts have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2020 and of the profit of the Company for the year ended on that date;
c. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
d. that the annual accounts have been prepared on a going concern basis;
e. that proper internal financial controls are in place and that the financial controls are adequate and are operating effectively; and
f. that proper systems to ensure compliance with the provisions of all applicable laws are in place and that such systems are adequate and operating effectively.

MEETINGS

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

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

COMMITTEES OF THE BOARD OF DIRECTORS

The Committees of the Board focus on certain specific areas and make informed decisions in line with the delegated authority.

Pursuant to the completion of tenure of Mr. Satya Brata Ganguly and appointment of Independent Directors in the Company, the Audit Committee, Nomination and Remuneration Committee, Stakeholders' Relationship Committee and Corporate Social Responsibility Committee were reconstituted.

Audit Committee

The Audit Committee presently comprises of Mr. Sunil Chandiramani who serves as the Chairman of the Committee, Mr. Narayan K Seshadri, Mr. V K Viswanathan and Mrs. Vijayalakshmi R Iyer as other members. The terms of reference of the Audit Committee has been furnished in the Corporate Governance Report. All the recommendations made by the Audit Committee during the year were accepted by the Board.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee presently comprises of Mr. V K Viswanathan who serves as the Chairman of the Committee, Mr. Narayan K Seshadri and Mr. Bontha Prasada Rao as other members. The charter of the Nomination and Remuneration Committee has been furnished in the Corporate Governance Report.

Stakeholders' Relationship Committee

The Stakeholders' Relationship Committee presently comprises of Mr. Bontha Prasada Rao who serves as the Chairman of the Committee, Mrs. Vijayalakshmi R Iyer and Mr. Sanjay Chamria as other members. The terms of reference of the Stakeholders' Relationship Committee has been furnished in the Corporate Governance Report.

Corporate Social Responsibility (CSR) Committee

The Corporate Social Responsibility Committee presently comprises of Mr. Mayank Poddar who serves as the Chairman of the Committee and Mr. Bontha Prasada Rao and Mrs. Vijayalakshmi R Iyer as other members.

The Annual Report on CSR activities is annexed herewith and marked as **Annexure 1**. The other Committees of the Board are Management Committee, Asset Liability Management Committee, Risk Management Committee, Review Committee and the IT Strategy Committee. The terms of reference of these Committees have been furnished in the Corporate Governance Report.

CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

In line with the requirements of the Companies Act, 2013 and the Listing Regulations, the Company has formulated a Policy on Related Party Transactions and the same can be accessed on the Company's website at its weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/. All transactions with Related Parties are placed before the Audit Committee for approval. All related party transactions that were entered into during the financial year were on an arm's length basis and in the ordinary course of business, the particulars of such transactions are disclosed in the notes to the financial statements. Disclosures of related party transactions of the Company with the promoter/promoter group which holds 10% or more shareholding in the Company is given in note no. 44 to the standalone financial statements. The nature of related party transactions require disclosure in AOC-2, the same is attached with this Report as **Annexure-7**.

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

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

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

STATUTORY AUDITORS

M/s. B S R & Co. LLP, Chartered Accountants, Bangalore, bearing Registration No. 101248W/W-100022 have been appointed as the Statutory Auditors of the Company for a period of 5 years from the conclusion of the 36th AGM (for FY2015-16) till the conclusion of the 41st AGM (for FY2020-21).

The Statutory Auditors have given a confirmation to the effect that they are eligible to continue with their appointment and that they have not been disqualified in any manner from continuing as Statutory Auditors. The remuneration payable to the Statutory Auditors shall be determined by the Board of Directors based on the recommendation of the Audit Committee.

The standalone and the consolidated financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013.

The notes on financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors Report does not contain any qualification, reservation, adverse remark or disclaimer. However, the Statutory Auditor has observed that the managerial remuneration paid to Mr. Sanjay Chamria, Vice Chairman and Managing Director of the Company exceeds the prescribed limits under Section 197 read with Schedule V to the Companies Act, 2013 for which the Company proposes to obtain requisite shareholder's approval vide special resolution in the ensuing Annual General Meeting.

SECRETARIAL AUDITORS

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors of the Company has appointed M/s. MKB & Associates, Practicing Company Secretaries [Membership No-7596] to conduct the Secretarial Audit for the FY2019-20. The Secretarial Audit Report confirms that the Company has complied with the provisions of the Companies Act, 2013, Rules, Listing Regulations and Guidelines and that there were no deviations or non-compliances.

The Secretarial Audit Report for the financial year ended 31 March 2020 is annexed herewith and marked as **Annexure-2**. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

COST AUDITORS

Maintenance of cost records and requirement of cost audit as prescribed under the provisions of Section 148(1) of the Companies Act, 2013 are not applicable in respect of the business activities carried out by the Company.

SECRETARIAL STANDARDS

The Company complies with all applicable secretarial standards.

BUSINESS RESPONSIBILITY REPORT

As stipulated in Regulation 34(2)(f) of the Listing Regulations, the Business Responsibility Report describing the initiatives taken by the Company from environmental, social and governance perspective forms part of this Report and is annexed as **Annexure- 3**.

CORPORATE GOVERNANCE

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

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

(ii) A certificate from a Practicing Company Secretary that none of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority;

(iii) Report on the Corporate Governance and

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

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

Your Company does not have any activity requiring conservation of energy or technology absorption and foreign exchange earnings and outgo.

EXTRACT OF ANNUAL RETURN

Pursuant to Sections 92 and 134(3) of the Companies Act, 2013 and Rule 12 of the Companies (Management and Administration) Rules, 2014, the details forming part of the extract of the Annual Return in form MGT 9 forms part of this Report and is annexed herewith and marked as **Annexure-4**.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

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

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

TRANSFER OF AMOUNT TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to Section 124(5) of the Companies Act, 2013, read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, (as amended from time to time) relevant amount which remained unpaid or unclaimed for a period of seven years have been transferred by the Company, from time to time on due dates, to the Investor Education and Protection Fund (IEPF). During the year under review, your Company has transferred ₹ 513,714/- (Rupees Five Lakh Thirteen Thousand Seven Hundred and Fourteen Only) to IEPF.

Pursuant to Section 124 (6) of the Companies Act, 2013 and read with Rule 6 of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (as amended from time to time), all the underlying shares in respect of which dividends are not claimed/paid for the last seven consecutive years or more are liable to get transferred to the IEPF DEMAT Account with a Depository Participant as identified by the IEPF Authority. Accordingly, during the year under review 16,099 equity shares of face value of ₹ 2/- each, were transferred to IEPF DEMAT Account.

The Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 1 August 2019 (date of last Annual General Meeting) and also the details of equity shares transferred to IEPF DEMAT Account on the Company's website (www.magma.co.in), and also on the Ministry of Corporate Affairs' website (www.mca.gov.in).

FRAUD REPORTING

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

APPRECIATION

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

CAUTIONARY STATEMENT

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

For and on behalf of the Board

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

Mumbai
18 June 2020

ANNEXURE -1 TO BOARD'S REPORT

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

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

1. **A brief outline on the Company's CSR policy, including an overview of projects or programs the Company undertakes and a reference to the web-link to the CSR Policy:**

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

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

   Web-link of the CSR Policy:

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

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

Sl No.	Name of the Directors	Category
1	Mr. Mayank Poddar (Chairman)	Promoter, Executive
2	Mr. Bontha Prasada Rao	Independent, Non-Executive
3	Mrs. Vijayalakshmi R Iyer	Independent, Non-Executive

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

   Average net profit of the Company for last three years is ₹ 22,374.97 lakh as per respective Ind-AS/GAAP applicable in each financial year.

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

   The Company was required to spend ₹ 447.50 lakh based on the average net profit mentioned in Para 3 above.

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

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

      The total amount to be spent by the Company during the year was ₹ 938.87 lakh which includes amount brought forward from the previous year's i.e. ₹ 491.37 lakh.

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

      During the year the Company has spent a sum of ₹ 226.45 lakh and the balance un-spent amount of ₹ 712.42 lakh shall be carried forward for the next financial year.

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

(₹ in Lakh)

Sl. No	CSR project or activity identified	Sector in which the project is covered	Location of project (District & State)	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs	Cumulative Expenditure upto the reporting period	Amount spent: Director through implementing agency
1	Highways Heroes - Trucker's Initiative	Health, San-itation and Environ-ment	Karimnagar & Vijaywada (Andhra Pradesh), Kanpur (Uttar Pradesh), Bhillai, (Chattisgarh), Patna (Bihar), Sangrur, Chandigarh, Patiala, Bhatinda, Moga, Mandi, Baddi, Ludhiana, Jalandhar, Amritsar, (Punjab), Hapur, Gurgaon, Rewari, & Faridabad (NCR), Karnal, Hissar (Haryana), Sankari (Tamil Nadu), Nagpur, Nashik (Maharashtra), Ranchi, Jamshedpur (Jharkhand)	90.00	88.10	860.70	Magma Foundation
2	M Scholar	Education	PAN India	85.00	64.47	235.00	Magma Foundation

(₹ in Lakh)

Sl. No	CSR project or activity identified	Sector in which the project is covered	Location of project (District & State)	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs	Cumulative Expenditure upto the reporting period	Amount spent: Director through implementing agency
3	Mid-Day Meal	Health and Education	Thane (Maharashtra)	25.00	4.50	71.50	Magma Foundation
4	M-Education	Education	Paschim Medinipur, West Bengal	5.00	3.58	27.00	Magma Foundation
5	M Care - Mobile Clinic	Heath and Environment	Kolkata, Asansol (West Bengal), Jodhpur, Shahpura, Jaipur (Rajasthan), Pune, Kolhapur, Akola (Maharashtra), Bhopal (Madhya Pradesh), Bangalore, Ramnagar (Karnataka), Mehboobnagar, Rangareddy, Hyderabad (Telangana), Tirupathi, Rajmundhury, Vishakapatnam, Kadapa, Vijaynagram, Guntur, (Andhra Pradesh)	25.00	17.96	44.04	Magma Foundation
6	Magma Swayam- Corporate Volunteering Program	Healthcare, Education and Environment	Alwar, Jaipur, Shahpura, Chappar (Rajasthan), Tirupathi (Andhra Pradesh), Hyderabad (Telangana), Lucknow, Banaras (Uttar Pradesh), Chindwar, Bhopal (Madhya Pradesh), Akola (Maharashtra), Ahmedabad (Gujarat), Kolkata (West Bengal), Balesore (Odisha), Madras (Tamil Nadu)	135.00	35.31	98.89	Magma Foundation
7	Magma Green Park	Environment	Kolkata (West Bengal)	200.00	1.83	9.35	Magma Foundation
8	Rural Development / Gram Sampark	Rural Development		20.00	0.00	0.00	-
	Total Direct expenses of projects & programmes (A)			585.00	215.75	1346.48	
	Overhead Expenses (B)			15.00	10.70	55.68	
	Total (A) + (B)			**600.00**	**226.45**	**1402.16**	

Note: Cumulative amount spent on the projects or programmes upto current reporting period has been calculated from Financial Year 2014-15 onwards.

6. **Key achievements**

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

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

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

- **Highways Heroes - Trucker's Initiative**

  In order to reduce truck related accidents, we launched an initiative "Highway Heroes" in March 2015 in association with Petroleum Conservation Research and Association (PCRA), Government of India, where we conducted training camps for the drivers' community. Under the program, Magma and PCRA have so far trained around 1.80 lakh Truckers over 250 locations across the country.

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

  Magma provided financial assistance to around 400 meritorious students from low income families across the country to meet a part of their education and related expenses while pursuing higher studies. The scholarship is applicable for the Indian students who have appeared for senior secondary board exams and who wish to pursue Undergraduate studies at a recognised college/ university in India.

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

- Mid-Day Meal Program

  Mid-Day Meal is a strategic program, instituted by Government of India, to liberate the underprivileged children from scourge of hunger and malnutrition. ISKCON Food Relief Foundation (IFRF) is the biggest implementer of this program under the brand name 'Annamitra' in select schools in Delhi, Maharashtra, Rajasthan, Andhra Pradesh, Madhya Pradesh, Uttaranchal, Haryana, Jharkhand, Assam and West Bengal. The 'Annamrita' program is based on the belief that one meal a day brings thousands of children to schools. Magma support "Annamrita" for 1200 students at a govt. school located in Thane, Maharashtra for a period of 10 months. The idea was to provide hygienically cooked, balanced, nutritious, wholesome food for children in municipal and government aided schools in Kolkata.

- M-Education - Education - taking education to remote India

  Magma partnered with the Friends of Tribal Society (FTS) and other NGOs for their Literacy Project and adopted 15 school in rural village. An innovative concept of One Teacher, where a single trained teacher educates children in the age group of 6-14 years for three hours every day using informal methods. The school curriculum is tailored to teach the children basic literacy and life skills to help them develop self-confidence and succeed in rural occupations and pursue higher education.

- M Care - Mobile Clinic

  The doctor patient ratio in our country is in a pitiable shape and moreover there are remote areas where there is no basic health care center in a radius of 5-7 KM. Looking at the situation Magma has decided to conduct weekly health checkup camps at various locations. Our health camps consists of qualified doctor and lab technician with basic test kits. In FY20 we have treated conducted 60 camps and treated around 5000 villagers in the state of West Bengal, Telangana, Andhra Pradesh, Bihar, Rajasthan, Uttar Pradesh, Kerala, Madhya Pradesh and Jharkhand.

- Magma Swayam – Corporate Volunteering Program

  Behind the successful implementation of the CSR programs, stand the employees of Magma with their vast skills and knowledge. Magma runs Swayam, a volunteering programmes that encourages employees to be catalyst for social benefits. Magma encourages employees to contribute their time and expertise in a variety of forms to support social initiatives. Swayam run through 13 locations where the Magmaites took their time out and contributed to social good. Apart from this Magma has contributed significantly towards COVID-19 relief under this initiative in the form of dry ration, cooked meals to over 4000 poor masses in FY20.

- Magma Green Park

  With a view to develop and support Environment, Magma has decided to develop a Man Made Forest to support the ecosystem balance. The forest will witness hundreds of trees which will act as a source of oxygen for the nearby people. The Forest will have medicinal plants and the overall produce is proposed to be distributed to Orphanages/ Old Age homes. The setting up of the park will require high capital expenditure. The project will come up in South Bengal and at present, the land identification is in the final stage. When developed, the park will be open to school students for their biological excursions.

CSR Delivery Arms

In terms of the Companies Act, 2013, companies are allowed to carry out their CSR activities through registered trusts and/ or societies. We carry out our community centric interventions and CSR programmes through a number of CSR delivery arms including the following:

Magma Foundation is a registered Trust whose principal objective is to undertake projects/programmes on health, education and environmental sustainability.

Awards

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

- IPE Best CSR Practices Awards 2020 – Innovation in CSR **(Highway Heroes)**
- UBS Forums, Corporate Social Responsibility Summit & Awards 2019 – Best CSR Impact **(HH)**

- Asian Customer Engagement Forum & Awards - Excellence in CSR, 2019 **(Highway Heroes)**
- Magma Foundation has entered his name into LIMCA book of records for its project Highway Heroes. The Company holds the record for educating most number of truckers on road safety

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

   The Company has kept the major portion of FY20 fund aside to purchase the land and developing it into a mini forest and also setting up Orphanages/ Old Age homes. But due to some unavoidable circumstances we could not purchase it in FY19 and same has been deferred to FY20. The focus area of CSR initiatives at Magma are education, health and environment and our endeavour is to spend in identified CSR activities. The unspent CSR amount which could not be utilised by the Company fully shall be carried forward for the next financial year to be spent in focus areas during FY21, as and when appropriate opportunities arise. Moreover due to lack of quality projects from credible NGOs Company was not able to spend its remaining CSR obligated amount.

   In continuation of its CSR endeavour in lieu of COVID 19, the Company contributed in FY20-21 ₹ 400 lakh out of the unspent CSR fund to the Prime Minister Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund) to help India in its battle against the novel coronavirus. The aforesaid contribution to PM Cares Fund is an eligible CSR activity in accordance with MCA notification dated 26 May 2020.

8. **Responsibility Statement**

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

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

Mumbai
18 June 2020

ANNEXURE -2 TO BOARD'S REPORT

FORM NO. MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

[Pursuant to section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
The Members,
Magma Fincorp Limited

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

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

Based on the verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2020, generally complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2020, to the extent applicable, according to the provisions of:

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

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

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

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

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

   a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015

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

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

   d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018

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

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

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

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

   i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018

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

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

   b) Master Direction – Know Your Customer (KYC) Direction, 2016 on Know Your Customer (KYC) Guidelines – Anti Money Laundering Standards (AML) – Prevention of Money Laundering Act, 2002

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

   d) Issuance of Non-Convertible Debentures (Reserve Bank) (Amendment) Directions, 2010

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

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

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

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

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

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

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

We have also examined compliance with the applicable clauses of The Secretarial Standards issued by The Institute of Company Secretaries of India.

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

We further report that

a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act and Listing Regulations. Consequent to cessation of office of Mr. Satya Brata Ganguly, Independent Director of the Company, the Board of Directors consisted of 5 (five) directors from 25th September, 2019 to 9th December, 2019. During this period, two Board Meetings of the Company were held on 26th September, 2019 and 8th November, 2019.

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

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

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

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

a) Change in registered office of the Company from "Magma House", 24 Park Street, Kolkata – 700016 to 'Development House', 24, Park Street, Kolkata – 700016.

b) Allotment of 20,14,145 nos. of Secured Retail Non-Convertible Debentures (NCDs) of face value ₹ 1000/- each for cash at issue price of ₹ 1000/- per NCD aggregating to ₹ 201.41 crore under the provisions of Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as amended.

c) Allotment of 3500 nos. of unlisted, unrated, senior, secured, redeemable, transferable, non-convertible debentures denominated in Indian Rupees (NCDs) of the face value of ₹ 10,00,000 each, at par, aggregating to ₹ 350 Crore to Nederlandse Financierings Maatschappij Voor Ontwikkelingslanden N.V. (FMO) on private placement basis.

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

i. 18,000 nos. @ ₹ 2/- each allotted on 14/05/2019;

ii. 18,000 nos. @ ₹ 2/- each allotted on 03/08/2019

iii. 72,600 nos. @ ₹ 2/- each allotted on 07/11/2019

iv. 24,000 nos. @ ₹ 2/- each allotted on 30/01/2020

v. 58,476 nos. @ ₹ 39.45 (including premium) each allotted on 30/01/2020;

e) The Company has subscribed to 17,727,353 equity shares of ₹ 10/- each at a price of ₹ 56.41 each (including a premium of ₹ 46.41 each) of Magma Housing Finance Limited, a Wholly Owned Subsidiary Company aggregating to ₹ 99,99,99,982.73 on right issue basis

f) The Company has subscribed to 54,64,000 equity shares of ₹ 10/- each at a price of ₹ 48.50 each (including a premium of ₹ 38.50 each) of Magma HDI General Insurance Company Limited, a Joint Venture Company aggregating to ₹26,50,04,000/- on preferential issue basis.

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

i. To re-appoint Mr. Narayan K Seshadri (holding DIN: 00053563) as an Independent Non-Executive Director of the Company for another term of five consecutive years from 25 September 2019 to 24 September 2024

ii. Place of keeping Registers and Index of Members, Debenture holders and copies of Annual Returns, pursuant to the provisions of Section 94 of the Companies Act, 2013

iii. Issuance of debt securities pursuant to Sections 42, 71, 179 and 180(1)(c) of the Companies Act, 2013, upto an overall ceiling of ₹ 3000 Crore on Private Placement basis

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

For MKB & Associates
Company Secretaries

Manoj Banthia
(Partner)
ACS no. 11470
COP no. 7596
FRN: P2010WB042700
UDIN: A011470B000352019

Date: 18.06.2020
Place: Kolkata

ANNEXURE- I

To
The Members,
Magma Fincorp Limited

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

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events, etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Note: *There was lockdown declared by the Central Government in the country due to COVID-19 pandemic since 24th March 2020. We had completed our regular Audit for the period upto 31st December' 2019 prior to the announcement of Lockdown. During the Lock-down, for completion of the Audit, documents /details have been provided by the Company through electronic mode and the same have been verified by us.*

For MKB & Associates
Company Secretaries

Manoj Banthia
(Partner)
ACS no. 11470
COP no. 7596
FRN: P2010WB042700
UDIN: A011470B000352019

Date: 18.06.2020
Place: Kolkata

ANNEXURE -3 TO BOARD'S REPORT

BUSINESS RESPONSIBILITY REPORT (BRR)

Magma Fincorp Limited is one of the largest Retail Non-Banking Financial Company (NBFC), with a strong distribution and service network, along with an impressive penetration in rural India which principally provide funding support to the MSMEs such as Truck/Taxi drivers who own and operate Commercial Vehicles, Construction Equipment, Passenger vehicles etc., to Marginal farmers, to small shopkeepers and to other Micro, Small and Medium enterprises. Here below, we present the Business Responsibility Report of the Company for the financial year ended on 31 March, 2020, pursuant to Regulation 34 (2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1	Corporate Identity Number (CIN) of the Company	L51504WB1978PLC031813
2	Name of the Company	Magma Fincorp Limited
3	Registered address	Development House, 24, Park Street, Kolkata- 700 016, India
4	Website	www.magma.co.in
5	E-mail id	secretary@magma.co.in
6	Financial Year reported	2019-20
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	NIC Code: K Group: 649 Description: Financial Services- Lending
8	List three key products/services that the Company manufactures/ provides (as in balance sheet)	Financing for Vehicles, Mortgage and Small and Medium Enterprises financing
9	Total number of locations where business activity is undertaken by the Company	i. Number of International locations- None ii. Number of National Locations-Corporate Office in Mumbai with 314 branches
10	Markets served by the Company-Local/State/National/ International	The services of Magma Fincorp Limited cater to a pan-India market

SECTION B: FINANCIAL DETAILS

1	Paid up Capital (INR)	₹ 5,390.31 lakh
2	Total Turnover (INR)	₹ 2,21,903.40 lakh
3	Total profit after taxes (INR)	₹ (1,001.08) lakh
4	Total Spending on Corporate Social Responsibility (CSR) initiatives (INR)	₹ 226.45 lakh
5	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax	N.A.
6	List of activities in which CSR expenditure has been incurred (2019-20)	The same has been detailed out in the Annual Report on CSR Activities, annexed to the Board's Report.

SECTION C: OTHER DETAILS

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

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

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

DIN	Name	Designation
00009409	Mayank Poddar	Chairman Emeritus and Whole time Director

b) Details of the BR head

Sl. No.	Particulars	Details
1	DIN (if applicable)	N.A
2	Name	Rajneesh Mishra
3	Designation	Chief People Officer
4	Telephone No.	+91 22 6229 1110
5	Email id	Rajneesh.mishra@magma.co.in

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

P1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
P2	Businesses should provide goods and services that are safe and contribute to sustainability "throughout their life cycle"
P3	Businesses should promote the wellbeing "of all employees"
P4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
P5	Businesses should respect and promote human rights
P6	Business should respect, protect, and make efforts to restore the environment
P7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
P8	Businesses should support inclusive growth and equitable development
P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner

Sl. No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
		Ethics, Transparency and Accountability	Product Responsibility	Wellbeing of employees	Responsiveness to Stake-holders	Respect Human Rights	Environmental Responsi-bility	Public policy advocacy	Support inclusive growth	Engagement with customers
1	Do you have a policy/ policies for?	Y	Y	Y	Y	Y	Y	N	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
3	Does the policy conform to any national/international standards? If yes, specify?	Y Note 1	Y Note 1	Y Note 1	Y Note 1	Y Note 1	Y Note 1	-	Y Note 1	Y Note 1
4	Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	-	Y	Y
5	Does the Company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	-	Y	Y
6	Indicate the link for the policy to be viewed online?	Y Note 2	Y Note 2	Y Note 2	Y Note 2	Y Note 2	Y Note 2	-	Y Note 2	Y Note 2
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y

Sl. No.	Questions	P 1 Ethics, Transparency and Accountability	P 2 Product Responsibility	P 3 Wellbeing of employees	P 4 Responsiveness to Stake-holders	P 5 Respect Human Rights	P 6 Environmental Responsi-bility	P 7 Public policy advocacy	P 8 Support inclusive growth	P 9 Engagement with customers
8	Does the Company have in-house structure to implement the policy/policies	Y	Y	Y	Y	Y	Y	-	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	-	-	-	Y
10	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y Note 3	Y Note 3	Y Note 3	Y Note 3	Y Note 3	-	-	Y Note 3	Y Note 3

P1: The Company has a Breach of Integrity and Whistle Blower (Vigil Mechanism) Policy, Anti Money Laundering Policy and also has a Code of Conduct, for its employees and directors and Code of Business Ethics for all its stakeholders and also has a defined Code of Conduct & Discipline Rules for employee across functions, geographies and grades.

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

P3: The Company's Code of Conduct and Business Ethics strongly embraces gender equality, equal opportunity and anti-harassment in the workplace. The Company has adopted employee oriented policies covering areas such as employee benefits and sexual harassment at the workplace which endeavour to provide an environment of care, nurturing and opportunity to accomplish professional aspirations.

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

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

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

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

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

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

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

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

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

2B. BR Information - Principle-wise (as per NVGs) explanation

S. No.	Particulars	P 7 - Public policy advocacy
1.	Not understood the principles.	
2.	Not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	
3.	Does not have financial or manpower resources available for the task	
4.	Planned to be done within next 6 months	
5.	Planned to be done within the next 1 year	
6.	Other reasons	^Refer to the response below

^ The Company along with its subsidiary works closely with collective trade and industry associations, while there is no specific policy outlined for this principle.

3. Governance related to BR

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

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

The CSR committee oversees and review the Company's BR performance. The CSR Committee meets annually for implementation of CSR and BR initiatives undertaken by the Company.

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

The Business Responsibility Report (BRR) is prepared by the Company and the same forms a part of the Annual Report 2019-20. It is also available annually on the Company's website at wwww.magma.co.in.

SECTION E: PRINCIPLE-WISE PERFORMANCE

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

The Company has in place a Corporate Governance Policy, the Policy is steered based on our corporate governance philosophy, which is anchored on the values of trusteeship, transparency, ethical corporate citizenship, empowerment, control and accountability as integral parts of a good management. Integrity and credibility in our acts, fairness and impartiality in our dealings with others, trust and respect for people and demanding excellence are the essence of our flawless operation. Policies and processes are set up at various levels across the Company to guide different stakeholders and ensure compliance to regulatory and voluntary norms. We strongly adhere to the above work ethics which we believe are the corner stone to achieve our vision of being one of the India's largest Retail NBFC.

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

   No. The Code of Business Ethics applies to all Directors, officers and employees of Magma. The Company also encourages employees of those entities in which Magma has an interest but does not have control, to adopt and follow the Code of Business Ethics. The Company also encourages employees of the subsidiary of Magma to adopt and follow the Code of Business Ethics. Third parties, such as consultants and agents are required to comply with the Code of Business Ethics when acting on Magma's behalf as well as Code of Conduct for Direct Selling Agents (DSAs) / Direct Marketing Agents (DMAs)/ Debt Recovery Agents (DRAs). The Company also has a defined Code of Conduct & Discipline Rules (Code) to deter wrongdoings and to foster and maintain the standard of business conduct for employee, trust and confidence in the professionalism and the integrity of the employees. The Code is applicable to all employees across functions, geographies and grades.

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

Stakeholder Complaints in FY2019-20			
Particulars	No. of complaints received	No. of complaints resolved	% of complaints resolved
Shareholders	2	2	100
Customers	349	346	99
Employees	117	117	100

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

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

   The Company constantly aims to reduce the impact on environment by identifying ways to optimize resource consumption in its operations although the very nature of its business being an NBFC has limited impact on the environment. However, the Company is working on building an inclusive organization by engaging with stakeholders and creating value in the eco-system it operates in. The Company's business focusses on the key necessities of people and enable them to earn their livelihood through financial products offered by it to the MSMEs such as Truck/Taxi drivers who own and operate Commercial Vehicles, Construction Equipment, Passenger vehicles etc., to Marginal farmers, to small shopkeepers and to other Micro, Small and Medium enterprises. The Company also helps people build their homes through MHFL's affordable home loan services and secure their life and assets by insurance solutions of Magma HDI. Sustainability has always been a key success factor for the ambit of Company's businesses. Through its wide network of branches with locally trained FOS (Field Officers), large customer base, vast experience and market knowledge, the Company is providing financial resources to underserviced regions of the country and building livelihood for such sections of the population, who are aspiring for a better living in the urban India.

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

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

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

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

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

   The Company ensures reduction of paper usage through various initiatives viz. leads are generated online with customer related data, online system to record customer related transactions, e-learning platform for knowledge sharing / enhancement of employees, customers are updated through SMS during loan processing at every stage till sanction. Other important initiatives launched in previous year which is discontinuation of printing of system generated reports and facility for uploading system generated reports which helped in restricting usages of paper, ink cartridges, fuel for transportation.

   Business units are working towards paper-less processing of loan files and avoid taking paper print-outs as much as possible. We are promoting storage of documents digitally. We are very conscious about usage of papers and saving trees.

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

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

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

   The Company has its presence PAN India and has a practice of purchasing goods and services required for normal operations from local suppliers. The Company is progressing more towards digital transactions, hence we encourage the vendors/suppliers more towards digitization.

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

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

PRINCIPLE 3: **Businesses should promote the well-being of all employees**

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

S. No.	Particulars	Details	
1	Total number of employees	As on 31 March 2020, the Company has 6335 employees	
2	Total number of employees hired on temporary/ contractual/casual basis	All employees at the Company are hired on a permanent basis	
3	Number of permanent women employees	The Company has 395 permanent women employees on 31 March 2020	
4	Number of permanent employees with disabilities	The Company being an equal opportunity employer, made no distinction between employees on the basis of disabilities.	
5	Do you have an employee association that is recognized by management	The Company does not have an employee association.	
6	What percentage of your permanent employees is members of this recognized employee association?	N.A	
7	Number of complaints relating to child labor, forced labor, involuntary labor, sexual harassment in FY2019-20.		
#	Category	No. of complaints filed during the financial year	No. of complaints pending as on end of the financial year
7.1	Child labor/forced labor/involuntary labor	None	None
7.2	Sexual harassment	One	None
7.3	Discriminatory employment	None	None
8.	What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?		
a.	Permanent Employees	In FY2019-20, 90 % of target employees (13223 / 14698) have undergone various training programs/ workshops in Classroom sessions like Huddle (series) for Frontline, Neenv and Performance Coaching for 1st Line Leadership, ICICI Co-Funding Sensitization, Managerial Effectiveness, PE & Feedback Skills, Document Upload Functionality, Navoday Change Champion, RCU Process and Policy etc; 76% of target employees (3364 / 4421) in Webinars like ABF Business overview & planning, Branch Grading Module, Operation & Fraud Risk etc; 78% of target employees (3370 / 4310) in Zoom Sessions like Risk Awareness, BYOD & POS Enhancement, ReBound, Saubhagya, Maitree 3.0 Organization Induction, Functional Induction, Insurance Cross Sell, Online Digital Payments, GST Product launch, ESS Portal Orientation etc; and 100 % (22 / 22) target employees were covered in external programs like Corporate Story Telling, LEAP, DevOps Certification, Introduction to Robotic Process Automation (RPA), Negotiating and Contracting in Procurement and Supply etc. In E-Learning, total of 106 courses / knowledge inputs were introduced under Mandatory, Functional, Rebound and Simulation category 53.65% of employees have completed mandatory modules i.e, KYC, AML, POSH, INFOSEC. Note: Legend - Employee Base for calculating % percentage is taken as "Invited Numbers" for Classroom and interactive sessions and "Assigned Numbers" for E-learning courses.	

S. No.	Particulars	Details
b.	Permanent Women Employees	During FY19-20, 19% (total 75 out of 395) Female employees are covered in classroom session and 123% (484/395) female employees through E-Learning (Completed/ Passed) Note: The completion % includes all assigned numbers during the year.
c.	Casual/Temporary/Contractual Employees	Not applicable, since the Company only hires employees on a permanent basis.
d.	Employees with Disabilities	The Company does not measure this metric.

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

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

   Yes

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

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

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

   The Company's collaborative partnerships with communities are manifested in its programmes such as the Highway Heroes-Trucker's Initiative, M-Scholar, Mid-Day Meal program, M-Education, M - Care Mobile Health Camp, Swayam. The details of each of the initiatives have been given under Principle 8 later.

PRINCIPLE 5: Businesses should respect and promote human rights

The Company's HR policies espouse these principles and these are clearly demonstrated in their policies where nobody is discriminated on the basis of gender, caste, religion or physical disability. Any incidence of misconduct or harassment is dealt with a robust process of fair investigation and seriousness within the organisation. This helps in building a healthy and lively work place strengthened through mutual trust and ethical behavior. In fact the Company has chosen "Respect" as one of the three core values.

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

   The Company has implemented policies that ensure there is a respectful environment and no human rights violation incidents for its employees, stakeholders and vendors. The Company has put in place a "Whistleblower" mechanism to ensure that any violations to its Code of Conduct and Code of Business Ethics (including violation of human rights) are raised without any fear of consequence and addressed objectively. The aforesaid policies are also adopted by the group companies and these policies are readily available on the Company Intranet for employee reference.

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

   The Company did not receive any complaint in the area of human rights violations. Elements of Human Rights get covered in various policies and practices at the Company. Complaints pertaining to employee is disclosed in Point No. 7 of Principle 3 above.

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

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

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

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

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

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

   The Company has taken the following initiatives viz. awareness generation among the employees to conserve and responsibly use electricity, Reduction of usage of energy (through installation of LED bulbs, energy efficient electrical equipment and also retrofication to LED lights in branch offices.), e-waste management and handling, distribution of sapling and paper conservation (e.g. Both side printing, re-use of papers) and paper waste recycling. These initiatives would directly or indirectly lead to reduced energy consumption. In our country, since energy is produced mostly with fossil fuel leading to emissions of greenhouse gases and global warming, energy conservation would significantly contribute to mitigation of global warming.

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

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

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

   As the nature of the Company's business is service oriented; feasibility of undertaking a Clean Development Mechanism (CDM) project is very limited. The Company has no project related to CDM.

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

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

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

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

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

   The Company has not received any such notice during the Financial Year 2019-20.

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

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

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

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

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

   The Company made various representations to Reserve Bank of India (RBI) / Ministry of Law & Justice/ Ministry of Finance, through the offices of FIDC, FICCI and CII on matters of importance to NBFC industry. During the year, the Company represented to the Ministry of Finance highlighting the practical difficulties NBFCs were likely to face in issuance of E-Invoice on a real time basis, considering the fact that majority of NBFCs work in B2C space and the borrowers were based in semi urban and rural areas also, where internet connectivity is patchy. This representation was made through FIDC and the Ministry kindly acceded to the request made by NBFC industry. The Company also represented to the RBI/ Ministry of Finance/ SEBI through FIDC, FICCI and CII seeking moratorium for borrowers in wake of COVID-19, relaxation of NPA recognition norms, exemption/ relaxation towards declaration of default in case of non-payment/ delay in payment of liabilities (pass through certificate, non-convertible debenture dues etc.) by the NBFCs in wake of COVID-19. The Ministry of Finance, the RBI and the SEBI acceded to the requests made by NBFC industry.

PRINCIPLE 8: Businesses should support inclusive growth and equitable development

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

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

i.	Highways Heroes -Trucker's Initiative	➢ Covering Environment, Health and Sanitation A nation-wide initiative to help Indian truckers conserve fuel and reduce their operating costs by improving their mileage, health checkup camp, tips on hygiene which causes many ailments and results into loss of man-day among truckers. Trained around 1.80 lakh Truckers in approximately 250 Transport Nagars across the country
ii.	M-Scholar	➢ Provided financial assistance to over 400 meritorious students from low income families (daily wage earners/machine operators/household help) across the country to meet a part of their education and related expenses while pursuing higher studies
iii.	Mid-Day Meal	➢ Provided support to "Annamrita" program which fights class room hunger for students from underprivileged families. We provided mid-day meal to 1200 students at a govt. school located in Thane, Maharashtra. As part of the programme, hygienically cooked, balanced, nutritious, wholesome food is provided to the children for 10 months of the year.
iv.	M-Education	➢ Adopted 15 schools located in the rural areas and made it conducive for the kids' learning. Teaching the children basic literacy and life skills to help them develop self-confidence and succeed in rural occupations and pursue higher education
v.	M-Care Mobile Health Camp	➢ Free Medical Check-ups at various location in West Bengal, Andhra Pradesh, Telangana, Uttar Pradesh, Chattisgarh, Madhya Pradesh, Haryana, Faridabad etc. Have conducted around 60 health camps in FY20 and treated approx. 5000 patients
vi.	Swayam	Provided support in the local community in rural areas in the form of infrastructure, educational support, nutrition etc. ➢ Installation of water filter at Harapriya Charitable Hospital in Balasore, Odisha ➢ Construction of toilets in Rajasthan and Telangana ➢ Supporting 35 nos. of single teacher school in Chennai ➢ Provided dry ration kit to 4000 individuals during COVID pandemic ➢ Coaching classes to Kolkata slum children near Howrah, West Bengal ➢ Room heaters for students at a school located near Darjeeling ➢ Construction of Science lab in a Govt. School

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

CSR initiatives are implemented by the Company through its implementing partner and Magma Foundation. Magma Foundation is a trust dedicated to undertake various social programmes for the betterment and upliftment of the masses living in marginalized conditions. The trust works with NGOs/companies which have an established track record and expertise to execute the project activity. Companies like Petroleum Conservation Research Association (PCRA), Sevamob Ventures Ltd., and NGOs like Friends of Tribal Society (FTS), ISKCON Food Relief Foundation (IFRF), etc. are currently associated with Magma Foundation to perform the ground level activities.

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

Periodic reviews are undertaken on various projects. Our in-house team has conducted impact study for one of our flagship project, however we are in the process of selecting an independent agency for conducting the impact assessment study for other CSR projects.

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

The Company's contribution to community development projects amounts to ₹ 226.45 lakh during the Financial Year 2019-20. Details of some of the major initiatives the Company has invested during the year are given in Point No. 1 above.

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

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

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

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

1. Maintain complete transparency about the loan sanctioning process
2. Easy and fast documentation so that the loan is disbursed in a timely manner
3. Communication at all stages of loan disbursal to customers
4. Build and develop the best performing and efficient team to cater our customers
5. Empower frontline team to efficiently deal with customer requirement without having to depend on others
6. Enhance customer experience at every stage during his association with us

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

Customer complaints are treated very seriously in the organization. We hear our customers through various mediums such as emails to customercare@magma.co.in & headcustomerservice@magma.co.in, 8am to 8pm Call Centre through the toll free number – 1800 266 3202, websites, telephone, letter, Social Media & Branch. In our Company, 349 complaints were received and 3 complaints were pending during the FY2019-20 which is 99% of customers' complaints being resolved.

We proactively highlight complaints to respective verticals for faster resolution and also bring in process changes to reduce the opportunity for future complaints. In order to ensure that our customers understand our communication we have started servicing them in their preferred language from the call centre and also implemented all key customer communications via SMS in 10 regional languages.

We have implemented Net Promoter Survey (NPS) to gather independent assessment of Customer Satisfaction through outsourced partner. NPS score is a leading indicator of Customer Loyalty. We collect customer feedback across four key touch points – Sales, Onboarding, Service and Exit. Process reengineering efforts are undertaken to enhance customer experience basis the feedback received during NPS survey. We have also assessed customer demand to create an algorithm based offer to our customers with good payment track record.

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

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

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

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

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

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

We drive the Company's customer satisfaction initiatives and measurement. We conduct Net Promoter Score survey on a monthly basis through an external agency for independent assessment.

In order to drive Customer Centric Culture, we have also implemented Field Officer rating process from customers who have recently on boarded. These scores are published on a monthly basis with respective business vertical to create awareness of Customer's experience with our front line officers.

For and on behalf of the Board

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

Mumbai
18 June 2020

ANNEXURE -4 TO BOARD'S REPORT

FORM NO.MGT-9
EXTRACT OF ANNUAL RETURN

as on the Financial Year ended on 31st March 2020

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

I. REGISTRATION AND OTHER DETAILS :

i)	CIN	L51504WB1978PLC031813
ii)	Registration Date	18 December 1978
iii)	Name of the Company	Magma Fincorp Limited
iv)	Category / Sub-Category of the Company	Public Company – Limited by Shares
v)	Address of the Registered Office and contact details	"Development House", 24, Park Street Kolkata, 700 016, West Bengal, India. Telephone No. : +91 33 44017350 e-mail :secretary@magma.co.in
vi)	Whether Listed Company	Yes
vii)	Name, Address and Contact details of Registrar and Share Transfer Agent, if any	Physical and Demat Mode (Shares and Debentures through private placement) Niche Technologies Private Limited 3A, Auckland Place, 7th Floor, Room Nos.7A & 7B, Kolkata, 700 017, West Bengal, India. Telephone Nos. : +91 33 2280 6616 / 6617 / 6618, Facsimile No. : +91 33 2280 6619 e-mail : nichetechpl@nichetechpl.com
		Demat Mode (Retail Debentures only) KFin Technologies Private Limited (formerly Karvy Fintech Private Limited) Selenium Tower B, Plot No.31-32, Financial District, Nankramguda, Serilingampally, Hyderabad Rangareddi, TG 500032, India. Telephone No. : +91 40 6716 2222, Facsimile No. : +91 40 2343 1551 E-mail: einward.ris@kfintech.com, Website: www.kfintech.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

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

Sl. No.	Name and Description of main products / services	NIC Code of the Products / services	% to total turnover of the Company	
			Gross Turnover	Net Turnover
1	Financing for Tractors, Commercial Vehicle, Construction Equipment, Cars, Used Vehicles, mortgage and loans to micro, small and medium enterprises (MSME)	649	99.54%	99.54%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

Sl. No.	Name and Address of the Company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held by the Company	Applicable Section
1	Magma Housing Finance Limited "Development House", 24 Park Street Kolkata – 700 016, West Bengal.	U65922WB2004PLC229849	Subsidiary	100%	2(87)
2	Jaguar Advisory Services Private Limited "Development House", 24 Park Street Kolkata – 700 016, West Bengal.	U74140WB2009PTC136492	Joint Venture	48.89%	2(6)
3	Magma HDI General Insurance Company Limited "Development House", 24 Park Street Kolkata – 700 016, West Bengal.	U66000WB2009PLC136327	Joint Venture	27.75%	2(6)

IV. SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)

(i) Category-wise Shareholding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
(a) Individual/HUF	481580	-	481580	0.179	481580	-	481580	0.179	-
(b) Central Goverments	-	-	-	-	-	-	-	-	-
(c) State Governments	-	-	-	-	-	-	-	-	-
(d) Bodies Corporate	65270503	-	65270503	24.235	65270503	-	65270503	24.218	-0.017
(e) Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
(f) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A)(1):-	**65752083**	**-**	**65752083**	**24.414**	**65752083**	**-**	**65752083**	**24.397**	**-0.017**
(2) Foreign									
(a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
(b) Other – Individuals	-	-	-	-	-	-	-	-	-
(c) Bodies Corporate	-	-	-	-	-	-	-	-	-
(d) Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
(e) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A)(2):-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total shareholding of Promoter(A) = (A)(1)+(A)(2)	**65752083**	**-**	**65752083**	**24.414**	**65752083**	**-**	**65752083**	**24.397**	**-0.017**
B. Public Shareholding									
(1) Institutions									
(a) Mutual Funds	35375926	-	35375926	13.135	31043027	-	31043027	11.518	-1.617
(b) Banks / Financial Institutions	109107	122360	231467	0.086	19665121	122360	19787481	7.342	7.256
(c) Central Governments	-	-	-	-	-	-	-	-	-
(d) State Governments	-	-	-	-	-	-	-	-	-
(e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
(f)Insurance Companies	-	-	-	-	-	-	-	-	-
(g) Foreign Institutional Investors (FII)	1085373	-	1085373	0.403	-	-	-	-	-0.403
(h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
(i) Others (Specify)-									
- Qualified Foreign Investors	32971560	5	32971565	12.242	26066829	5	26066834	9.672	-2.570
- FPI – Corporate Cat-I	90638	-	90638	0.034	42162300	-	42162300	15.644	15.610

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
- FPI – Corporate Cat-II	66672308	-	66672308	24.755	31660386	-	31660386	11.747	-13.008
- FPI – Corporate Cat-III	4414288	-	4414288	1.639	-	-	-	-	-1.639
- Alternate Investment Funds	28487064	-	28487064	10.577	28580524	-	28580524	10.604	0.027
Sub-total (B)(1):-	**169206264**	**122365**	**169328629**	**62.872**	**179178187**	**122365**	**179300552**	**66.527**	**3.656**
(2) Non-Institutions									
(a) Bodies Corporate									
i) Individual	15534136	26820	15560956	5.778	2784745	23830	2808575	1.042	-4.736
ii) Overseas	-	-	-	-	-	-	-	-	-
(b) Individuals									
i) Individual share-holders holding nominal share capital upto ₹1 lakh	10336605	576435	10913040	4.052	11789910	541795	12331705	4.576	0.524
ii) Individual share-holders holding nominal share capital in excess of ₹1 lakh	2292286	70000	2362286	0.877	4262085	70000	4332085	1.607	0.730
(c) Others(Specify)-									
- NRI - Repatriable	2124171	-	2124171	0.789	1673852	-	1673852	0.621	-0.168
- NRI – Non-Repatriable	2496814	165	2496979	0.927	2317462	165	2317627	0.860	-0.067
- Overseas Corporate Bodies	-	-	-	-	-	-	-	-	-
- Foreign Nationals	750	-	750	-	750	-	750	-	-
- Clearing Members	398638	-	398638	0.148	595280	-	595280	0.221	0.073
- Trusts	-	-	-	-	-	-	-	-	-
- Foreign Bodies – D. R.	-	-	-	-	-	-	-	-	-
- IEPF Authority	386704	-	386704	0.144	402803	-	402803	0.149	0.005
Sub-total (B)(2):-	**33570104**	**673420**	**34243524**	**12.715**	**23826887**	**635790**	**24462677**	**9.077**	**-3.639**
Total Public Shareholding (B)=(B)(1)+(B)(2)	**202776368**	**795785**	**203572153**	**75.586**	**203005074**	**758155**	**203763229**	**75.603**	**0.017**
Grand Total (A+B)	**268528451**	**795785**	**269324236**	**100.00**	**268757157**	**758155**	**269515312**	**100.00**	**-**

(ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share-holding during the year (*)
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1.	Microfirm Capital Private Limited	34015928	12.630	-	34015928	12.621	-	-0.008
2.	Celica Developers Private Limited	29434455	10.929	-	29434455	10.921	-	-0.008
3.	Magma Consumer Finance Private Limited	1820120	0.676	-	1820120	0.675	-	-0.001
4.	Mansi Poddar	285000	0.106	-	285000	0.106	-	-
5.	Shaili Poddar	125000	0.046	-	125000	0.046	-	-
6.	Kalpana Poddar	55080	0.020	-	55080	0.020	-	-
7.	Ashita Poddar	16500	0.006	-	16500	0.006	-	-
	Total	**65752083**	**24.414**	**-**	**65752083**	**24.397**	**-**	**-0.017**

(*) % Changes due to various other allotment

(iii) Change in Promoters' Shareholding:

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1.	At the beginning of the year -	65752083	24.414		
	Microfirm Capital Private Limited	34015928	12.630		
	Celica Developers Private Limited	29434455	10.929		
	Magma Consumer Finance Private Limited	1820120	0.676		
	Mansi Poddar	285000	0.106		
	Shaili Poddar	125000	0.046		
	Kalpana Poddar	55080	0.020		
	Ashita Poddar	16500	0.006		
2.	Changes during the year -	No changes during the year			
3.	At the End of the year -			65752083	24.397
	Microfirm Capital Private Limited			34015928	12.621
	Celica Developers Private Limited			29434455	10.921
	Magma Consumer Finance Private Limited			1820120	0.675
	Mansi Poddar			285000	0.106
	Shaili Poddar			125000	0.046
	Kalpana Poddar			55080	0.020
	Ashita Poddar			16500	0.006

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

Sl. No.	For each of the top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
01.	True North Fund V LLP				
	At the beginning of the year -	28255524	10.491		
	Changes during the year -	No changes during the year			
	At the end of the year -			28255524	10.484
02.	Amansa Holdings Private Limited				
	At the beginning of the year -	20656242	7.670		
	Changes during the year -	No changes during the year			
	At the end of the year -			20656242	7.664
03.	Lavender Investments Limited				
	At the beginning of the year -	18851431	7.000		
	Changes during the year -	No changes during the year			
	At the end of the year -			18851431	6.995
04.	Reliance Capital Trustee Company Limited - A/c Nippon India Growth Fund				
	At the beginning of the year -	15204425	5.645		
	Changes during the year -				
	19/07/2019– Transfer	1000000	0.371	16204425	6.012
	02/08/2019– Transfer	84600	0.031	16289025	6.044
	09/08/2019– Transfer	50000	0.019	16339025	6.062
	06/12/2019– Transfer	1523764	0.566	17862789	6.628
	13/12/2019– Transfer	412883	0.153	18275672	6.781
	20/12/2019– Transfer	202496	0.075	18478168	6.856
	27/12/2019– Transfer	58256	0.022	18536424	6.878
	31/12/2019 – Transfer	87594	0.033	18624018	6.910
	03/01/2020 – Transfer	15192	0.006	18639210	6.916
	At the end of the year -			18639210	6.916
05.	Leapfrog Financial Inclusion India Holdings Limited				
	At the beginning of the year -	13218519	4.908		
	Changes during the year -	No changes during the year			
	At the end of the year -			13218519	4.905
06.	International Finance Corporation				
	At the beginning of the year -	19763632	7.338		
	Changes during the year -				
	24/05/2019 – Transfer	-155997	0.058	19607635	7.275
	31/05/2019– Transfer	-5270478	1.957	14337157	5.320
	07/06/2019– Transfer	-491995	0.183	13845162	5.137
	14/06/2019– Transfer	-48221	0.018	13796941	5.119
	21/06/2019– Transfer	-137004	0.051	13659937	5.068
	28/06/2019– Transfer	-12594	0.005	13647343	5.064
	05/07/2019 – Transfer	-788442	0.293	12858901	4.771
	22/11/2019 – Transfer	-10591	0.004	12848310	4.767
	At the end of the year -			12848310	4.767
07.	Bank Muscat India Fund				
	At the beginning of the year -	8754888	3.251		
	Changes during the year -	No changes during the year			
	At the end of the year -			8754888	3.248

Sl. No.	For each of the top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
08.	IDFC Equity Opportunities Fund – Series 5				
	At the beginning of the year -	12434024	4.617		
	Changes during the year -				
	05/04/2019– Transfer	53454	0.020	12487478	4.633
	12/04/2019– Transfer	-50000	0.019	12437478	4.615
	03/05/2019– Transfer	-100000	0.037	12337478	4.578
	10/05/2019– Transfer	-100000	0.037	12237478	4.541
	24/05/2019– Transfer	-250000	0.093	11987478	4.448
	31/05/2019– Transfer	-75000	0.028	11912478	4.420
	12/07/2019– Transfer	-695110	0.258	11217368	4.162
	19/07/2019– Transfer	-61885	0.023	11155483	4.139
	02/08/2019– Transfer	-81	0.000	11155402	4.139
	16/08/2019– Transfer	-50807	0.019	11104595	4.120
	23/08/2019– Transfer	-1898	0.000	11102697	4.100
	30/08/2019– Transfer	-3789	0.001	11098908	4.118
	06/09/2019– Transfer	-77348	0.029	11021560	4.089
	13/09/2019– Transfer	-21068	0.008	11000492	4.082
	20/09/2019– Transfer	-3014	0.001	10997478	4.080
	27/09/2019– Transfer	-92590	0.034	10904888	4.046
	30/09/2019– Transfer	-33733	0.013	10871155	4.034
	25/10/2019– Transfer	-3677	0.001	10867478	4.032
	08/11/2019– Transfer	-106502	0.040	10760976	3.993
	15/11/2019– Transfer	-312061	0.116	10448915	3.877
	22/11/2019– Transfer	-603102	0.224	9845813	3.653
	29/11/2019– Transfer	-652335	0.242	9193478	3.411
	06/12/2019– Transfer	-1080000	0.401	8113478	3.010
	24/01/2020– Transfer	-129633	0.048	7983845	2.962
	31/01/2020– Transfer	31233	0.012	8015078	2.974
	21/02/2020– Transfer	40000	0.015	8055078	2.989
	28/02/2020– Transfer	100000	0.037	8155078	3.026
	06/03/2020– Transfer	55000	0.020	8210078	3.046
	13/03/2020– Transfer	20000	0.007	8230078	3.054
	20/03/2020 – Transfer	50000	0.019	8280078	3.072
	At the end of the year -			8280078	3.072
09.	Life Insurance Corporation of India				
	At the beginning of the year -	0	0.000		
	Changes during the year -				
	12/04/2019– Transfer	449132	0.167	449132	0.167
	19/04/2019– Transfer	202200	0.075	651332	0.242
	26/04/2019– Transfer	148668	0.055	800000	0.297
	03/05/2019– Transfer	225000	0.084	1025000	0.380
	10/05/2019– Transfer	800024	0.297	1825024	0.677
	17/05/2019– Transfer	585867	0.218	2410891	0.895
	24/05/2019– Transfer	700000	0.260	3110891	1.154
	31/05/2019– Transfer	711176	0.264	3822067	1.418
	07/06/2019– Transfer	713690	0.265	4535757	1.683

Sl. No.	For each of the top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
	14/06/2019– Transfer	287166	0.107	4822923	1.789
	21/06/2019– Transfer	512164	0.190	5335087	1.980
	28/06/2019– Transfer	264887	0.099	5599974	2.078
	05/07/2019 – Transfer	645620	0.240	6245594	2.317
	12/07/2019 – Transfer	248645	0.092	6494239	2.410
	19/07/2019 – Transfer	300531	0.112	6794770	2.521
	26/07/2019 – Transfer	188859	0.070	6983629	2.591
	02/08/2019 – Transfer	273950	0.102	7257579	2.693
	09/08/2019 – Transfer	102621	0.038	7360200	2.731
	At the end of the year -			7360200	2.731
10.	ICICI Prudential Life Insurance Company Limited				
	At the beginning of the year -	7143284	2.652		
	Changes during the year -	No changes during the year			
	At the end of the year -			7143284	2.650

(v) Shareholding of Directors and Key Managerial Personnel :

Sl. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
01.	Vegulaparanan Kasi Viswanathan, Non-Executive Independent Director				
	At the beginning of the year -	1432	0.001		
	Changes during the year -	No changes during the year			
	At the end of the year -			1432	0.001
02.	Kailash Baheti, Chief Financial Officer				
	At the beginning of the year -	50000	0.019		
	Changes during the year -	No changes during the year			
	At the end of the year -			50000	0.019

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment : *(₹ in Lakh)*

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	9,08,075.45	2,66,895.46	-	11,74,970.91
ii) Interest due but not paid	966.85	93.43	-	1,060.28
iii) Interest accrued but not due	955.49	2,523.59	-	3,479.08
Total (i+ii+iii)	**9,09,997.79**	**2,69,512.48**	**-**	**11,79,510.27**
Change in Indebtedness during the financial year				
Addition	4,13,998.04	1,07,736.39	-	5,21,734.43
Reduction	(3,93,207.80)	(2,99,030.27)	-	(6,92,238.07)
Net Change	**20,790.24**	**(1,91,293.88)**	**-**	**(1,70,503.64)**
Indebtedness at the end of the financial year				
i) Principal Amount	9,24,773.07	75,684.48	-	10,00,457.55
ii) Interest due but not paid	2,346.06	93.43	-	2,439.49
iii) Interest accrued but not due	3,668.90	2,440.69	-	6,109.59
Total (i+ii+iii)	**9,30,788.03**	**78,218.60**	**-**	**10,09,006.63**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager : *(₹ in Lakh)*

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount
		Mayank Poddar Chairman-WTD	Sanjay Chamria Vice Chairman & Managing Director	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	156.71	208.94	365.65
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.40	0.40	0.80
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- as % of profit	-	-	-
	- others, specify	-	-	-
5.	Others, please specify (Employee contribution to Provident Fund, Gratuity)	11.29	15.06	26.35
	Total Amount (A)	**168.40**	**224.40**	**392.80**
	Ceiling as per the Act	Due to inadequate profits, approval of the members vide Special Resolution is being sought for payment of managerial remuneration to an Executive-Director in accordance with the Companies Act, 2013 read with Schedule V in the upcoming 40th Annual General Meeting of the Company.		

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

B. Remuneration to the other Directors : *(₹ in Lakh)*

Sl. No.	Directors	Particulars of Remuneration			Total Amount
		Fee for attending Board / Committee Meetings	Commission	Others, please specify	
1.	**Independent Directors -**				
	Narayan Keelveedhi Seshadri	18.00	-	-	18.00
	Satya Brata Ganguly[1]	8.80	-	-	8.80
	Vegulaparanan Kasi Viswanathan	18.00	-	-	18.00
	Vijayalakshmi R Iyer	19.00	-	-	19.00
	Bontha Prasada Rao[2]	-	-	-	-
	Sunil Chandiramani[2]	3.30	-	-	3.30
	Total Amount (B)(1)	**67.1**	-	-	**67.1**
2.	**Other Non-Executive Directors –**	-	-	-	-
	Madhumita Dutta Sen[3]	1.00	-	-	1.00
	Total Amount (B)(2)	**1.00**	-	-	**1.00**
	Total Amount (B) = (B)(1) + (B)(2)	**68.10**	-	-	**68.10**
	Total Managerial Remuneration (A+B)				**460.90**
	Overall Ceiling as per the Act	Not applicable since only sitting fees is paid to the Non-Executive Directors.			

1. Completed tenure from close of business hours of 24 September 2019
2. Appointed w.e.f 10 December 2019
3. Resigned w.e.f close of business hours of 15 May 2019

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER

(₹ in Lakh)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
		Kailash Baheti (Chief Financial Officer)	Shabnum Zaman (Company Secretary)	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	200.36	25.88	226.24
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.40	-	0.40
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- as % of profit	-	-	-
	- others, specify	-	-	-
5.	Others, please specify (Employee contribution to Provident Fund, Gratuity)	12.42	1.67	14.09
	Total Amount	**213.18**	**27.55**	**240.73**

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

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

For and on behalf of the Board

Narayan K Seshadri
Chairman
DIN: 00053563

Sanjay Chamria
Vice Chairman and Managing Director
DIN: 00009894

Mumbai
18 June 2020

ANNEXURE 5 TO BOARD'S REPORT

Details pertaining to remuneration as required under Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment And Remuneration of Managerial Personnel) Rules, 2014 and Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016

(i) The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during FY2019-20, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for FY2019-20 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under:

Sl. No.	Name of Director/KMP and Designation	Remuneration of Director/KMP for FY2019-20 (₹ in lakh)	% increase in Remuneration in FY2019-20	Ratio of remuneration of each Director/ to median remuneration of employees
1	Narayan K Seshadri Non-Executive Independent Chairman	18.00	-78.85%	4.96
2	Mayank Poddar Chairman Emeritus and Whole time Director	168.40	0.00%	46.36
3	Sanjay Chamria Vice Chairman and Managing Director	224.40	-54.61%	61.77
4	V K Viswanathan Non-Executive Independent Director	18.00	-72.73%	4.96
5	Vijayalakshmi R Iyer Non-Executive Independent Director	19.00	0.00%	5.23
6	Sunil Chandiramani[1] Non-Executive Independent Director	3.30	N.A.	0.91
7	Bontha Prasada Rao[1] Non-Executive Independent Director	-	N.A.	0.00
8	Satya Brata Ganguly[2] Non-Executive Independent Director	8.80	-85.19%	2.42
9	Madhumita Dutta-Sen[3] Non-Executive Director	1.00	-75.00%	0.28
10	Kailash Baheti Chief Financial Officer	213.18	4.48%	67.42
11	Shabnum Zaman Company Secretary	27.55	15.13%	7.88

[1] Appointed as Director w.e.f 10 December 2019

[2] Mr. Satya Brata Ganguly relinquished his office as a director of the Company w.e.f. closure of business hours of 24 September 2019 on completion of his tenure

[3] Ms. Madhumita Dutta-Sen, Non-Executive Director resigned w.e.f. closure of business hours of 15 May 2019

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

ii) The median remuneration of employees of the Company during the financial year was ₹ 3.63 lakh.

iii) In the financial year, there was an increase of 4.85% in the median remuneration of employees.

iv) There were 6256 permanent employees on the rolls of Company as on 31 March 2020

v) Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2019-20 was 5.26% whereas the increase in the managerial remuneration for the same financial year was -34.68% since no commission was paid during FY19-20

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

For and on behalf of the Board

Narayan K Seshadri
Chairman
DIN: 00053563

Sanjay Chamria
Vice Chairman and Managing Director
DIN: 00009894

Mumbai
18 June 2020

ANNEXURE -5 TO BOARD'S REPORT

PARTICULARS OF EMPLOYEES

Information as per Section 197(12) of the Companies Act, 2013, read with Rules 5(2) and 5(3) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016 referred to in the Board's Report for the year ended March 31, 2020 and forming part thereof

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

Name	Age (in years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (₹ In lakh)	Particulars of last employment, last post, employer
MAYANK PODDAR	66	B.Com	Chairman Emeritus and Whole time Director	01-Jul-96	45	168.40	Calcutta Credit Corporation Ltd (erstwhile)- Managing Director
SANJAY CHAMRIA	55	FCA	Vice Chairman & Managing Director	01-Jan-92	35	224.40	Magma Leasing Ltd (erstwhile)-Chief Executive
KAILASH BAHETI	56	B. Com (Hons), FCA, ACS, ACMA	Chief Financial Officer	18-Oct-11	35	213.18	Century Extrusion Ltd - CEO & CFO
DEEPAK PATKAR	47	B.E.(Electrical), Master in Management Studies	Chief Executive Officer-ABF	04-Sep-18	26	166.99	Fullerton India Credit Co, EVP & Group Chief Risk Officer
RAJNEESH MISHRA	47	LLB, Masters in Personnel Management & Industrial Relations	Chief People Officer	10-Jan-19	22	111.87	Bajaj Finserv Limited, Vice President-Human Resources
HARSHVARDHAN CHAMRIA	31	School of Engg Cornell, MBA Stanford	Chief Digital Officer	01-Sep-14	6	118.05	Magma Fincorp Limited - AVP
RAJ KUMAR KAPOOR	55	CA	Chief Internal Auditor	07-Mar-11	33	96.67	Jubilant Organosys Group of Comp.-Vice President and Chief Internal Auditor
MAHENDER BAGRODIA	49	B Com, ACA	Chief Business Officer-ABF	09-Oct-00	27	154.37	Tijaya Enterprises Ltd - General Manager
SANJIV JHA	51	B.com, CA (INTER)	National Business Head-ABF	07-Jun-00	34	107.64	Spantek Polymers Pvt Ltd- Accounts Manager
SRINIVAS PRASAD PANDA	49	MBA/PGDBM - FULL TIME	Chief Strategy Officer-ABF	08-Apr-19	24	130.61	Tata Motors Finance - Head Collection

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

Name	Age (in years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (₹ In lakh)	Particulars of last employment, last post, employer
MAYANK PODDAR	66	B.Com	Chairman Emeritus and Whole time Director	01-Jul-96	45	168.40	Calcutta Credit Corporation Ltd (erstwhile)- Managing Director
SANJAY CHAMRIA	55	FCA	Vice Chairman & Managing Director	01-Jan-92	35	224.40	Magma Leasing Ltd (erstwhile)-Chief Executive
KAILASH BAHETI	56	B. Com (Hons), FCA, ACS, ACMA	Chief Financial Officer	18-Oct-11	35	213.18	Century Extrusion Ltd - CEO & CFO
DEEPAK PATKAR	47	B.E.(Electrical), Master in Management Studies	Chief Executive Officer-ABF	04-Sep-18	26	166.99	Fullerton India Credit Co, EVP & Group Chief Risk Officer
RAJNEESH MISHRA	47	LLB, Masters in Personnel Management & Industrial Relations	Chief People Officer	10-Jan-19	22	111.87	Bajaj Finserv Limited, Vice President-Human Resources
HARSHVARDHAN CHAMRIA	31	School of Engg Cornell, MBA Stanford	Chief Digital Officer	01-Sep-14	6	118.05	Magma Fincorp Limited - AVP
MAHENDER BAGRODIA	49	B Com, ACA	Chief Business Officer-ABF	09-Oct-00	27	154.37	Tijaya Enterprises Ltd - General Manager
SANJIV JHA	51	B.Com, CA (INTER)	National Business Head-ABF	07-Jun-00	34	107.64	Spantek Polymers Pvt Ltd- Accounts Manager

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

Name	Age (in years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (₹ In lakh)	Particulars of last employment, last post, employer
KAUSHIK BANERJEE	57	B Com Sydenham, MBA AIMM Philippines	President & CEO - ABF	11-Nov-16	28	52.16	Cholamandalam Investment and Finance Company Limited-President Strategy & Corporate Affairs
CHIRAG JAIN	49	IIT Delhi, IIM Ahmedabad	Chief Operating Officer	07-Feb-17	25	23.28	Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited-Chief Operating Officer
KRISHNA BAHETY	43	Chartered Accountant	Head Credit SME & LAP	21-Sep-17	19	8.85	First Rank Bank - Head Credit (Retail and SME)
SRINIVAS PRASAD PANDA	49	MBA/PGDBM - FULL TIME	Chief Strategy Officer-ABF	08-Apr-19	24	130.61	Tata Motors Finance - Head Collection

Notes:

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

For and on behalf of the Board

Narayan K Seshadri
Chairman
DIN: 00053563

Sanjay Chamria
Vice Chairman and Managing Director
DIN: 00009894

Mumbai
18 June 2020

ANNEXURE -6 TO BOARD'S REPORT

DIVIDEND DISTRIBUTION POLICY

A. PURPOSE AND OBJECTIVES

The Securities and Exchange Board of India ("SEBI") vide its Notification dated July 08, 2016 has amended the Listing Regulations by inserting Regulation 43A in order to make it mandatory to have a Dividend Distribution Policy in place by the top five hundred listed companies based on their market capitalization calculated as on the 31st day of March of every year. Considering the provisions of the aforesaid Regulation 43A, the Board of Directors (the "Board") of the Company recognizes the need to lay down a broad framework with regard to distribution of dividend to the shareholders and/ or retaining its profits. The Policy also sets out the circumstances and different factors for consideration by the Board at the time of taking such decisions of distribution or retention of profits in the interest of shareholders.

The Policy reflects the intent of the Company to reward the shareholders by sharing a portion of its profits after retaining sufficient funds for the Company's growth, to meet its long term objectives & other purposes. The Company shall pursue this Policy, to pay, subject to the circumstances and factors enlisted hereon, progressive dividend, which shall be consistent with the performance of the Company over the years and also comparable with the peers in industry.

B. CONSIDERATIONS RELEVANT FOR DECISION OF DIVIDEND PAYOUT

The Board shall consider the following, while taking decisions of a dividend payout during a particular year:-

Statutory requirements

The Company shall observe the relevant statutory requirements including those with respect to mandatory transfer of a certain portion of profits to any specific reserve such as Debenture Redemption Reserve, Capital Redemption Reserve other Statutory Reserve as may be required by the Companies Act, 2013 or other Statutory Authorities, which may be applicable to the Company at the time of taking decision with regard to dividend declaration.

Agreements with lending institutions/ debenture trustees

The decision of dividend payout shall also be affected by the restrictions and covenants contained, if any, in the agreements as may be entered into with the lenders of the Company from time to time.

Prudential requirements

The Company shall analyse the strategic decisions in order to decide:

- to augment long term growth;
- to build a pool of internally generated funds to provide long-term resources as well as resource-raising potential for the Company; and
- the need for capital conservation and appreciation.

Proposals for major capital expenditures etc.

In addition to ploughing back of earnings on account of depreciation, the Board may also take into consideration the need for replacement of capital assets, expansion, modernization and automation or augmentation of capital stock, including any major capital expenditure proposals.

Extent of realized profits calculated as per the applicable Accounting Standard

The extent of realized profits out of its profits calculated as per applicable Accounting Standards during the respective financial years including IND AS as and when applicable, affects the Board's decision of determination of dividend for a particular year. The Board is required to consider such factors before taking any dividend or retention decision.

Expectations of major stakeholders, including small shareholders

The Board, while considering the decision of dividend payout or retention of a certain amount or entire profits of the Company, shall, as far as possible, consider the expectations of the major stakeholders including the retail shareholders of the Company who generally expects for a regular dividend payout.

Dividend payout of previous years

The percentage of dividend payout of the last 5 years should be considered for determining dividend payout for the current year.

Other Financial Parameters

In addition to the aforesaid parameters such as realized profits and proposed major capital expenditures, the decision of dividend payout or retention of profits shall also be based on the following-

Operating cash flow of the Company

If the Company cannot generate adequate operating cash flow, it may need to rely on outside funding to meet its financial obligations and sometimes to run the day-to-day operations. The Board will consider the same before its decision whether to declare dividend or retain its profits.

Capital Risk-weighted Assets Ratio (CRAR)

Magma being an NBFC is required to maintain a minimum capital ratio consisting of Tier I and Tier II capital which shall not be less than 15 percent of its aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items. Accordingly, the expected CRAR shall be taken into consideration while declaring dividend so that it does not breach the prescribed limit.

Return on Capital

The efficiency with which the Company uses its capital will impact the decision of dividend declaration.

Magnitude of earnings of the Company

Since dividend is directly linked with the availability of earning over the long haul, the magnitude of earnings will significantly impact the dividend declaration decisions of the Company.

Cost of borrowings

The Board will analyze the requirement of necessary funds considering the long term or short term plans proposed to be undertaken by the Company and the viability of the options in terms of cost of raising necessary funds from outsiders such as bankers, lending institutions or by issuance of debt securities or plough back its own funds.

Obligations to creditors

The Company should be able to repay its debt obligations without much difficulty over a reasonable period of time. Considering the volume of such obligations and time period of repayment, the decision of dividend declaration shall be taken.

Inadequacy of profits

If during any financial year, the Board determines that the profits of the Company are inadequate, the Board may decide not to declare dividends for that financial year.

C. FACTORS THAT MAY AFFECT DIVIDEND PAYOUT

External Factors

Taxation and other regulatory concern

- Dividend distribution tax or any tax deduction at source as required by applicable tax regulations in India, as may be applicable at the time of declaration of dividend.
- Any restrictions on payment of dividends by virtue of any regulation as may be applicable to the Company at the time of declaration of dividend.

Macroeconomic conditions

Considering the state of economy in the Country, the policy decisions that may be formulated by the Government and other similar conditions prevailing in the international market which may have a bearing on or affect the business of the Company, the management may consider retaining a larger part of the profits to have sufficient reserves to absorb unforeseen circumstances.

Internal Factors

Product/ market expansion plan

The Company's growth oriented decision to conserve cash in the Company for future expansion plan impacts shareholders expectation for the long run which shall have to consider by the Board before taking dividend decision.

Past performance of the Company

The trend of the performance of the Company during the past years determines the expectation of the shareholders.

Working capital management in the Company

The current working capital management system within the Company also impacts the decision of dividend declaration.

D. CIRCUMSTANCES UNDER WHICH DIVIDEND PAYOUT MAY OR MAY NOT BE EXPECTED

The Board shall consider the factors as provided above, before determination of any dividend payout after analyzing the prospective opportunities and threats, viability of the options of dividend payout or retention etc. The decision of dividend payout shall, majorly be based on the aforesaid factors considering the balanced interest of the shareholders and the Company.

E. DIVIDEND PAYOUT

The Company stands committed to deliver sustainable value to all its stakeholders. As explained in the earlier part of this Policy, determining the dividend payout is dependent upon several factors, both internal to a business and external to it. The Board shall maintain a total dividend pay-out ratio in the range of 10% to 20% of the annual standalone PAT of the Company.

F. MANNER OF UTILISATION OF RETAINED EARNINGS

The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the following factors:

- Market and Product expansion plan;
- Automation and Modernization plan;
- Diversification of business;
- Long term strategic plans;
- Replacement of capital assets;
- Where the cost of debt is expensive;
- Other such criteria as the Board may deem fit from time to time.

G. PARAMETERS ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

i) The holders of the equity shares of the Company, as on the record date, are entitled to receive dividends. Since the Company has issued only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share.

ii) The Policy shall not apply to determination and declaration of dividend on preference shares as the same will be governed as per the terms of issue approved by the Board and the shareholders of the Company.

iii) The Policy shall be suitably amended at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

H. DISCLOSURES

This Policy shall be disclosed in the annual report and on the website of the Company. If the Company proposes to declare dividend in addition to the parameters mentioned in this Policy or proposes to change such additional parameters, it shall disclose such changes along with the rationale for the same in its annual report and on its website.

I. AMENDMENT

To the extent any change/amendment is required in terms of any applicable law, the Vice Chairman and Managing Director of the Company shall be authorised to review the Policy and recommend any changes to the Board for its approval.

ANNEXURE -7 TO BOARD'S REPORT

FORM NO. AOC.2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis-

   Magma Fincorp Limited (the Company) has not entered into any contract/arrangement/ transaction with its related parties, which is not in ordinary course of business or at arm's length during FY2020. The Company has laid down policies and processes/ procedures so as to ensure compliance to the subject section in the Companies Act, 2013 (Act) and the corresponding Rules.

2. Details of material contracts or arrangement or transactions at arm's length basis

   The details of material contracts or arrangements or transactions at arm's length basis for the year ended 31st March, 2020, are as follows:

Name(s) of the related party and nature of relationship	Nature of contracts / arrangements/ transactions	Transaction Value (₹ In Lakh)	Duration of contracts/ arrangements/ transaction	Salient terms of the contracts/ arrangements/ transactions	Date(s) of approval by the Board	Amount paid as advances (₹ in Lacs)
Magma Housing Finance Limited, wholly owned subsidiary	Direct Assignment of Standard Assets Loan against property (LAP) portfolio	22,946.51	Till the completion of the pool	Related Party Transaction entered during the period was in the ordinary course of business and on arm's length basis.	27 February 2019	Nil

For and on behalf of the Board

Narayan K Seshadri
Chairman
DIN: 00053563

Sanjay Chamria
Vice Chairman and Managing Director
DIN: 00009894

Mumbai
18 June 2020

BOARD'S REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE

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

2. BOARD OF DIRECTORS ('BOARD')

2.1 Composition and category

The Company has a judicious mix of Executive and Non-Executive Independent Directors on its Board. There are 7 Directors on the Board, with 2 Executive Directors and 5 Independent Non-Executive Directors which includes one Independent woman Director. The Chairman is an Independent Non-Executive Director and more than one-half of the Board consists of Independent Directors. The composition of the Board is in conformity with Section 149 of the Companies Act, 2013 (hereinafter referred to as 'the Act') and Regulation 17 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time (hereinafter referred to as 'Listing Regulations').

Pursuant to the provisions of Section 165 of the Act none of the Directors of the Company is a Director in more than 20 Indian companies, with not more than 10 public limited companies. Further, as mandated by Regulation 17A of the Listing Regulations, none of the Directors are director in more than 8 Listed entities and serves as an Independent Director in more than 7 Listed companies or 3 listed companies in case he/ she serves as a Whole-time Director in any listed Company. Further, as stipulated in Regulation 26 of the Listing Regulations, none of the Directors is a Member of more than 10 Committees and no such Director is a Chairman/Chairperson of more than 5 Committees, across all public limited companies in which he/ she is a Director. All the Non-Executive Directors are eminent professionals and bring the wealth of their professional expertise and experience to the management of the Company. The composition of the Board as on 31 March 2020 is as under:

Category	Name of Directors
Promoter and Executive Directors	Mr. Mayank Poddar Mr. Sanjay Chamria
Independent Directors	Mr. Narayan K Seshadri (Chairman) Mr. V K Viswanathan Mrs. Vijayalakshmi R Iyer Mr. Bontha Prasada Rao Mr. Sunil R Chandiramani

The appointment / continuation of the Non-Executive Directors of the Company which are 75 years of age or more have been approved by the shareholders by passing a special resolution in terms of Regulation 17 (1A) of the Listing Regulations.

All the Directors possesses requisite qualifications and experience in general corporate management, risk management, banking, finance, economics, marketing, digitisation, analytics and other allied fields which enable them to contribute effectively to your Company by providing valuable guidance and expert advice to the Management and enhance the quality of Board's decision-making process. Detailed profile of the Directors is available on the Company's website at the web-link: https://magma.co.in/about-us/people/board-of-directors/.

The Independent Directors have been appointed for a fixed tenure of three/five years from their respective dates of appointment. All the Independent Directors have confirmed that they meet the criteria of independence as mentioned in Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations. In terms of Regulation 25(8) of the Listing Regulations, the Independent Directors have confirmed that they are not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact their ability to discharge their duties. In the opinion of the Board, all the existing Independent Directors as well as those who are proposed to be appointed/re-appointed at the ensuing Annual General Meeting (AGM) of the Company, fulfil the conditions specified in Listing Regulations and are independent of the management. None of the independent directors of the Company are on the Board of any other Company as non-independent director where the non-independent director of the Company is an independent director. No Independent Directors have resigned during the year.

A letter of appointment encompassing the terms and conditions of appointment, roles, duties and liabilities have been issued to the Independent Directors. The main terms of appointment can be accessed at: https://magma.co.in/about-us/investor-relations/secretarial-documents/information-for-shareholders/.

2.2 Board Meetings and Procedure

Being the apex body constituted by shareholders for overseeing the functioning of the Company, the Board evaluates all the strategic decisions on a collective consensus basis amongst the Directors. The Board provides leadership, strategic guidance, an objective and independent view to the Company's management while discharging its fiduciary responsibilities, thereby ensuring that the management adheres to high standards of ethics, transparency and disclosure. The Company has a well-established framework for the Meetings of the Board and its Committees which seeks to systematise the decision-making process at the Board and Committee meetings in an informed and efficient manner.

Meetings, Agenda and participation thereat: The Board/ Committee meetings are pre-scheduled and a tentative annual calendar of the Board and Committee meetings is circulated to the Directors well in advance to help them plan their schedule and ensure meaningful participation in the meetings. The Company Secretary, in consultation with the Chairman, Vice Chairman and Managing Director and Chief Financial Officer, discuss the agenda for meetings. Agenda, Notes on the agenda and other pre-read materials are circulated among the Directors, at least seven days in advance, in a structured format. All the Agenda items are supported by relevant information, documents and presentation to enable the Board to take informed decisions. Video/Teleconferencing facilities are also used to facilitate Directors travelling or present at other locations, to participate in meetings.

Only in case of urgent business, if the need arises, the Board's/ Committee's approval is taken by passing resolutions through circulation or by calling Board/Committee meetings at short notice, as permitted by law.

The Board generally meets 4-5 times during the year. Additional Board meetings are convened to address the Company's specific needs. During the year Magma's Board met 6 times on 15 May 2019, 01 August 2019, 26 September 2019, 08 November 2019, 15 January 2020 and 31 January 2020. The maximum interval between any two consecutive meetings were not more than 120 days. The requisite quorum was present for all the Meetings.

Paperless Board Meetings: Board/Committee Meeting agenda and Agenda Notes is hosted on the Magma Board Meeting portal, a digital application. The Directors of the Company receive the agenda notes in electronic form through this application, which is accessible through iPad/laptop. The application meets high standards of security that are essential for storage and transmission of sensitive information in electronic form.

Post meeting follow-up mechanism: The Company has an effective post Board/Committee Meeting follow-up procedure. The important decisions taken at Board/Committee meetings are communicated to the concerned departments promptly. An action taken/status report on the decisions of the previous meeting(s) is placed at the next meeting of the Board/Committees for information and further recommended action(s), if any.

Knowledge sharing: Board members are kept informed about any material development/business update through various modes viz. e-mails, concall etc. from time to time.

The status of attendance of each Director at Board Meetings and the last Annual General Meeting (AGM) held on 01 August 2019 and the number of Companies and Committees where each of them is a Director / Member / Chairman as on 31 March 2020 is given below:

Name of Director	Category	Materially significant, pecuniary or business relationship with the Company	Number of shares and convertible instruments held in the Company	F.Y 2019-20 Attendance at		No. of Directorships in other Companies incorporated in India(*)	Outside Committee Positions Held (**)		Names of the other listed entities where the director is a director (including debt listed)	Category of directorship
				Board Meeting	Last AGM held on 01.08.2019		Chairman	Member		
Mr. Narayan K Seshadri DIN: 00053563	Independent, Non-executive	Chairman	Nil	6/6	Yes	15	3	6	1. PI Industries Limited 2. AstraZeneca Pharma India Limited 3. Kalpataru Power Transmission Limited 4. CG Power and Industrial Solutions Limited	1. Chairman, Independent Director 2. Chairman, Independent Director 3. Independent Director 4. Independent Director
Mr. Mayank Poddar DIN: 00009409	Promoter, Executive	Chairman Emeritus and Whole time Director	Nil	5/6	Yes	8	-	-	1. Magma Housing Finance Limited	Non-Executive Director
Mr. Sanjay Chamria DIN: 00009894	Promoter, Executive	Vice Chairman and Managing Director	Nil	6/6	Yes	7	1	2	1. Magma Housing Finance Limited	Non-Executive Chairman
Mr. V K Viswanathan DIN: 01782934	Independent, Non-executive	-	1,432	5/6	No	8	4	8	1. Bharti Airtel Limited 3. HDFC Standard Life Insurance Company Limited 3. KSB Limited 4. United Spirits Limited 5. ABB India Limited	1. Independent Director 2. Independent Director 3. Independent Director 4. Independent Director 5. Independent Director (Additional Director)
Mrs. Vijayalakshmi R Iyer DIN:05242960	Independent, Non-executive	-	Nil	6/6	Yes	9	5	8	1. Aditya Birla Capital Limited 2. ICICI Securities Limited 3. Religare Enterprises Limited 4. GIC Housing Finance Limited	1. Independent Director 2. Independent Director 3. Independent Director 4. Independent Director
Mr. Bontha Prasada Rao DIN:01705080	Additional Director in the capacity of Independent, Non-executive	-	Nil	0/2	N.A.	2	-	1	NIL	-
Mr. Sunil Chandiramani DIN:00524035	Additional Director in the capacity of Independent, Non-executive	-	Nil	2/2	N.A.	4	-	2	NIL	-
Ms. Madhumita Dutta-Sen [1] DIN: 07885010	Non-Executive	Nominee – International Finance Corporation	Nil	1/1	N.A	-	-	-	-	-
Mr. Satya Brata Ganguly [2] DIN: 00012220	Independent, Non-executive	-	Nil	2/2	Yes	-	-	-	-	-

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

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

[1]*Ms. Madhumita Dutta-Sen, Non-Executive Director resigned w.e.f. closure of business hours of 15 May 2019*

[2]*Mr. Satya Brata Ganguly relinquished his office as a director of the Company w.e.f. closure of business hours of 24 September 2019 on completion of his tenure*

Skills/Expertise/Competence of the Board of Directors

List of core skills / expertise / competencies required by the Board (as identified by the Board) for efficient functioning of the Company in the present business environment and those skills/expertise/competence actually available with the Board are as follows:-

Sl No.	Skills / Expertise / Competencies required by the Board of Directors		Status of availability with the Board	Narayan K Seshadri	Mayank Poddar	Sanjay Chamria	V K Viswanathan	Vijayalakshmi R Iyer	Bontha Prasada Rao	Sunil Chandiramani
1	Understanding of Business/ Industry	Experience and knowledge of NBFCs and Banks	Yes	√	√	√	√	√	√	√
2	Strategy and strategic planning	Ability to think strategically and identify and critically assess strategic opportunities and threats and develop effective strategies in the context of the strategic objectives of the Company's policies and priorities.	Yes	√	√	√	√	√	√	√
3	Critical and innovative thoughts	The ability to critically analyse the information and develop innovative approaches and solutions to the problems.	Yes	√	-	√	√	√	√	√
4	Financial Understanding	Ability to analyse and understand the key financial statements, assess financial viability of the projects and efficient use of resources.	Yes	√	√	√	√	√	√	√
5	Market Understanding	Understanding of Market.	Yes	√	√	√	√	√	√	√
6	Risk and compliance oversight	Ability to identify key risks to the organisation in a wide range of areas including legal and regulatory compliance, and monitor risk and compliance management frameworks.	Yes	√	√	√	√	√	√	√

2.3 Pecuniary relationship or transactions

There were no pecuniary relationship or transactions of the Non-Executive Directors vis-a-vis the Company during the year other than receipt of sitting fees for the meetings of Board and its Committees, commission and their shareholding, if any, in the Company. None of the Directors are related to any other Directors on the Board.

2.4 Selection of New Directors and Board Membership Criteria

The Nomination and Remuneration Committee works with the Board to determine the appropriate qualifications, positive attributes, characteristics, skills and experience required for the Board as a whole and its individual members with the objective of having a Board with diverse backgrounds and experience in business. The Policy for appointment and removal of Directors and determining Directors' independence forms part of the Remuneration Policy of the Company and is available on our website i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/information-for-shareholders/.

2.5 Remuneration of Directors

Executive Directors: Remuneration payable to the Executive Directors are in line with the Act, Listing Regulations and Remuneration Policy for remunerating Directors/KMPs. Remuneration of Executive Director includes salary, perquisites, allowances, retirals viz. superannuation including gratuity and provident fund (fixed component) and commission (variable component). The remuneration to Executive Directors is determined by the Nomination and Remuneration Committee which is subsequently approved by the Board of Directors as per the authority given by the shareholders at the General Meeting.

Non-Executive Directors: Remuneration to Non-Executive Directors is paid by the way of Sitting Fee for attending the meetings of the Board / Committee. In addition, Independent Directors are paid Commission based on the profits of the Company not exceeding 1% of the net profit calculated in accordance with Section 198 of the Companies Act, 2013. The remuneration paid to Non-Executive directors is in consonance with the Remuneration Policy of the Company which is available on our website i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/information-for-shareholders/.

The details of the remuneration paid to the Directors for the Financial Year ended 31 March 2020 is as follows:-

(₹ in Lakh)

Sl No.	Directors	*Salary and allowances (fixed)	*Perquisites (fixed)	Commission (variable)	Sitting fees	Total as follows:
1.	Mr. Narayan K Seshadri	-	-	-	18.00	18.00
2.	Mr. Mayank Poddar	168.00	0.40	-	-	168.40
3.	Mr. Sanjay Chamria	216.54	7.86	-	-	224.40
4.	Mr. V K Viswanathan	-	-	-	18.00	18.00
5.	Mrs. Vijayalakshmi R Iyer	-	-	-	19.00	19.00
6.	Mr. Bontha Prasada Rao	-	-	-	-	-
7.	Mr. Sunil Chandiramani	-	-	-	3.30	3.30
8.	Ms. Madhumita Dutta-Sen	-	-	-	1.00	1.00
9.	Mr. Satya Brata Ganguly	-	-	-	8.80	8.80
	Total	**384.54**	**8.26**	**-**	**68.10**	**460.90**

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

1. Service Contract for Executive Directors is for 5 years.

2. Notice period and severance fees for Executive Directors is as per the Company's rules.

3. None of the Directors hold stock options as on 31 March 2020.

2.6 Code of Conduct

The Board of Directors has laid down a Code of Conduct for all the Board Members and Senior Executives of the Company including a Code of Conduct for Independent Directors pursuant to Section 149(8) read with Schedule IV of the Act, which is a guide to professional conduct for Independent Directors of the Company. All the Board Members and Senior Executives have confirmed compliance with the Code. A declaration by Vice Chairman and Managing Director affirming the compliance with the Code is annexed at the end of this Report as **Annexure-D**. The said Code may be referred to, at the website of the Company i.e. www.magma.co.in.

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

2.7 Information supplied to the Board, interalia, include:

The following information is regularly placed before the Board:

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

3. BOARD COMMITTEES

The Committees constituted by the Board focus on specific areas and take informed decisions within the framework designed by the Board, and make specific recommendations to the Board on matters in their areas or purview. All decisions and recommendations of the Committees are placed before the Board for information or for approval, as required. To enable better and more focused attention on the affairs of the Company, the Board has delegated particular matters to the Committees of the Board set up for the purpose. As on 31 March 2020, Magma has nine Committees of the Board: -

1. Audit Committee;
2. Stakeholders Relationship Committee;
3. Nomination and Remuneration Committee;
4. Management Committee;
5. Corporate Social Responsibility Committee;

6. Risk Management Committee;
7. Asset Liability Management Committee;
8. Review Committee; and
9. IT Strategy Committee.

All decisions pertaining to the constitution of Committees and appointment of members are taken by the Board of Directors. The terms of reference or charter of the aforesaid Committees is decided by the Board. Signed minutes of the Committee meetings are placed before the Board for noting. The role and composition including the number of meetings and related attendance are given below. The Board has duly accepted any recommendation of any committee of the Board which is mandatorily required, in the current financial year.

3.1 Audit Committee

3.1.1. Terms of reference

The terms of reference of the Audit Committee is in accordance with the provisions of Section 177 of the Act, Listing Regulations and RBI Guidelines. The terms of the reference broadly include:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommend the appointment, replacement or removal, remuneration and terms of appointment of auditors of the Company;
- Approve rendering of services by the statutory auditors other than those expressly barred under Section 144 of Act and remuneration for the same;
- Reviewing, with the management, the annual financial statements and auditor's report thereon and the CEO & CFO Certificate as per Regulation 17(8) of Listing Regulations before submission to the Board for approval, with particular reference to:
    - Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of Section 134(3)(c) of the Act;
    - Changes, if any, in accounting policies and practices and reasons for the same;
    - Major accounting entries involving estimates based on the exercise of judgment by management;
    - Significant adjustments made in the financial statements arising out of audit findings;
    - Compliance with listing and other legal requirements relating to financial statements;
    - Disclosure of any related party transactions; and
    - Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial results before submission to the Board for approval and secure the Certificate from CFO in terms of Regulation 33(2)(a) of Listing Regulations;
- Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems;
- Approve the appointment, removal and terms of remuneration of Chief Internal Auditor and reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing, and seniority of the official heading the department, reporting structure coverage and frequency, scope, functioning and methodology of internal audit;
- Discussion with Internal Auditors and the Management of any significant findings, status of previous audit recommendations and follow up there on;
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non- payment of declared dividends) and creditors;
- Review management letters/letters of internal control weakness issued by the statutory auditors;
- Review the Internal Audit Report relating to internal control weakness;
- Review the functioning of the Whistle Blower/Vigil Mechanism;
- Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background etc. of the candidate;
- Review the utilization of loans and/ or advances from/ investment by the Company in the subsidiary exceeding ₹ 100 crore or 10% of the asset size of the subsidiary,

whichever is lower including existing loans / advances / investments;

- Review management discussion and analysis of financial condition and results of operations;
- Review statement of significant related party transactions submitted by management;
- Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- Scrutinise inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Approve and recommend to the Board the transactions of the Company with related parties or any subsequent modification thereof;
- Appoint registered valuers;
- Review, approve and monitor the Code of Ethics that the Company plans for its senior financial officers/Directors;
- Review the compliance of the Fair Practices Code and the functioning of the customer grievances redressal mechanism so as to comply with the guidelines and circular issued by the Reserve Bank of India for Non-Banking Financial Companies in this regard;
- Any other matter as delegated by the Board of Directors of the Company from time to time.

3.1.2 Composition and Attendance

The Audit Committee met 4 times during the year under review i.e. on 14 May 2019, 31 July 2019, 07 November 2019 and 30 January 2020. The composition and attendance details of the members of the Audit Committee is given below:

Sl No.	Name of Members	Category	Number of meetings held	Number of meetings attended
1.	Mr. Narayan K Seshadri	Independent, Non-Executive	4	4
2.	Mr. V K Viswanathan	Independent, Non-Executive	4	4
3.	Mrs. Vijayalakshmi R Iyer[3]	Independent, Non-Executive	2	1
4.	Mr. Sunil Chandiramani[4]	Additional Director in the capacity of Independent, Non-Executive	N.A.	N.A
5.	Mr. Satya Brata Ganguly[5]	Independent, Non-Executive	2	2

[3]Inducted as a member w.e.f. 31 October 2019

[4]Inducted as a member w.e.f. 31 January 2020

[5]Ceased to be a member w.e.f. 24 September 2019

The Audit Committee was re-constituted by the Board on 31 October 2019 and 31 January 2020 wherein Mr. Sunil Chandiramani was inducted as member of the Committee and designated as the Chairman of the Committee in place of Mr. Narayan K Seshadri in order to segregate the responsibilities of the Chairman of the Board and Audit Committee.

Mr. Sunil Chandiramani acts as the Chairman of the Committee and Ms. Shabnum Zaman, Company Secretary, acts as the Secretary to this Committee. Mr. Narayan K Seshadri, erstwhile Chairman of the Committee, was present at the Annual General Meeting of the Company held on 1 August 2019.

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

3.2 Stakeholders Relationship Committee

3.2.1 Terms of reference

The terms of the reference broadly include:

- Redress and resolve the grievances of the security holders of the listed entity including complaints related to transfer/ transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates or allotment letters, general meetings etc;
- Review of measures taken for effective exercise of voting rights by shareholders;
- Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent;
- Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/ annual reports/statutory notices by the shareholders of the Company;
- Monitor the compliance of Code of prevention of insider trading framed by the Company;
- Effect dematerialisation and rematerialisation of shares of the Company;
- Such other matters as per the directions of the Board of Directors of the Company which may be considered necessary in relation to shareholders and investors of the Company.

3.2.2 Composition and Attendance

The Stakeholders Relationship Committee met 4 times during the year on 14 May 2019, 31 July 2019, 08 November 2019 and 30 January 2020 to discharge its functions. The composition and attendance details of the members of the Stakeholders Relationship Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings held	Number of meetings attended
1.	Mr. Sanjay Chamria	Promoter, Executive	4	4
2.	Mrs. Vijayalakshmi R Iyer[6]	Independent, Non-Executive	2	2
3.	Mr. Bontha Prasada Rao[7]	Additional Director in the capacity of Independent, Non-Executive	N.A.	N.A
4.	Mr. Satya Brata Ganguly[8]	Independent, Non-Executive	2	2
5.	Mr. Mayank Poddar[9]	Promoter, Executive	4	3

[6] Inducted as a member w.e.f. 26 September 2019

[7] Inducted as a member w.e.f. 31 January 2020

[8] Ceased to be a member w.e.f. 24 September 2019

[9] Ceased to be a member w.e.f. 31 January 2020

The Stakeholders Relationship Committee was re-constituted by the Board on 26 September 2019 and 31 January 2020.

Mr. Bontha Prasada Rao acts as the Chairman of the Committee. Mr. Satya Brata Ganguly, erstwhile Chairman of the Committee, was present at the Annual General Meeting of the Company held on 1 August 2019.

Niche Technologies Private Limited, is the Registrar and Share Transfer Agent both for physical as well as electronic mode for equity shares and privately placed debentures and KFin Technologies Private Limited (formerly, Karvy Fintech Private Limited) acts as Registrar and Transfer Agents for the public debentures. Ms. Shabnum Zaman, Company Secretary, acts as the Compliance Officer and the Board has appointed Ms. Zaman as the Nodal Officer for the purpose of IEPF Regulations, the details of which is available at the weblink: https://magma.co.in/about-us/investor-relations/secretarial-documents/information-for-shareholders/.

The table below gives the number of complaints received and resolved during the financial year and pending as on 31 March 2020:-

Sl No.	Nature of Security	No. of complaints received during the year	No. of complaints not resolved to the satisfaction of the shareholders during the year	No. of complaints resolved to the satisfaction of the shareholders during the year	No. of complaints pending as on 31 March 2020
1.	Equity Shares	2	0	2	0
2.	Public Issue of Secured Redeemable NCDs	12	0	12	0
3.	Private Placement of Debentures	0	0	0	0

3.3 Nomination and Remuneration Committee

3.3.1 Terms of reference

The terms of the reference broadly include:

Review of matters by the Committee

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

Approval of matters by the Committee

1. Formulate criteria for:
   a. Determining qualifications, positive attributes and independence of a director;
   b. Evaluation of independent directors and the Board;
   c. Based on the Remuneration Policy of the Company, approve framework and broad policy in respect of all employees for increments;
2. ESOPs and RSO: approve grant and allotment of shares to the eligible employees of the Company and its subsidiaries under the shareholders approved ESOP and RSO Schemes and authorize any official of the Company to offer ESOPs and RSO to the new joinees in the Company in accordance with the authority matrix approved by the Committee from time to time;

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

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

1. Devising a policy on Board diversity and recommending the size and an optimum mix of promoter directors, executive, independent and non-independent directors keeping in mind the needs of the Company.
2. Identifying, evaluating and recommending to the Board:
   a. Persons who are qualified for appointment as Independent and Non-Executive Directors/Executive Directors/ Whole time Directors/Managing Directors in accordance with the criteria laid down;
   b. Appointment of Senior Management Personnel (all the Direct Reportees to the Vice Chairman and Managing Director i.e. Excom members of the Company) in accordance with the criteria laid down;
   c. Removal of Directors and Senior Management Personnel.
3. Determining processes for evaluating the skill, knowledge, experience, effectiveness and performance of individual directors as well as the Board as a whole;
4. To devise a Policy on remuneration including any compensation related payments of the directors, key managerial personnel and other employees and recommend the same to the Board of Directors of the Company;
5. Based on the Policy as aforesaid, determine remuneration packages for the following:
   a. Recommend remuneration package of the Directors of the Company, including Commission, Sitting Fees and other expenses payable to Non-Executive Directors of the Company.
   b. Recommend changes in compensation levels and one-time compensation related payments in respect of Managing Director/Whole-time Director/Executive Director.
6. Recommend the remuneration payable to Senior management (all the Direct Reportees to the Vice Chairman and Managing Director i.e. Excom members of the Company) to the Board for their approval including the structure, design and target setting for short and long-term incentives / bonus
7. Recommend & review succession plans for Managing Directors;
8. Evolve a policy for authorizing expenses of the Chairman and Managing Director of the Company.

3.3.2 Composition and Attendance

The Nomination and Remuneration Committee met 4 times during the year on 14 May 2019, 23 May 2019, 07 November 2019 and 30 January 2020 to discharge its functions. The composition and attendance details of the members of the Nomination and Remuneration Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings held	Number of meetings attended
1.	Mr. V K Viswanathan	Independent, Non-Executive	4	4
2.	Mr. Narayan K. Seshadri	Independent, Non-Executive	4	4
3.	Mr. Bontha Prasada Rao[10]	Additional Director in the capacity of Independent, Non-Executive	N.A.	N.A
4.	Mrs. Vijayalakshmi R Iyer [11]	Independent, Non-Executive	2	1
5.	Mr. Satya Brata Ganguly [12]	Independent, Non-Executive	2	2

[10] Inducted as a member w.e.f. 31 January 2020
[11] Inducted as a member w.e.f. 26 September 2019 and ceased to be a member w.e.f. 31 January 2020
[12] Ceased to be a member w.e.f. 24 September 2019

The Nomination and Remuneration Committee was re-constituted by the Board of Directors on 26 September 2019 and 31 January 2020.

At present, there are three members and all of them are Independent Directors.

Mr. V K Viswanathan acts as the Chairman of the Committee and Ms. Shabnum Zaman, Company Secretary, acts as the Secretary to this Committee.

3.4 Management Committee

3.4.1 Terms of reference

The Management Committee constituted by the Board of Directors is to execute Board's directions and facilitate operational matters and to perform its executive role on matters which are within the purview of delegated powers by the Board from time to time subject to the provisions of the Companies Act, 2013. Such authorizations interalia includes to decide on matters w.r.t direct assignment deal with various banks from time to time, acceptance of term loans, credit facilities of any type, other borrowings etc., opening and closing of current/cash credit account and inclusion and deletion of the authorized signatories to the said current/ cash credit account opened in the name of the Company.

3.4.2 Composition and Attendance

The Management Committee met 15 times during the year under review on 14 May 2019, 03 June 2019, 27 June 2019, 31 July 2019, 16 August 2019, 24 September 2019, 18 October 2019, 03 December 2019, 09 December 2019, 10 December 2019, 28 December 2019, 20 January 2020, 14 February 2020, 06 March 2020 and 21 March 2020. The composition and attendance details of the members of the Management Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings held	Number of meetings attended
1.	Mr. Sanjay Chamria	Promoter, Executive	15	12
2.	Mrs. Vijayalakshmi R Iyer [13]	Independent, Non-executive	9	8
3.	Mr. Sunil Chandiramani [14]	Additional Director in the capacity of Independent, Non-Executive	3	3
4.	Mr. Mayank Poddar [15]	Promoter, Executive	12	8
5.	Mr. Satya Brata Ganguly [16]	Independent, Non-executive	6	6

[13] Inducted as a member w.e.f. 26 September 2019
[14] Inducted as a member w.e.f. 31 January 2020
[15] Ceased to be a member w.e.f. 31 January 2020
[16] Ceased to be a member w.e.f. 24 September 2019

The Management Committee was re-constituted by the Board on 26 September 2019 and 31 January 2020.

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

3.5 Corporate Social Responsibility (CSR) Committee

3.5.1 Terms of reference

The terms of the reference broadly include:

- Formulation and ensuring compliance of CSR Policy;
- Identifying the CSR activities and the geographic distribution of CSR;
- Identifying structure for CSR implementation;
- Execution, implementation, monitoring and reporting of CSR activities;
- Formulate and recommend to the Board for its approval and implementation, the Business Responsibility (BR) Policy of the Company;
- Oversee and review the Company's BR performance;
- Such other acts as may be delegated by the Board from time to time.

3.5.2 Composition and Attendance

The CSR Committee met once during the year on 31 July 2019 to discharge its functions. The composition and attendance details of the members of the CSR Committee is given below:

Sl No.	Name of the Directors	Category	Number of meetings held	Number of meetings attended
1.	Mr. Mayank Poddar	Promoter, Executive	1	1
2.	Mr. Sanjay Chamria [17]	Promoter, Executive	1	1
3.	Mrs. Vijayalakshmi R Iyer [18]	Independent, Non-Executive	N.A.	N.A.
4.	Mr. Bontha Prasada Rao [19]	Additional Director in the capacity of Independent, Non-Executive	N.A.	N.A.
5.	Mr. Satya Brata Ganguly [20]	Independent, Non-executive	1	1

[17] Ceased to be a member w.e.f. 31 January 2020
[18] Inducted as a member w.e.f. 31 January 2020
[19] Inducted as a member w.e.f. 31 January 2020
[20] Ceased to be a member w.e.f. 24 September 2019

The CSR Committee was re-constituted by the Board on 31 January 2020.

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

3.6 Risk Management Committee

3.6.1 Terms of reference

The terms of the reference broadly include:

- Review and recommend to the Board on a regular basis the risk management policies and other policies concerning credit risk, market risk, etc.;
- Approval of risk management processes and framework;
- Approval of risk management governance structure at Magma;
- Defining the risk appetite of Magma;
- Approval of revision in existing systems, policies and procedures to address risk management requirements and good practices;
- Considering the overall risk management framework and reviewing its effectiveness in meeting sound corporate governance principals and identifying, managing and monitoring the key risks of the group;
- To oversee and monitor Company's compliance with regulatory capital requirements;
- Obtain on a regular basis reasonable assurance that Company's risk management policies for significant risks are being adhered to;
- Evaluate, on a regular basis, the effectiveness and prudence of senior management in managing the risks to which Magma is exposed to;
- Approve delegation of risk limits to management and approve any transactions exceeding those delegated authorities;

- Review risk reporting on significant risks, including the amount, nature, characteristics, concentration and quality of the credit portfolio, as well as all significant exposures to credit risk through reports on significant credit exposure presented to the Committee;
- Review risk mitigation plans on significant risks which affects policy or procedure level changes for effective implementation;
- Review the economic situation & its impact on industry;
- Review of the early warning report and necessary action thereof;
- Commission the risk assessment process to identify significant business, operational, financial, compliance, reporting and other risks;
- Review of risk assessment results and ensure that these are appropriately and adequately mitigated and monitored;
- Monitor the progress in implementation of risk mitigation strategies including the status of risk assessment program;
- Review cyber security functions.

3.6.2 Composition and Attendance

The Risk Management Committee met 4 times during the year on 23 April 2019, 23 July 2019, 24 October 2019 and 21 January 2020 to discharge its functions. The composition and attendance details of the members of the Risk Management Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings held	Number of meetings attended
1.	Mrs. Vijayalakshmi R Iyer [21]	Independent, Non-Executive	3	3
2.	Mr. Sanjay Chamria	Promoter, Executive	4	4
3.	Mr. Narayan K Seshadri	Independent, Non-Executive	4	3
4.	Mr. V K Viswanathan [22]	Independent, Non-Executive	N.A.	N.A
5.	Mr. Sunil Chandiramani [23]	Additional Director in the capacity of Independent, Non-Executive	N.A.	N.A
6.	Mr. Mayank Poddar [24]	Promoter, Executive	4	4

[21] Inducted as a member w.e.f. 15 May 2019
[22] Inducted as a member w.e.f. 31 January 2020
[23] Inducted as a member w.e.f. 31 January 2020
[24] Ceased to be a member w.e.f. 31 January 2020

The Risk Management Committee was re-constituted by the Board on 15 May 2019 and 31 January 2020.

Mrs. Vijayalakshmi R Iyer acts as the Chairperson of the Committee.

3.7 Asset Liability Management Committee

3.7.1 Terms of reference

The terms of the reference broadly include:

- Liquidity risk management through Asset Liability Mismatches across various time buckets;
- Management of market risks through articulation on current interest rate view & its future direction;
- Funding and capital planning – source & mix of liabilities;
- Forecasting and analysing 'What if scenario' and preparation of contingency plans through review of treasury strategy at regular interval;
- Regulatory updates;
- Product Pricing for both advances and borrowing; and
- Review of Internal Capital Adequacy assessment.

3.7.2 Composition and Attendance

The Asset Liability Management Committee met 3 times during the year on 16 July 2019, 12 September 2019 and 10 December 2019 to discharge its functions. The composition and attendance details of the members of the Asset Liability Management Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings held	Number of meetings attended
1.	Mr. Sanjay Chamria	Promoter, Executive	3	3
2.	Mrs. Vijayalakshmi R Iyer [25]	Independent, Non-executive	3	3
3.	Mr. Sunil Chandiramani [26]	Additional Director in the capacity of Independent, Non-Executive	N.A	N.A.
4.	Mr. Mayank Poddar [27]	Promoter, Executive	3	3
5.	Mr. Satya Brata Ganguly [28]	Independent, Non-executive	2	2

[25] Inducted as a member w.e.f. 15 May 2019
[26] Inducted as a member w.e.f. 31 January 2020
[27] Ceased to be a member w.e.f. 31 January 2020
[28] Ceased to be a member w.e.f. 24 September 2019

The Asset Liability Management Committee was reconstituted by the Board on 15 May 2019 and 31 January 2020.

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

3.8 Review Committee

3.8.1 Terms of reference

The terms of the reference broadly include:

- Review the order passed by the Credit Committee of the Company w.r.t. classification of non co-operative borrowers;

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

3.8.2 Composition and attendance

The Review Committee was not required to hold the meeting during the Financial Year 2019-2020. The composition of the Review Committee is given below:

Sl No.	Name of the Members	Category
1.	Mr. Sanjay Chamria	Promoter, Executive
2.	Mr. Narayan K Seshadri	Independent, Non-Executive
3.	Mr. Sunil Chandiramani[29]	Additional Director in the capacity of Independent, Non-Executive
4.	Mr. Mayank Poddar [30]	Promoter, Executive
5.	Mr. Satya Brata Ganguly[31]	Independent, Non-Executive

[29] Inducted as a member w.e.f. 31 January 2020
[30] Ceased to be a member w.e.f. 31 January 2020
[31] Ceased to be a member w.e.f. 24 September 2019

The Review Committee was reconstituted by the Board on 31 January 2020.

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

3.9 IT Strategy Committee

3.9.1 Terms of Reference

The terms of the reference broadly include:

- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- Ensuring proper balance of IT investments for sustaining Company's growth and becoming aware about exposure towards IT risks and controls;
- Periodically reviewing the process for development, approval and modification of the Company's IT strategy and strategic plan;
- Review the key issues, options and external developments impacting the Company's IT strategy including acquisition and development of Information Systems (New Application Software) and Change Management;
- Monitor enterprise risks assigned to the Committee by the Board under the Company's Enterprise Risk Management program and report thereon to the Audit Committee of the Board;
- Review the Information System (IS) audit report. The periodicity of IS audit should be at least once in a year;
- Ensuring that contingency plans have been developed and tested adequately.

3.9.2 Composition and attendance

The IT Strategy Committee met 4 times during the year on 11 April 2019, 19 June 2019, 11 October 2019 and 21 January 2020 to discharge its functions. The composition and attendance details of the Directors of the IT Strategy Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings held	Number of meetings attended
1.	Mr. V K Viswanathan	Independent, Non-executive	4	4
2.	Mr. Sanjay Chamria	Promoter, Executive	4	4
3.	Mrs. Vijayalakshmi R Iyer [32]	Independent, Non-executive	3	3
4.	Mr. Sunil Chandiramani [33]	Additional Director in the capacity of Independent, Non-Executive	N.A	N.A.
5.	Mr. Bontha Prasada Rao [34]	Additional Director in the capacity of Independent, Non-Executive	N.A	N.A.

[32] Inducted as a member w.e.f. 15 May 2019 and ceased to be the member w.e.f. 31 January 2020
[33] Inducted as a member w.e.f. 31 January 2020
[34] Inducted as a member w.e.f. 31 January 2020

The constitution of Committee also comprises of Senior Management Team in accordance RBI Master Direction - Information Technology Framework for the NBFC Sector. Other senior management attended the meeting. The IT Strategy Committee was reconstituted by the Board on 15 May 2019 and 31 January 2020.

Mr. V K Viswanathan acts as the Chairman of the Committee.

4. SEPARATE MEETING OF INDEPENDENT DIRECTORS

During the year as per the requirement of Schedule IV of the Act and Listing Regulations all the Independent Directors (IDs) met on 30 January 2020 without the presence of other Non-Independent Directors and members of the management. At this meeting, the IDs except Mr. Bontha Prasada Rao (who was granted leave of absence at such meeting upon his request) interalia evaluated the performance of Non-Independent Directors & the Board as a whole, performance of the Chairperson of the Company after taking into account the views of executive directors and non-executive directors and discussed aspects relating to the quality, quantity and timeliness of flow of information between the Company management & the Board.

5. REMUNERATION POLICY

Based on the recommendation of the Nomination and Remuneration Committee (NRC), the Board of Directors has adopted a Remuneration Policy which, interalia, deals with the manner of selection of Board of Directors and Executive Directors and their remuneration. The Remuneration Policy is in consonance with the existing industry practice. The Policy of the Company is available on our website i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.This Policy interalia includes the following:

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

5.1.1. Apart from promoter Executive Directors, Magma currently has no Executive Director/s. Selection of Executive Director/s shall be in line with the selection criteria laid down for independent Directors, in so far as those criteria are not inconsistent with the nature of appointment;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b. NRC shall recommend quantum of commission which, in its best judgement and opinion is commensurate to the level of engagement each Independent Director would have with the members of Senior Management Personnel and/or other Board members, towards providing inputs, insights and guidance on various matters of importance from time to time.

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

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

6. FAMILIARIZATION PROGRAMME

Pursuant to the provisions of the Act and Regulation 25(7) of the Listing Regulations, the Company has in place a mechanism to familiarize its Independent Directors about the Company, its products, the industry and business structure of the Company and its subsidiary, associates and JVs. The Independent Directors are updated on an on-going basis at the Board/ Committee meetings. The Company also undertakes various initiatives to update the Independent Directors about the ongoing events and developments relating to the Company, significant changes in regulatory environment and implications on the Industry/ Company. To familiarize the new Directors with the business and operations of the Company an Induction kit is shared with them which, interalia, includes Mission, Vision and Values, Group Business Structure, Brief profile of the Board of Directors, Composition of Committees of the Board, Brief profile of Senior Managerial Personnel, Press Releases, Investor Presentation, Latest Annual Report and Codes and Policies and Remuneration payable to Directors. Furthermore, the role, rights, responsibilities, duties and liabilities of the Independent Directors are embodied in detail in their Appointment Letter.

The Non- Executive Independent Chairman and Vice Chairman and Managing Director has a one-to-one discussion with the newly appointed Director. The Group CFO and Business CEO's and other Senior Management Team also provide an overview of business and other related aspects in one-to-one discussion with the newly appointed Director. The above initiatives helps the Director to understand the Company, its business and the regulatory framework in which the Company operates and equips him/her to effectively fulfill his/her role as a Director of the Company.

During the financial year 2019-20, the Independent Directors were updated from time to time on an on-going basis on the significant changes in the regulations applicable to the Non-Banking Finance Companies. The details of such Familiarization Programmes for Directors may be referred to, at the website of the Company at its weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

7. PERFORMANCE EVALUATION

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

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

8. SUBSIDIARY COMPANY

Regulation 16(1)(c) of the Listing Regulations defines a "material subsidiary" to mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

Pursuant to the above definition, Magma Housing Finance Limited is a debt listed material subsidiary of the Company. The subsidiary of the Company functions independently, with an adequately empowered Board of Directors and sufficient resources. The Minutes of the Board Meetings of the Company's subsidiary are placed at the Board Meeting for review by the Board Members. The financial statements of the subsidiary company are presented to the Audit Committee and Board meeting at every quarterly Meeting.

The Company has also complied with the other provisions of Regulation 24 of the Listing Regulations with regard to Corporate Governance requirements for subsidiary company.

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

9. CODE FOR PREVENTION OF INSIDER-TRADING PRACTICES

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

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

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

10. MEANS OF COMMUNICATION WITH SHAREHOLDERS

Quarterly results

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

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

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

Website

The Company's web address is www.magma.co.in. The website contains a complete overview of the Company. The Company's Annual Report, financial results, details of its business, shareholding pattern, investors' presentation, compliance with Corporate Governance, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievances, the distribution schedule, credit ratings and Code of Conduct are uploaded on the website.

Presentations to institutional investors / analysts:

During the financial year 2019-20, Analyst Conference Calls were conducted on 15 May 2019, 01 August 2019, 08 November 2019 and 31 January 2020. Presentations to Institutional Investor/Analysts are uploaded on the Company's website www.magma.co.in under 'Investors' section.

Press releases

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

NSE Electronic Application Processing System (NEAPS)

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

BSE Corporate Compliance & Listing Centre (the Listing Centre)

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

eXtensible Business Reporting Language (XBRL)

XBRL is a standardized and structured way of communicating business and financial data in an electronic form. XBRL provides a language containing various definitions (tags) which uniquely represent the contents of each piece of financial statements or other kinds of compliance and business reports. BSE and NSE provide XBRL based compliance reporting featuring identical and homogeneous compliance data structures between Stock Exchanges and Ministry of Corporate Affairs. The XBRL filings are done on the NEAPS portal as well as the BSE online portal.

SEBI Complaints Redress System (SCORES)

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

11. MANAGEMENT DISCUSSION AND ANALYSIS (MDA)

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

12. GENERAL BODY MEETINGS

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

Year	Venue	Day and date	Time	Particulars of Special Resolutions passed
2018-19	Kala Kunj Auditorium, 48, Shakespeare Sarani, Kolkata – 700 017	Thursday, 01 August 2019	03:00 P.M.	1. Re-appointment of Mr. Narayan K Seshadri as Independent Director of the Company 2. Place of keeping Registers and Index of Members, Debenture holders and copies of Annual Returns u/s 94 of Companies Act, 2013, at a place other than registered office of the Company
2017-18	Kala Kunj Auditorium, 48, Shakespeare Sarani, Kolkata – 700 017	Thursday, 02 August 2018	03:00 P.M.	Alteration of Articles of Association of the Company
2016-17	Sitaram Seksaria Auditorium, Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, Kolkata-700017	Wednesday, 02 August, 2017	03:00 P.M.	Scheme of Merger of wholly owned Subsidiary Company i.e. Magma Advisory Services Limited with the Company

b) Postal Ballot

(i) Details of resolutions passed by postal ballot and voting results

Date of declaration of the result of Postal Ballot	Type of Resolution passed	Particulars of Resolution	% of votes cast in favour of resolution
25 March 2020	Special Resolution	Issuance of debt securities pursuant to Sections 42, 71, 179 and 180(1)(c) of the Companies Act, 2013, upto an overall ceiling of ₹ 3000 Crore on Private Placement basis	99.84

(ii) Person who conducted the aforesaid postal ballot exercise

Mr. Girish Bhatia, Practicing Company Secretary (CP No. 13792) was the Scrutinizer for conducting the postal ballot voting process in a fair and transparent manner.

(iii) Procedure for Postal Ballot

In compliance with Sections 108 and 110 and other applicable provisions of the Act read with the Rules framed thereunder and in terms of Regulation 44 of the Listing Regulations, the Company provided e-voting facility to all its Members. The Company engaged the services of National Securities Depository Limited (NSDL) for this purpose. The Members had the option to vote either by physical ballot form or through e-voting. The Company dispatched the postal ballot notices and forms along with postage prepaid business reply envelopes to its Members whose names appeared on the Register of Members/list of beneficiaries as on a cut-off date, i.e. 14 February 2020. The postal ballot notice was sent to the Members in electronic form at the e-mail addresses registered with their Depository Participants (in case of electronic shareholding)/the Company's RTA (in case of physical shareholding) and through registered post to those shareholders whose email address is not recorded with the Company's RTA. The Company also published an advertisement in the newspapers viz. The Financial Express (English language) and Aajkaal (Vernacular language) dated 24 February 2020, informing about the dispatch of the Notice and other information as mandated under the Act and applicable Rules.

Voting rights were reckoned on the paid-up value of the shares registered in the names of the Members as on the cut-off date, i.e. 14 February 2020. Members desiring to exercise their votes by physical postal ballot forms were requested to return the forms, duly completed and signed, to the scrutinizer so as to reach them on or before the close of the voting period, i.e. 23 March 2020 at 5:00 p.m. (IST). Members desiring to exercise their votes by electronic mode were requested to vote before close of business hours on the last date of e-voting.

The scrutinizer, after the completion of scrutiny, submitted his report to Mr. Mayank Poddar, Chairman Emeritus and Whole time Director who was authorised to accept, acknowledge and countersign the Scrutinizer's Report as well as declare the voting results in accordance with the provisions of the Act, the Rules framed thereunder and the Secretarial Standard 2 on General Meetings. The consolidated results of the voting by postal ballot and e-voting were then announced by Mr. Mayank Poddar.

The results were also displayed on the Company's website at its weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/ besides being communicated to BSE Limited and National Stock Exchange of India Limited and NSDL. Results were announced on 25 March 2020.

c) Special Resolution proposed to be conducted through Postal Ballot

No Special Resolution is proposed to be conducted through Postal Ballot as on the date of this Report.

13. GENERAL SHAREHOLDERS' INFORMATION

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

a) AGM details

Date	As per the Notice calling the 40th Annual General Meeting
Venue	
Time	

b) Financial Year

The Financial Year covers the period from 1st April to 31st March

c) Dividend payment date and rate

The Board has not recommended dividend for FY19-20

The details pertaining to unclaimed dividend is provided in the Notice of the 40th Annual General Meeting.

d) Listing of shares

The Equity Shares of the Company are listed on -

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

e) Payment of Listing Fees

Annual listing fees has been paid by the Company to BSE and NSE.

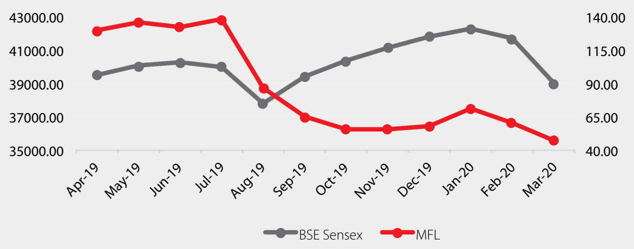
f) Market price data

Monthly high and low quotation during 1 April 2019 to 31 March 2020 is given in the table below:

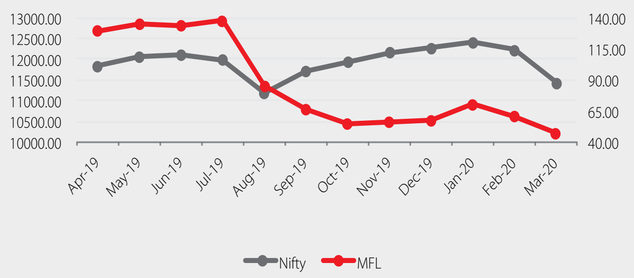
Month	BSE Limited			National Stock Exchange of India Limited		
	High (₹)	Low (₹)	Volume (Nos.)	High (₹)	Low (₹)	Volume (Nos.)
April, 2019	129.85	116.85	1802612	129.50	116.45	9549648
May, 2019	136.00	122.00	2716885	135.25	122.10	12758509
June, 2019	132.90	122.70	246376	133.90	121.80	14368608
July, 2019	138.20	70.50	843193	138.30	70.10	8097699
August, 2019	86.40	63.25	154552	86.00	63.00	2403581
September, 2019	65.10	49.80	176355	66.70	49.95	3197208
October, 2019	55.65	45.00	136665	55.30	45.00	1240202
November, 2019	55.40	37.00	542424	55.80	35.75	10686181
December, 2019	57.75	48.05	598245	58.00	48.00	6947524
January, 2020	71.00	53.00	516572	70.80	52.70	5762436
February, 2020	61.00	41.85	169189	61.10	41.70	2723844
March, 2020	46.95	16.50	392100	46.95	16.50	6086851

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

Magma Share Performance in BSE as compared to Sensex



Magma Share Performance in NSE as compared to Nifty



h) None of the Company's securities have been suspended from trading.

i) Registrar and Share Transfer Agents

i)	Physical and Demat Mode (Shares and Debentures through private placement)	Niche Technologies Private Limited 3A, Auckland Place, 7th Floor, Room No. 7A & 7B, Kolkata - 700 017. Tel No.: +91 33 2280 6616/6617/6618 Fax No.: +91 33 2280-6619 Email Id : nichetechpl@nichetechpl.com
ii)	Demat Mode (Retail Debentures only)	KFin Technologies Private Limited (formerly Karvy Fintech Private Limited) Selenium, Tower B, Plot No. 31-32, Financial District, Nanakramguda, Serilingampally, Hyderabad, Rangareddy TG 500 032, India Tel: +91 40 6716 2222 Fax: +91 40 2343 1551 E-mail: einward.ris@kfintech.com Website: www.kfintech.com

j) Share Transfer System

The Company's shares being in the compulsory demat list, are transferable through the depository system.

Compliance of Share Transfer formalities

As per the requirement of Regulation 40(9) of the Listing Regulations, the Company has obtained the half yearly certificates from the Company Secretary in practice for due compliance of share transfer formalities.

Mandatory Dematerialisation

Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018, and notification thereto, SEBI has mandated that, with effect from 1st April 2019, shareholders holding share in physical mode shall not be able to transfer their shares unless such shares are converted into dematerialised form. Accordingly, the shareholders holding shares in physical form, in their own interest, are hereby requested to take necessary steps to dematerialise their shares as soon as possible. The amendment does not impact the shareholders requests for transmission or transposition of securities held in physical mode. Process for dematerialisation of shares is available at the website of the Company at weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

k) Distribution of shareholding as on 31 March 2020

Particulars	Number of share-holders	Number of shares held	Percentage of share-holding (%)
Up to 500	15466	17,71,884	0.66
501 – 1,000	2715	21,40,302	0.79
1,001 – 5,000	2356	47,93,681	1.78
5,001 – 10,000	244	17,84,778	0.66
10,001 – 50,000	226	53,10,875	1.97
50,001 – 1,00,000	30	20,06,250	0.74
1,00,001 – and above	65	25,17,07,542	93.40
Total	**21102**	**26,95,15,312**	**100.00**

l) Pattern of shareholding as on 31 March 2020

Category	Number of shares	Percentage (%)
Promoter and Promoter Group	6,57,52,083	24.40
Resident individuals	1,66,63,790	6.18
Foreign holdings	10,38,81,749	38.54
Public financial institutions and banks	1,97,87,481	7.34
Other Companies / Mutual Funds	6,30,27,406	23.39
IEPF	4,02,803	0.15
Total	**26,95,15,312**	**100.00**

m) Dematerialization of shares and liquidity

The Company's shares enjoy demat facility with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) having the following ISIN Nos. for Equity Shares:-

INE511C01022 for 26,95,15,312 Equity Shares of ₹ 2/- each available since 16 January 2001;

As on 31 March 2020, 26,87,57,157 Equity Shares constituting 99.72% of the total holding were held in demat mode.

Members still holding physical share certificates are requested to dematerialize their shares by approaching any of the Depository Participants registered with the Securities and Exchange Board of India (SEBI). From June 26, 2000 the shares of the Company are mandated by SEBI for trading in dematerialized form.

n) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

As on 31 March 2020, there are no Outstanding GDRs/ADRs/Warrants or any Convertible instruments.

o) Plant locations

In view of the nature of business activities carried on by the Company, the Company operates from various offices in India and does not have any manufacturing plant.

p) Address for correspondence for Shares/ Debentures and related matters

Ms. Shabnum Zaman
Secretarial Department
Magma Fincorp Limited
Ecospace Business Park, Premises No. 501 Block 4A,
5th Floor, New Town, Rajarhat, Kolkata - 700160
Tel No. +91 33 4401 7431
Email Id: shabnum.zaman@magma.co.in/
secretary@magma.co.in
For debentures: mflncdpublicissue@magma.co.in

q) List of all credit ratings obtained by the entity along with any revisions thereto during the relevant financial year, for all debt instruments of such entity or any fixed deposit programme or any scheme or proposal of the listed entity involving mobilization of funds, whether in India or abroad.

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

However, Outlook has been revised from 'Stable' to 'Negative' by ICRA and ACUITE.

r) Company's registered office

"Development House", 24, Park Street, Kolkata – 700 016.

s) Book Closure date

Since dividend is not recommended the book closure is not required to be fixed.

t) Financial calendar (tentative)

Financial reporting for the quarter ending

1st quarter ending 30 June 2020	First week of August 2020
2nd quarter ending 30 September 2020	First week of November 2020
3rd quarter ending 31 December 2020	First week of February 2021
4th quarter ending 31 March 2021	First week of May 2021
Annual General Meeting for the year ending 31 March 2021	Fourth week of July 2021

u) Contact person for clarification on Financial Statements

For clarification on Financial Statements, kindly contact:

Mr. Rajesh Singhania,
Magma Fincorp Limited
Ecospace Business Park, Premises No. 501 Block 4A, 5th Floor, New Town, Rajarhat, Kolkata - 700160
Ph: +91 33 4401 7438, Email: rsinghania@magma.co.in

v) Nomination facility

Pursuant to the provisions of Section 72 of the Companies Act, 2013, and Rule 19 of the Companies (Share Capital and Debentures) Rules, 2014, members may file Nomination in respect of their shareholdings. Members holding shares in Physical Form willing to avail this facility may submit to the Company the prescribed Form SH-13 and any change or variation in the nomination in prescribed Form SH-14. Form SH-13 and SH-14 can be downloaded from the Company's website www.magma.co.in under the 'Investors' section. Members holding shares in electronic form are requested to give the nomination to their respective Depository Participants directly.

w) Requirement of PAN

Members who hold shares in the physical form are advised that in terms of the Listing Regulations, for transmissions of shares etc., a copy of the PAN card along with other necessary documents shall be submitted to the Company/RTA.

x) Rights of Members

The following are some of the important rights of the members:

1. Receive notices of General Meetings, Annual Report, etc.
2. Attend and vote at the General Meetings and appoint proxy in their stead.
3. Request an Extraordinary General Meeting along with other members who collectively hold not less than 1/10th of the

total paid up share capital of the Company carrying voting rights.

4. Receive dividends and other corporate benefits like rights, bonus shares etc., when declared /announced.
5. Transfer the shares.
6. Inspect minutes book of General Meetings.
7. Inspect Register of Members.
8. Nominate a person to whom his/her shares shall vest in the event of death.
9. Seek relief in case of oppression and mismanagement in the manner given under Section 241 of the Companies Act, 2013.
10. Seek relief in case the affairs of the Company are managed in a manner prejudicial to the interest of the Company or its members by virtue of a Class Action Suit under Section 245 of the Companies Act, 2013.

y) Debt Securities Listing

The Wholesale Debt Market (WDM) Segment of BSE and NSE

z) Debenture Trustees

Pursuant to Regulation 53 of the Listing Regulations the name and contact details of the Debenture Trustee for the privately placed NCDs and public NCDs are given below:

(i) IDBI Trusteeship Services Limited
Asian Building, Ground Floor, 17, R. Karmani Marg,
Ballard Estate, Mumbai – 400 001, Maharashtra,
Tel: +91 22 4080 7050 ; Fax: +91 22 6631 1776
E-mail: itsl@idbitrustee.co.in
Investor Grievance Email: response@idbitrustee.com

(ii) Catalyst Trusteeship Limited (Formerly GDA Trusteeship Limited)
'GDA House', Plot No. 85,
Bhusari Colony (Right), Kothrud, Pune 411 038
Maharashtra, India
Tel: +91 22 4922 0555
Fax: + 91 22 4922 0505
E-mail: ComplianceCTLMumbai@ctltrustee.com
Investor Grievance Email: grievance@ctltrustee.com

14. OTHER DISCLOSURES

(a) Disclosures on materially significant related party transactions

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

(b) Details of non-compliance, penalties, strictures imposed by Stock Exchange, if any

The Company complied with the statutory rules and regulations including those of the SEBI and the Stock Exchanges. No penalties or strictures were imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets, during last three years.

(c) Vigil mechanism / Whistle Blower

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

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

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

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

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

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

The Company has adopted all the non-mandatory requirements as stated under Part E of Schedule II to the Listing Regulations, reproduced here in below:

A. The Board
Mr. Narayan K Seshadri is the Non-Executive Chairman of the Company and the expenses incurred, if any, in performance of his duties is reimbursed by the Company.

B. Shareholder rights
Since the quarterly, half yearly and annual financial results

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

C. Modified opinion(s) in audit report

It is always the Company's endeavour to present unmodified Financial Statements. There is no audit qualification in the Company's Financial Statements for the financial year ended 31 March 2020.

D. Separate posts of Chairman and MD

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

E. Reporting of Internal Auditor

The Internal Auditor reports directly to the Audit Committee.

(e) Policy for determining 'Material' Subsidiaries

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

(f) Policy on dealing with Related Party Transactions

The Policy on Related Party Transactions as approved by the Board is available on the Company's website at its weblink i.e.https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

(g) Commodity Price Risk or Foreign Exchange Risk and Hedging activities

Your Company does not deal in any commodity and hence is not directly exposed to any commodity price risk. Accordingly, the disclosure pursuant to SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2018/0000000141 dated 15th November, 2018 is not required to be furnished by the Company.

(h) Details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A) of Listing Regulations

During the year under review, your Company has not raised funds through any Preferential Allotment or Qualified Institutions Placement as specified under Regulation 32 (7A) of the Listing Regulations.

(i) Certificate from Practicing Company Secretary

A certificate from a Company Secretary in practice pursuant to Regulation 34(3) read with Clause 10 (i) of Paragraph C of Schedule V of the Listing Regulations certifying that none of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, Reserve Bank of India, or any such Statutory Authority is provided as **Annexure C** to this report.

(j) All the recommendations of the various committees were accepted by the Board.

(k) Total fees for all services paid by the listed entity and its subsidiary, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part

During the year, details of fees paid/payable to BSR & Co. LLP, Statutory Auditors and all entities in the network firm/network entity of which the Statutory Auditor is a part, by the Company and its subsidiaries, are given below:

(₹ In lakh)

Particulars	By the Company	By the Subsidiary	Total Amount
Statutory Audit (including Limited review)	85.00	-	85.00
Other Services	66.38	0.75	67.13
Out-of-pocket expenses	20.41	0.02	20.43
Total	**171.79**	**0.77**	**172.56**

**The above fees are exclusive of applicable tax.*

(l) Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

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

The following is a summary of Sexual Harassment complaint(s) received and disposed off during the year 2019-20, pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules framed thereunder:

a. number of complaints filed during the financial year: 01

b. number of complaints disposed off during the financial year: 01

c. number of complaints pending as on end of the financial year: NIL

(m) The Company has complied with all the requirements of Corporate Governance Report as stated under sub paras (2) to

(10) of section (C) of Schedule V to the Listing Regulations. The Company has complied with all the requirements of corporate governance as specified in Regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the Listing Regulations.

(n) During the year under review 4 (four) death due to road accident on duty has been reported in the Company. The Company has floated an email to all the employees related to road safety measures including driving of two wheelers and four wheelers. All employees are covered under Group Term Life Insurance policy. Further statutory benefits were also extended as per relevant Act as and where applicable. Periodical employee awareness session was conducted to minimize risk at work.

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

(p) The Company follows Indian Accounting Standards (Ind AS) issued by the Ministry of Corporate Affairs in the preparation of its financial statements.

15. RECONCILIATION OF SHARE CAPITAL

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

16. OTHER SHAREHOLDERS INFORMATION

Transfer of unclaimed/unpaid amounts to Investor Education and Protection Fund

In accordance with the provisions of Sections 124, 125 and other applicable provisions, if any, of the Act, read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (hereinafter referred to as "IEPF Rules") (including any statutory modification(s) or reenactment(s) thereof for the time being in force), the amount of dividend remaining unclaimed or unpaid for a period of seven years from the date of transfer to the unpaid dividend account, is required to be transferred to the IEPF, maintained by the Central Government. In pursuance of this, the dividend remaining unclaimed in respect of dividends declared upto the financial year ended 31st March 2012 have been transferred to the IEPF. The details of the unclaimed dividends so transferred are available on the Company's website at www.magma.co.in and on the website of the Ministry of Corporate Affairs at www.mca.gov.in.

In accordance with Section 124(6) of the Act, read with the IEPF Rules, all the shares in respect of which dividend has remained unclaimed or unpaid for seven consecutive years or more from the date of transfer to the unpaid dividend account are required to be transferred to the demat Account of the IEPF Authority. Accordingly, all the shares in respect of which dividends were declared upto the financial years ended 31st March 2012 and remained unclaimed are transferred to the IEPF. The Company had sent notices to all such Members in this regard and published a newspaper advertisement and, thereafter, transferred the shares to the IEPF during financial year 2019-20. The details of such shares transferred have been uploaded in the Company's website at www.magma.co.in.

The details of unclaimed dividends and Equity shares transferred to IEPF during the year 2019-20 are as follows:

Amount of unclaimed dividend transferred	Number of Equity shares transferred
₹ 513,714	16,099

The shareholders may claim the shares and dividend transferred to IEPF by making an online application to IEPF Authority in Form IEPF-5 available on the website www.iepf.gov.in along with the fee as may be prescribed by the Central Government, from time to time.

17. AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

As required under Regulation 34 of the Listing Regulations, the auditors' certificate on Corporate Governance is annexed as **Annexure A** to this Report.

18. CEO AND CFO CERTIFICATION

The certificate required under Regulation 17(8) of the Listing Regulations, duly signed by the Vice-Chairman & Managing Director and CFO of the Company was placed before the Board. The same is provided as **Annexure B** to this report.

For and on behalf of the Board

Narayan K Seshadri
Chairman
DIN: 00053563

Sanjay Chamria
Vice Chairman and Managing Director
DIN: 00009894

Mumbai
18 June 2020

Annexure-A

INDEPENDENT AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of Magma Fincorp Limited

The Certificate is issued in accordance with the terms of our engagement letter dated 27 September 2018 along with related addendum dated 16 June 2020 with the Company.

We have examined the compliance of conditions of Corporate Governance by **Magma Fincorp Limited** ("the Company"), for the year ended 31 March 2020, as stipulated in Regulations 17 to 27, clauses (b) to (i) of regulation 46(2) and paragraphs C, D and E of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") as amended from time to time, pursuant to the Listing Agreement of the Company with Stock exchanges.

Management' Responsibility for compliance with the conditions of SEBI Listing Regulations

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

Auditor's Responsibility

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

Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the year ended 31 March 2020.

We conducted our examination of the corporate governance compliance by the Company as per the Guidance Note on Reports or Certificates for Special purposes (Revised 2016), Guidance Note on Certification of Corporate Governance both issued by the Institute of Chartered Accountants of India ("ICAI") and the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013, in so far as applicable for the purpose of this certificate. The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Regulations.

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

Restriction on Use

This Certificate has been solely issued for the purpose of complying with the aforesaid Listing Regulations and may not be suitable for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

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

Ashwin Suvarna
Partner
Membership No: 109503
UDIN: 20109503AAAAAW1171

Mumbai
18 June 2020

Annexure-B

CERTIFICATION IN TERMS OF REGULATION 17(8) OF SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

Date: 17 June 2020

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

We, the undersigned in our respective capacities as Vice Chairman and Managing Director and Chief Financial Officer of **Magma Fincorp Limited**, certify to the Board in terms of regulation 17(8) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 that we have reviewed the Financial Statements and the Cash Flow Statement of the Company for the Financial Year ended 31st March 2020.

1. To the best of our knowledge and belief, we certify that:
   (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that are misleading.
   (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
   (iii) There are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
2. For the purpose of Financial Reporting, we accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
3. We have indicated, based on our most recent evaluation, wherever applicable, to the Auditors and the Audit Committee:
   (a) significant changes, if any, in the internal controls over financial reporting during the year.
   (b) significant changes, if any, in the accounting policies made during the year and the same have been disclosed in the notes to the financial statements; and
   (c) instances of significant fraud, if any, of which we have become aware and the involvement therein, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For Magma Fincorp Limited

Sanjay Chamria
Vice Chairman & Managing Director
(DIN: 00009894)

For Magma Fincorp Limited

Kailash Baheti
Chief Financial Officer

Annexure-C

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

To
The Members,
Magma Fincorp Limited

Based on our verification of the books, papers, registers, forms, returns, disclosures received from the Directors and other records maintained by **Magma Fincorp Limited**, CIN: L51504WB1978PLC031813 having its Registered office at Development House, 24 Park Street, Kolkata - 700 016, West Bengal ("the Company") and also the information provided by the Company, its officers, agents and authorized representatives for the purpose of issuing this Certificate in accordance with Regulation 34(3) read with Schedule V Para C sub-clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and based on the verification of the portal www.mca.gov.in, including Directors Identification Number (DIN) status at the portal, we hereby certify that during the Financial Year ended on March 31, 2020, in our opinion, none of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of the Company by the Securities and Exchange Board of India/Ministry of Corporate Affairs or any such Statutory Authority.

It is the responsibility of the management of the Company for ensuring the eligibility for the appointment/ continuity of every director on the board of the Company. Our responsibility is to express an opinion based on our verification.

For MKB & Associates
Company Secretaries

Manoj Kumar Banthia
[Partner]
ACS no. 11470
COP no. 7596
UDIN: A011470B000274370
FRN: P2010WB042700

Date: 23 May 2020
Place: Kolkata

Annexure- D

DECLARATION

08 June 2020

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

I, Sanjay Chamria, Vice Chairman and Managing Director of **Magma Fincorp Limited** hereby confirm that all Board Members and Senior Management Team have affirmed compliance with the "Code of Conduct for Directors and Senior Executives of the Company", as applicable to them for the year ended 31st March 2020.

Thanking You,
Yours sincerely,
For Magma Fincorp Limited

Sanjay Chamria
Vice Chairman & Managing Director
(DIN: 00009894)

FINANCIAL STATEMENTS

Independent Auditors' Report

To the Members of Magma Fincorp Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of Magma Fincorp Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2020, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2020, and loss and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Standalone financial statements.

Emphasis of matter

As described in Note 48(I) to the standalone financial statements, for the purpose of staging of loans and advances for determination of expected credit losses on accounts for which the moratorium benefit has been granted, the Company has classified overdue but standard loans at 29 February 2020, based on the days past due status as on that date in accordance with the Reserve Bank of India COVID-19 Regulatory Package. The extent to which the COVID-19 pandemic will impact the Company's current estimate of expected credit losses is dependent on future developments, which are highly uncertain at this point.

Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report (Contd.)

Key Audit Matters (Contd.)

Impairment of loans

Charge to the Statement of Profit and Loss: INR 4,907 Lakhs [Refer Note 35 to the standalone financial statements]

Provision as at 31 March 2020: INR 58,301 Lakhs [Refer Note 6 to the standalone financial statements]

Key audit matter	How the matter was addressed in our audit
Subjective estimate Recognition and measurement of impairment of loans and advances involve significant management judgement. Under Ind AS 109, Financial Instruments, allowance for loan losses are determined using expected credit loss (ECL) model. The Company's impairment allowance is derived from estimates including the historical default and loss ratios. Management exercises judgement in determining the quantum of loss based on a range of factors. The most significant areas are: - Segmentation of loan book - Determination of exposure at default - Loan staging criteria - Calculation of probability of default / loss given default - Consideration of probability weighted scenarios and forward looking macro-economic factors The application of ECL model requires several data inputs. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model. *Impact of COVID-19* On 11 March 2020, the World Health Organisation declared the Novel Coronavirus (COVID-19) outbreak to be a pandemic. We have identified the impact of, and uncertainty related to the COVID 19 pandemic as a key element and consideration for recognition and measurement of impairment of loans and advances on account of: - Short and long term macroeconomic effect on businesses in the country and globally and its consequential first order and cascading negative impact on revenue and employment generation opportunities; - impact of the pandemic on the Company's customers and their ability to repay dues; and - application of regulatory package announced by the Reserve Bank of India (RBI) on asset classification and provisioning. Management has conducted a qualitative assessment of significant increase in credit risk (SICR) of the loan portfolio with respect to the moratorium benefit to borrowers prescribed by the RBI and considered updated macroeconomic scenarios and the use of management overlays to reflect potential impact of COVID-19 on expected credit losses on its loan portfolio.	Our key audit procedures included: **Design / controls** • Evaluation of the appropriateness of the impairment principles used by management based on the requirements of Ind AS 109, our business understanding and industry practice. • Understanding management's revised processes, systems and controls implemented in relation to impairment allowance process, particularly in view of COVID-19 regulatory package. • Evaluating management's controls over collation of relevant information used for determining estimates for management overlays on account of COVID-19. • Testing the controls over 'Governance Framework' in line with the RBI guidance. • Assessing the design and implementation of key internal financial controls over loan impairment process used to calculate the impairment charge. • Using our modelling specialist to test the model methodology and reasonableness of assumptions used, including management overlays. • Testing of review controls over measurement of impairment allowances and disclosures in financial statements. **Substantive tests** • Assessing the appropriateness of management rationale for determination of criteria for SICR considering both: adverse effects of COVID 19 and mitigants in the form of the RBI / Government financial relief package. • Assessing the appropriateness of changes made in macroeconomic factors and management overlays to calibrate the risks that are not yet fully captured by the existing model. • Corroborate through independent check and enquiries the reasonableness of management's assessment of grading of severity of impact of COVID-19 on segments of its loan portfolio and the resultant impairment provision computed. • Focus on appropriate application of accounting principles, validating completeness and accuracy of the data and reasonableness of assumptions used in the model. • Test of details over of calculation of impairment allowance for assessing the completeness, accuracy and relevance of data. • Model calculations testing through re-performance where possible. • The appropriateness of management's judgments was also independently reconsidered in respect of calculation methodologies, segmentation, economic factors, the period of historical loss rates used and the valuation of recovery assets and collateral. • Assessing the factual accuracy and appropriateness of the additional financial statements disclosures made by the Company regarding impact of COVID-19.

Independent Auditors' Report (Contd.)

Information Technology (IT) systems and controls

The key audit matter	How the matter was addressed in our audit
The Company's key financial accounting and reporting processes are highly dependent on information systems including automated controls, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. The Company uses several systems for it overall financial reporting process. Further, the prevailing COVID-19 situation has caused the required IT applications to be made accessible on a remote basis. We have identified 'Information Technology systems' as key audit matter because of the high level of automation, the complexity of the IT architecture and the risks associated with remote access of key applications by a large population of staff at the year end.	Our response Our audit procedures to assess the IT system management included the following: We involved our IT Specialist to: • Understand General IT Controls (GITC) i.e. Access Controls, Program/ System Change, Program Development, Computer Operations (i.e. Job Processing, Data/System Backup Incident Management) over key financial accounting and reporting systems, and supporting control systems (referred to as in-scope systems). • Understand IT infrastructure i.e. operating systems and databases supporting the in-scope systems. • Test the General IT Controls for design and operating effectiveness for the audit period over the in-scope systems. • Understand IT application controls covering: — user access and roles, segregation of duties; and — key interfaces, reports, reconciliations and system processing. • Test the IT application controls for design and operating effectiveness for the audit period. • Test the controls to determine whether these controls remained unchanged during the audit period or were changed following the standard change management process. • Test the controls over the IT infrastructure covering user access (including privilege users), data center and system change (e.g. patches). and • Enquiry on data security controls in the context of a large population of staff working from remote location at the year end.

Information Other than the Standalone Financial Statements and Auditors' Report Thereon

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's and Board of Directors' Responsibility for the Standalone Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Independent Auditors' Report (Contd.)

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

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

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

   c) The standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account

   d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under section 133 of the Act.

   e) On the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act.

Independent Auditors' Report (Contd.)

f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

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

i. The Company has disclosed the impact of pending litigations as at 31 March 2020 on its financial position in its standalone financial statements - Refer Note 45 to the standalone financial statements;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

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

iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2020.

(C) With respect to the matter to be included in the Auditors' Report under section 197(16):

We draw attention to Note 44 to the standalone financial statements for the year ended 31 March 2020 according to which the managerial remuneration paid to Vice Chairman and Managing Director of the Company (amounting to INR 201.87 lacs) exceed the prescribed limits under Section 197 read with Schedule V to the Companies Act, 2013 by INR 42.87 lacs. As per the provisions of the Act, the excess remuneration is subject to approval of the shareholders which the Company proposes to obtain in the forthcoming Annual General Meeting.

The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

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

Manoj Kumar Vijai
Partner
Membership No. 046882
UDIN: 20046882AAAABR8755

Place: Mumbai
Date: 18 June 2020

Annexure A to the Independent Auditors' Report

(i) The Annexure referred to in the Independent Auditors' Report to the members of Magma Fincorp Limited ('the Company') on the standalone financial statements for the year ended 31 March 2020, we report that:

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

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

c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties included in property, plant and equipment, as disclosed in Note 11 to the annual standalone financial statements are held in the name of the Company, except for the following:

(INR in Lakhs)

Particulars (Buildings)	Amount
Total number of cases	3
Gross block as at 31 March 2020	1,258.96
Net block as at 31 March 2020	1,162.40

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

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

a) In our opinion and according to the information and explanations given to us, the terms and conditions on which the loans had been granted to the company listed in the register maintained under section 189 of the Act are not prejudicial to the interest of the Company.

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

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

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

(v) The Company is an NBFC and consequently is exempt from provisions of section 73 to section 76 of the Act. Thus, paragraph 3(v) of the Order is not applicable to the Company.

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

(vii) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, employees' State Insurance, Income -tax, goods and service tax, cess and any other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities except for delays ranging from 1 to 121 days with respect to deposit of professional tax with appropriate authorities. With the advent of Central Goods and Services Tax Act, 2017 and the respective State Goods and Services tax Act, Service tax, and value added tax have been subsumed into goods and services tax. As explained to us, the Company did not have any dues on account of Sales-tax, duty of customs and duty of excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, employees' State Insurance, Income -tax, goods and service tax, cess and other material statutory dues were in arrears, as at 31 March 2020, for a period of more than six months from the date they became payable. As explained to us, the Company did not have any dues on account of Sales-tax, duty of customs and duty of excise.

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

Annexure A to the Independent Auditors' Report (Contd.)

Name of the Statute	Nature of Dues	Amount	Paid under Protest Amount	Period to which amount relates	Forum where dispute is pending
		(INR Lakhs)	(INR Lakhs)		
Income Tax Act, 1961	Income Tax	81.06	81.06	2011-12 and 2013-14	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	123.96	123.96	2014-15 to 2016-17	Commissioner of Income Tax (Appeals)
Finance Act , 1994	Service Tax	37.57	37.57	2002-2003 to 2005-2006	Commissioner of CGST under SVLDRS
Finance Act , 1994	Service Tax	107.99	8.09	2008-09 to 2011-12	Customs Excise and Service Tax Appellate Tribunal (CESTAT), Kolkata
Finance Act , 1994	Service Tax	184.52	-	2010-11 to 2013-14	High Court, Kolkata
West Bengal Value Added Tax Act, 2003	VAT	13.72	6.86	2008-09	West Bengal Taxation Tribunal, Kolkata
West Bengal Value Added Tax Act, 2003	VAT	21.73	7.21	2009-10 and 2013-14	West Bengal Commercial Taxes Appellate and Revisional Board
West Bengal Value Added Tax Act, 2003	VAT	1.08	-	2013-14	Joint Commissioner, Kolkata
Rajasthan Value Added Tax Act, 2003	VAT	44.60	1.10	2013-14 to 2016-17	Appellate Authority, Rajasthan
The Rajasthan Tax on Entry of Goods into Local Areas Act, 1999	Entry Tax	1.43	-	2015-16	Jurisdictional Authority
Jharkhand Value Added Tax Act, 2005	VAT	21.57	4.30	2006-2007 to 2009-2010	Sales Tax Tribunal, Jharkhand, Ranchi
Madhya Pradesh Value Added Tax Act, 2002	VAT	133.75	-	2008-2009 to 2009-2010	Madhya Pradesh High Court, Jabalpur
Orissa Value Added Tax, 2004	VAT	68.89	11.48	2007-08 to 30 September 2012	Sales Tax Tribunal, Orissa
Delhi Value Added Tax Act, 2004	VAT	16.26	-	2012-13	Delhi Commissioner of Tax
Delhi Value Added Tax Act, 2004	VAT	33.11	2.59	2013-14	Sales Tax Tribunal, Delhi
The Maharashtra Value Added Tax Act, 2002	VAT	243.32	10.46	2013-14	Bombay High Court

As explained to us, the Company did not have any dues on account of Sales-tax, duty of customs and duty of excise.

Annexure A to the Independent Auditors' Report (Contd.)

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

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

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, except for 12 cases aggregating to INR 60.81 Lakhs, we have neither come across any instance of fraud by the Company or on the Company by its officers or employees noticed or reported during the year, nor have we been informed of such case by the Management.

(xi) According to the information and explanations given to us and based on our examination of the records of the Company, due to inadequate profits during the current year, the managerial remuneration paid to the directors of the Company is in excess of the limits specified under Section 197 of the Act read with Schedule V to the Act. The Company is in the process of obtaining approval from Shareholders for such excess remuneration paid.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Thus, paragraph 3(xii) of the Order is not applicable to the Company.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act, where applicable and details of such related party transactions have been disclosed in the standalone financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given by the Management, the Company has not made any preferential allotment of shares or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Companies (Auditors' Report) Order 2016 is not applicable.

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

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

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

Manoj Kumar Vijai
Partner
Membership No. 046882
UDIN: 20046882AAAABR8755

Place: Mumbai
Date: 18 June 2020

Annexure B to the Independent Auditors' report on the standalone financial statements of Magma Fincorp Limited for the year ended 31 March 2020

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

Referred to in paragraph 2(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date

Opinion

We have audited the internal financial controls with reference to financial statements of Magma Fincorp Limited ("the Company") as of 31 March 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Emphasis of Matter

As described in Emphasis of Matter paragraph of our report to the standalone financial statements, the extent to which the COVID-19 pandemic will have impact on the Company's internal financial controls with reference to the standalone financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of the above matter.

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

Annexure B to the Independent Auditors' report on the standalone financial statements of Magma Fincorp Limited for the year ended 31 March 2020 (Contd.)

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial controls with Reference to Financial Statements

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

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

Manoj Kumar Vijai
Partner
Membership No. 046882
UDIN: 20046882AAAABR8755

Place: Mumbai
Date: 18 June 2020

MAGMA
Investing in the smallest dream

Balance Sheet

as at 31 March 2020

(All amounts are in ₹ lacs except share data and unless otherwise stated)

	Note	As at 31 March 2020	As at 31 March 2019
ASSETS			
1 Financial assets			
Cash and cash equivalents	3	20,485.66	56,741.02
Bank balance other than cash and cash equivalents	4	44,350.78	36,528.10
Receivables	5		
(i) Trade receivables		799.29	868.18
(ii) Other receivables		192.12	228.80
Loans	6	1,117,491.30	1,313,785.40
Investments	7	40,242.16	30,242.16
Other financial assets	8	25,605.65	13,179.75
Total financial assets		**1,249,166.96**	**1,451,573.41**
2 Non-financial assets			
Current tax assets (net)	9	9,540.56	10,737.97
Deferred tax assets (net)	10	10,398.31	14,359.17
Property, plant and equipment	11	15,451.77	15,796.90
Capital work-in-progress	12	-	259.19
Intangible assets under development	13	553.48	94.64
Other intangible assets	14	1,546.02	2,559.43
Right to use assets	15	5,122.24	-
Other non-financial assets	16	3,740.93	3,375.05
Total non-financial assets		**46,353.31**	**47,182.35**
Total assets		**1,295,520.27**	**1,498,755.76**
LIABILITIES AND EQUITY			
LIABILITIES			
1 Financial liabilities			
Trade Payables	17		
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		1,966.47	36,487.06
Debt securities	18	64,915.80	36,279.16
Borrowings (other than debt securities)	19	859,857.27	1,047,286.77
Subordinated liabilities	20	75,684.48	91,404.98
Lease liability	21	5,496.91	-
Other financial liabilities	22	27,127.87	23,720.40
Total financial liabilities		**1,035,048.80**	**1,235,178.37**
2 Non-financial liabilities			
Current tax liabilities (net)	23	1,435.17	1,096.56
Provisions	24	1,026.16	866.68
Other non-financial liabilities	25	6,478.89	6,034.02
Total non-financial liabilities		**8,940.22**	**7,997.26**
EQUITY			
Equity share capital	26	5,390.31	5,386.48
Other equity	27	246,140.94	250,193.65
Total equity		**251,531.25**	**255,580.13**
Total liabilities and equity		**1,295,520.27**	**1,498,755.76**
Significant accounting policies	2		
Notes to the financial statements	3 - 55		
The accompanying notes are an integral part of these financial statements			

As per our report of even date attached

For and on behalf of the Board of Directors
Magma Fincorp Limited

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

Kailash Baheti
Chief Financial Officer

Narayan K Seshadri
Chairman
(DIN : 00053563)

Manoj Kumar Vijai
Partner
Membership No.: 046882

Shabnum Zaman
Company Secretary

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Place : Mumbai
Date : 18 June 2020

Place : Kolkata
Date : 18 June 2020

Place : Mumbai
Date : 18 June 2020

Statement of Profit and Loss

for the year ended 31 March 2020

(All amounts are in ₹ lacs except share data and unless otherwise stated)

		Note	For the year ended 31 March 2020	For the year ended 31 March 2019
	Revenue from operations			
	Interest income	28	202,280.66	203,654.55
	Rental income	29	3,671.91	2,768.78
	Fees and commission income	30	7,440.16	8,446.93
	Net gain on fair value changes	31	-	567.41
	Net gain on derecognition of financial instruments	32	4,361.83	7,676.93
(I)	**Total revenue from operations**		**217,754.56**	**223,114.60**
(II)	Other income	33	4,148.84	3,616.06
(III)	**Total income (I+II)**		**221,903.40**	**226,730.66**
	Expenses			
	Finance costs	34	112,397.10	101,764.01
	Net loss on fair value changes	31	236.53	-
	Impairment on financial instruments	35	46,404.71	24,497.54
	Employee benefits expenses	36	37,408.73	38,040.90
	Depreciation, amortisation and impairment	37	7,164.14	5,015.63
	Others expenses	38	14,873.89	17,124.67
(IV)	**Total expenses**		**218,485.10**	**186,442.75**
(V)	**Profit before tax (III-IV)**		**3,418.30**	**40,287.91**
(VI)	**Tax expense:**			
	Current tax - current year	10	1,130.00	2,117.00
	- earlier year		(109.50)	383.10
	Deferred tax	10	3,398.88	10,274.94
			4,419.38	**12,775.04**
(VII)	**Profit / (Loss) for the year (V-VI)**		**(1,001.08)**	**27,512.87**
(VIII)	**Other comprehensive income**			
	A (i) Items that will not be reclassified to profit or loss			
	- Remeasurement of the defined benefit plans		(322.93)	(188.65)
	(ii) Income tax relating to items that will not be reclassified to profit or loss		33.97	65.92
	Subtotal (A)		**(288.96)**	**(122.73)**
	B (i) Items that will be reclassified to profit or loss			
	- Debt instruments through other comprehensive income		(452.13)	(91.56)
	(ii) Income tax relating to items that will be reclassified to profit or loss		123.83	32.00
	Subtotal (B)		**(328.30)**	**(59.56)**
	Other comprehensive income (A + B)		**(617.26)**	**(182.29)**
(IX)	**Total comprehensive income for the year**		**(1,618.34)**	**27,330.58**
(X)	**Earnings per equity share**			
	Basic (₹)	42	(0.37)	10.25
	Diluted (₹)	42	(0.37)	10.24
	Significant accounting policies	2		
	Notes to the financial statements	3 - 55		
	The accompanying notes are an integral part of these financial statements			

As per our report of even date attached

For and on behalf of the Board of Directors
Magma Fincorp Limited

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

Kailash Baheti
Chief Financial Officer

Narayan K Seshadri
Chairman
(DIN : 00053563)

Manoj Kumar Vijai
Partner
Membership No.: 046882

Shabnum Zaman
Company Secretary

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Place : Mumbai
Date : 18 June 2020

Place : Kolkata
Date : 18 June 2020

Place : Mumbai
Date : 18 June 2020

Statement of Cash Flows

for the year ended 31 March 2020

(All amounts are in ₹ lacs except share data and unless otherwise stated)

	For the year ended 31 March 2020	For the year ended 31 March 2019
A. Cash flow from operating activities		
Profit for the period	**3,418.30**	**40,287.91**
Adjustments for :		
Depreciation and amortisation expense (gross)	7,368.37	5,015.63
Impairment on financial assets	46,404.71	26,241.44
Gain on sale of investments	-	(245.19)
Net gain on fair value changes	236.53	(567.41)
Profit on sale of fixed assets	(3.26)	(43.28)
Intangible assets under development written-off	94.64	19.84
Employee share based compensation expense	141.38	739.45
Interest on tax refund	(1,045.19)	(636.18)
Interest on lease liability	642.39	-
Gain on prepayment of debt	(302.64)	-
Others	(240.79)	(256.98)
Operating cash flow before working capital changes	**56,714.44**	**70,555.23**
Movement in working capital:		
Decrease/(increase) in receivables	105.57	(725.09)
Decrease/(increase) in loans	149,627.40	(125,043.99)
(Increase) in other financial assets	(11,396.04)	(300.77)
(Increase) in other non financial assets	(365.88)	(735.92)
(Decrease)/Increase in trade payables	(34,279.80)	4,854.36
Increase/(decrease) in other financial liabilities	3,093.59	(2,727.70)
(Decrease) in provisions	(163.45)	(173.77)
Increase/(decrease) in other non financial liabilities	444.87	(831.84)
Net cash (used in)/generated from operating activities before taxes	**163,780.70**	**(55,129.49)**
Income taxes paid (net of refunds)	2,280.49	(3,227.42)
Net cash (used in)/generated from operating activities (A)	**166,061.19**	**(58,356.91)**
B. Cash flow from investing activities		
Purchase of property, plant and equipment	(4,586.59)	(4,479.43)
Proceeds from sale of property, plant and equipment	972.02	870.61
Purchase of intangible assets	(1,183.33)	(879.00)
Investment in fixed deposits	(46,821.36)	(64,793.06)
Redemption of fixed deposits	38,998.68	58,774.60
Investment in subsidiary	(10,000.00)	-
Investment in joint venture	(2,650.04)	(2,055.56)
Proceeds from sale of investments	1,193.51	4,904.63
Net cash (used in) investing activities (B)	**(24,077.11)**	**(7,657.21)**

Statement of Cash Flows (Contd.)

for the year ended 31 March 2020

(All amounts are in ₹ lacs except share data and unless otherwise stated)

	For the year ended 31 March 2020	For the year ended 31 March 2019
C. Cash flow from financing activities		
Proceeds from issue of long-term debentures	55,141.45	27,000.00
Redemption of long-term debentures	(41,697.36)	(26,030.00)
Proceeds from long term borrowings	102,542.96	75,113.85
Repayment of long term borrowings	(66,873.40)	(56,964.73)
Proceeds from long term borrowings - pass through certifcate	252,976.27	281,084.13
Repayment of long term borrowings - pass through certifcate	(258,477.89)	(192,513.90)
Repayment- loan repayable on demand (net) (refer note b)	(217,506.00)	(40,639.74)
Interest on lease liability	(642.39)	-
Principal portion of lease liability	(1,128.30)	-
Proceeds from issue of equity shares including securities premium	25.73	49,029.51
Dividend paid (including tax thereon)	(2,600.51)	(2,594.21)
Net cash generated from /(used in) financing activities (C)	**(178,239.44)**	**113,484.91**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(36,255.36)**	**47,470.79**
Cash and cash equivalents at the beginning of the year	56,741.02	9,270.23
Cash and cash equivalents at the end of the year	**20,485.66**	**56,741.02**

(a) Cash and cash equivalents consist of cash on hand, balance with banks and deposits with banks. Please refer Note 3 for detailed disclosure.

(b) The figures has been presented on a net basis as the transactions during the year are voluminous.

The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Indian Accounting Standard (Ind AS-7) on 'Statement of Cash Flows'.

As per our report of even date attached

For and on behalf of the Board of Directors
Magma Fincorp Limited

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

Manoj Kumar Vijai
Partner
Membership No.: 046882

Place : Mumbai
Date : 18 June 2020

Kailash Baheti
Chief Financial Officer

Shabnum Zaman
Company Secretary

Place : Kolkata
Date : 18 June 2020

Narayan K Seshadri
Chairman
(DIN : 00053563)

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Place : Mumbai
Date : 18 June 2020

Statement of Changes in Equity

for the year ended 31 March 2020

(All amounts are in ₹ lacs except share data and unless otherwise stated)

a. Equity share capital

Balance as at 1 April 2018	Changes in equity share capital during the year	Balance as at 31 March 2019	Changes in equity share capital during the year	Balance as at 31 March 2020
4,740.57	645.91	5,386.48	3.83	5,390.31

b. Other equity

Particulars	Reserve and Surplus						Items of other comprehensive income	Total
	Statutory Reserves	Capital Reserve	Securities Premium	Capital Redemption reserve	Share option Outstanding	Retained Earnings	Debt instruments through Other Comprehensive Income	
Balance as at 1 April 2018	28,450.00	480.22	132,240.32	1,421.84	360.41	13,257.93	126.41	176,337.13
Profit for the year	-	-	-	-	-	27,512.87	-	27,512.87
Other comprehensive (loss)/income for the year	-	-	-	-	-	(122.73)	(59.56)	(182.29)
Dividend paid	-	-	-	-	-	(2,597.11)	-	(2,597.11)
Transfer to/(from) retained earnings	5,510.00	-	-	-	-	(5,510.00)	-	-
Net proceeds from issue of shares	-	-	48,361.84	-	-	-	-	48,361.84
Equity settled share based payment	-	-	46.58	-	714.63	-	-	761.21
Balance as at 31 March 2019	33,960.00	480.22	180,648.74	1,421.84	1,075.04	32,540.96	66.85	250,193.65
Profit / (Loss) for the year	-	-	-	-	-	(1,001.08)	-	(1,001.08)
Other comprehensive loss for the year	-	-	-	-	-	(288.96)	(328.30)	(617.26)
Dividend paid	-	-	-	-	-	(2,597.65)	-	(2,597.65)
Transfer to/(from) retained earnings	-	-	-	-	-	-	-	-
Equity settled share based payment	-	-	265.43	-	(102.15)	-	-	163.28
Balance as at 31 March 2020	33,960.00	480.22	180,914.17	1,421.84	972.89	28,653.27	(261.45)	246,140.94

Note 27 describes the purpose of each reserve within equity

Significant accounting policies	2
Notes to the financial statements	3 - 55

The accompanying notes are an integral part of these financial statements

As per our report of even date attached

For and on behalf of the Board of Directors
Magma Fincorp Limited

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

Manoj Kumar Vijai
Partner
Membership No.: 046882

Place : Mumbai
Date : 18 June 2020

Kailash Baheti
Chief Financial Officer

Shabnum Zaman
Company Secretary

Place : Kolkata
Date : 18 June 2020

Narayan K Seshadri
Chairman
(DIN : 00053563)

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Place : Mumbai
Date : 18 June 2020

Notes
to the financial statements

Note 1: Company Overview

Background

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

Note 2: Significant Accounting Policies and Key Accounting Estimates and Judgements:

a) Basis of preparation

The financial statements for the year ended March 31, 2020 have been prepared by the Company in accordance with Indian Accounting Standards ("Ind AS") notified by the Ministry of Corporate Affairs, Government of India under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016, as amended from time to time, in this regard.

The Company consistently applies the following accounting policies to all periods presented in these financial statements, unless otherwise stated.

b) Functional and Presentation currency

These financial statements are presented in Indian Rupees (INR), which is the Company's functional and presentation currency. All amounts have been denominated in lacs and rounded off to the nearest two decimal, except when otherwise indicated.

c) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following material items:

- Financial assets at Fair value through other comprehensive income (FVTOCI) that is measured at fair value
- Financial instruments at Fair value through profit and loss (FVTPL) that is measured at fair value
- Net defined benefit (asset)/ liability - fair value of plan assets less present value of defined benefit obligation

d) Significant areas of estimation uncertainty, critical judgements and assumptions in applying accounting policies

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities (including contingent liabilities and assets) as on the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Key sources of estimation of uncertainty at the date of financial statements, which may cause a material adjustment to the carrying amount of assets and liabilities within the next financial year are included in the following notes:

- Note 48 - Impairment of financial instruments: determining inputs into the Expected Credit Loss (ECL) model, including incorporation of forward looking information and assumptions used in estimating recoverable cash flows
- Note 47 - determination of the fair value of financial instruments with significant unobservable inputs
- Note 40 - measurement of defined benefit obligations: key actuarial assumptions
- Note 10 - recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used

e) Revenue recognition

Interest income from financial assets (assets on finance) is recognised on accrual basis using Effective Interest Rate ('EIR') method. The EIR is the rate that discounts the estimated future cash flows through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset adjusted for upfront expenses and incomes attributable to the acquisition of the financial asset. The interest income is recognized on EIR method on a time proportion basis applied on the carrying amount for financial assets including credit impaired financial assets.

Income from direct assignment transactions represents the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset de-recognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI.

Overdue interest and other charges are treated to accrue on realisation, due to uncertainty of realisation and is accounted for accordingly.

For revenue recognition from leasing transactions of the Company, refer Note 41 on Leases below.

Interest on fixed deposits is recognized on a time proportion basis taking into account the amount outstanding and the applicable rate.

Income from collection and support services is recognized over time as the services are rendered as per the terms of the contract.

Fair value changes from security receipts is recognized in the revenue from operations.

Income from power generation is recognized based on the unit's generated (point in time) as per the terms of the respective power purchase arrangements with respective State Electricity Boards.

Dividend is recognised when the right to receive the dividend is established.

Other income

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

f) Financial instruments

I) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

II) Classifications

Financial assets

A financial asset is classified as subsequently measured at either amortised cost or fair value through other comprehensive income ('FVTOCI') or fair value through profit and loss (FVTPL), depending on the contractual cash flow characteristics of the financial assets and the Company's business model for managing the financial assets.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

Financial instruments at Amortised Cost

A financial asset is measured at amortised cost only if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at Fair Value through Other Comprehensive Income ('FVTOCI')

A financial asset is measured at FVTOCI only if both of the following conditions are met:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at Fair Value through Profit and Loss (FVTPL)

Any financial instrument, which does not meet the criteria for categorisation as at amortized cost or as FVOCI, is classified as at FVTPL.

Equity Investments

All equity investments other than equity investments in subsidiaries / associates / joint ventures are measured at FVTPL. These include all equity investments in scope of Ind AS 109.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost or fair value through profit or loss, as appropriate.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company is recognised at the proceeds received, net of directly attributable transaction costs.

III) Subsequent measurement

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of discount or premium on acquisition and fees or costs that are an integral part of the EIR and, for financial assets, adjusted for any loss allowance.

Fair Valuation

Fair value is the price that is expected to be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date or, in its absence, the most advantageous market to which the Company has access at that date.

In the absence of quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

IV) De-recognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. The Company continues to recognize the assets on finance on books which has been securitized under pass through arrangement and does not meet the de-recognition criteria.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset de-recognized) and the sum of the consideration received (including the value of any new asset obtained less any new liability assumed) is transferred to statement of Profit or loss

Financial liabilities

The Company de-recognizes a financial liability when its contractual obligations are discharged or cancelled, or expired.

V) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

VI) Impairment of Financial Assets

The Company recognises impairment allowances for Expected Credit Loss (ECL) on all the financial assets that are not measured at FVTPL:

ECL are probability weighted estimate of future credit losses based on the staging of the financial asset to reflect its credit risk. They are measured as follows:

- Stage 1: financial assets that are not credit impaired – as the present value of all cash shortfalls that are possible within 12 months after the reporting date.
- Stage 2: financial assets with significant increase in credit risk but not credit impaired – as the present value of all cash shortfalls that result from all possible default events over the expected life of the financial asset.
- Stage 3: financial assets that are credit impaired – as the difference between the gross carrying amount and the present value of estimated cash flows.

The above impairment allowance method meets the Master Direction – Non-Banking Financial Company – Systemically important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated 1st September 2016.

Financial assets are fully provided for or written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

However, financial assets that are written off could still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are credited to impairment loss on actual realization from customer

g) Investment in subsidiaries, associates and joint ventures

The Company accounts for its investments in subsidiaries, associates and joint ventures at cost less accumulated impairment, if any.

h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

I) The Company as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is generally recognised on a straight-line basis over the term of the relevant lease. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the Company's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue.

II) The Company as lessee

i) Right to use assets and Lease liability

The company has adopted Ind AS 116 effective 1 April, 2019 using the modified retrospective method. The company has applied the standards to its leases with the cumulative impact recognized on the date of initial application, i.e. 1 April, 2019. Accordingly, previous period information has not been restated.

The Company assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

(i) the contract involves the use of an identified asset;

(ii) the Company has substantially all the economic benefits from use of the asset through the period of the lease; and

(iii) the Company has the right to direct the use of the asset."

Recognition and initial measurement

At the lease commencement date, the Company recognises a right-of-use ("RoU") asset and equivalent amount of lease liability. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease (if any), and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent measurement

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the lease commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed payments) and variable payments based on an index or rate. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in the in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset.

Presentation

Lease liability and Right of Use assets have been separately presented in the and lease payments have been classified as financing cash flows.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the Statement of profit and loss on a straight-line basis over the lease term.

ii) De-recognition

An item of right to use assets and lease liability is de-recognized upon termination of lease agreement. Any difference between the carrying amount of right to use asset and lease liability is recognized in statement of profit or loss.

i) Employee Benefits

I) Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

II) Post-employment benefits

Defined contribution plans

Provident Fund

Contributions paid / payable to the recognised provident fund, which is a defined contribution scheme, are charged to the statement of profit and loss.

Defined benefit plans

Gratuity

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Accrued Benefit Method (same as Projected Unit Credit Method), which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the balance sheet date. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contribution to the plan.

The change in defined benefit plan liability is split into changes arising out of service, interest cost and re-measurements and the change in defined benefit plan asset is split between interest income and re-measurements. Changes due to service cost and net interest cost / income is recognized in the statement of profit and loss. Re-measurements of net defined benefit liability / (asset) which comprise of the below are recognized in other comprehensive income:

- Actuarial gains and losses;
- The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset).

III) Other long term employee benefits

Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. The expenses and actuarial gain / loss on account of the above benefit plans are recognised in the statement of profit and loss on the basis of actuarial valuation.

IV) Share-based payment arrangements - Employee Stock Options

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

In case, the company modifies the terms and condition on which the equity instruments were granted in a manner that is beneficial to the employees, the incremental cost will be recognized over the period starting from the modification date till the date of vesting if the modification occurs during the vesting period. In case, modification occurs after the vesting period, the incremental cost will be recognized immediately

j) Income Taxes

Income-tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of temporary differences between tax base and book base). It is recognised in statement of profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

I) Current tax

Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961. Current tax comprises the tax payable on the taxable income or loss for the year and any adjustment to the tax payable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if, the Company:

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

II) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are reviewed at each reporting date and based on management's judgement, are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if the Company:

- has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

k) Property, plant and equipment and Investment property

Recognition and measurement

Property, plant and equipment held for use or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses. The cost includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. All assets given on operating lease are shown at the cost of acquisition less accumulated depreciation.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Investment Property consists of building let out to earn rentals. The Company follows cost model for measurement of investment property.

Depreciation and amortisation

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

Freehold land is not depreciated. Leasehold improvements are amortised over the underlying lease term on a straight line basis.

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

For the following class of assets, based on internal assessment, the management believes that the useful lives as given below best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013:

Desktop	6 years
Laptops / Hand Held Device	4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

De-recognition

An item of property, plant and equipment or investment property is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment or investment property is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of profit or loss.

l) Intangible assets

Recognition and measurement

Intangible assets with finite useful lives that are acquired separately are capitalised and carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

De-recognition

An intangible asset is de-recognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in statement of profit or loss when the asset is de-recognized.

m) Impairment of non-financial assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

n) Foreign Currency Transactions

Transactions in foreign currency are translated into the functional currency of the Company at the exchange rates prevailing on the date of the transaction. The foreign currency borrowing being a monetary liability is restated to INR (being the functional currency of the Company) at the prevailing rates of exchange at the end of every reporting period with the corresponding exchange gain/ loss being recognized in statement of profit or loss.

o) Provisions and contingencies related to claims, litigation, etc.

A provision is recognised if, as a result of a past event, the Company has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost.

I) Onerous contracts

A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

II) Contingencies related to claims, litigation, etc.

Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognised when it is probable that a liability has been incurred, and the amount can be estimated reliably. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

p) Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

Contingent assets are disclosed in the financial statements where an inflow of economic benefits is probable.

q) Cash and cash equivalent

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

r) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of non-cash future, any deferrals or accruals of past or future operating cash receipts or payments and item of expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company. Refer note 51 for details on segment information presented.

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 3: Cash and cash equivalents

	As at 31 March 2020	As at 31 March 2019
Cash on hand	79.61	4,620.06
Balances with banks		
In current accounts	20,406.05	2,120.96
In deposits with original maturity of 3 months or less	-	50,000.00
Total	**20,485.66**	**56,741.02**

Note 4: Bank balance other than cash and cash equivalents

	As at 31 March 2020	As at 31 March 2019
Unpaid dividend account (earmarked)	34.59	37.46
Bank balance other than cash and cash equivalents		
In deposits with original maturity of 3 months or less	193.00	1,393.11
In deposits with original maturity of more than 3 months	44,123.19	35,097.53
Total	**44,350.78**	**36,528.10**

Balances with banks held as security against borrowings, guarantees amounts to ₹1,832.95 lacs (31 March 2019: ₹2,287.00 lacs) and as cash collateral for securitisation of receivables amounts to ₹38,091.77 lacs (31 March 2019: ₹32,050.94 lacs).

Note 5: Receivables

	As at 31 March 2020	As at 31 March 2019
(i) Trade receivables		
Receivables considered good - Unsecured	799.29	868.18
Less: Impairment loss allowance	-	-
Sub-total - (i)	799.29	868.18
(ii) Other receivables		
Receivables considered good - Unsecured	192.12	228.80
Less: Impairment loss allowance	-	-
Sub-total - (ii)	192.12	228.80
Total - (i + ii)	**991.41**	**1,096.98**

Note 6: Loans

	Amortised Cost	At Fair Value through other comprehensive income	Total
As at 31 March 2020			
(A) (i) Term loans	927,564.38	228,563.69	1,156,128.07
(ii) Leasing	19,622.76	-	19,622.76
(iii) Others			
- Staff loans	41.42	-	41.42
Total (A) -Gross	**947,228.56**	**228,563.69**	**1,175,792.25**
Less: Impairment loss allowance	45,344.86	12,956.09	58,300.95
Total (A) - Net	**901,883.70**	**215,607.60**	**1,117,491.30**
(B) (i) Secured by tangible assets *	820,757.02	74,003.62	894,760.64
(ii) Covered by bank/government guarantees #	126,430.12	100,646.21	227,076.33
(iii) Unsecured	41.42	53,913.86	53,955.28
Total (B) - Gross	**947,228.56**	**228,563.69**	**1,175,792.25**
Less: Impairment loss allowance	45,344.86	12,956.09	58,300.95
Total (B) - Net	**901,883.70**	**215,607.60**	**1,117,491.30**

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 6: Loans (Contd.)

	Amortised Cost	At Fair Value through other comprehensive income	Total
(C) Loans in India			
(i) Public sector	-	-	-
(ii) Others	947,228.56	228,563.69	1,175,792.25
Total (C) - Gross	**947,228.56**	**228,563.69**	**1,175,792.25**
Less: Impairment loss allowance	45,344.86	12,956.09	58,300.95
Total (C) -Net	**901,883.70**	**215,607.60**	**1,117,491.30**

* Secured by underlying assets financed

\# 1) Government of India has issued a scheme on 10th August, 2019 to provide a one time partial credit guarantee to Public Sector Banks for purchase of pooled assets of financially sound NBFC/HFC in order to provide them with liquidity. The Company has entered into a transaction of ₹25,248.41 lacs under this scheme.

2) ₹101,181.71 lacs of loans under amortized cost category and ₹100,646.21 lacs under fair value through other comprehensive income category is covered with credit guarantee scheme for NBFCs for credit facilities extended to eligible borrowers in Micro and Small Industries.

	Amortised Cost	At Fair Value through other comprehensive income	Total
As at 31 March 2019			
(A) (i) Term loans	1,099,104.42	249,243.33	1,348,347.75
(ii) Leasing	18,782.10	-	18,782.10
(iii) Others			
- Staff loans	49.01	-	49.01
Total (A) -Gross	**1,117,935.53**	**249,243.33**	**1,367,178.86**
Less: Impairment loss allowance	38,727.31	14,666.15	53,393.46
Total (A) - Net	**1,079,208.22**	**234,577.18**	**1,313,785.40**
(B) (i) Secured by tangible assets *	1,117,886.52	40,804.65	1,158,691.17
(ii) Covered by bank/government guarantees #	-	52,002.59	52,002.59
(iii) Unsecured	49.01	156,436.09	156,485.10
Total (B) - Gross	**1,117,935.53**	**249,243.33**	**1,367,178.86**
Less: Impairment loss allowance	38,727.31	14,666.15	53,393.46
Total (B) - Net	**1,079,208.22**	**234,577.18**	**1,313,785.40**
(C) Loans in India			
(i) Public sector	-	-	-
(ii) Others	1,117,935.53	249,243.33	1,367,178.86
Total (C) - Gross	**1,117,935.53**	**249,243.33**	**1,367,178.86**
Less: Impairment loss allowance	38,727.31	14,666.15	53,393.46
Total (C) -Net	**1,079,208.22**	**234,577.18**	**1,313,785.40**

* Secured by underlying assets financed

\# ₹52,002.59 lacs under fair value through other comprehensive income category is covered with credit guarantee scheme for NBFCs for credit facilities extended to eligible borrowers in Micro and Small Industries.

Effective 1 July 2018, SME loan portfolio has been reclassified from amortised cost category to FVOCI. Primary reason for reclassification is change in business model, which is based on Management's intent and volume of direct assignment transactions done during the year. Consequently, gain/loss on fair valuation has been recognised in other comprehensive income.

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 7: Investments

	Amortised Cost	At Fair Value through profit or loss	Others*	Total
As at 31 March 2020				
(A) Mutual funds	-	-	-	-
Government securities	0.16	-	-	0.16
Equity instruments	-	0.99	-	0.99
Subsidiaries	-	-	31,970.94	31,970.94
Joint ventures	-	-	8,270.07	8,270.07
Total – Gross (A)	**0.16**	**0.99**	**40,241.01**	**40,242.16**
(B) Investments in India	0.16	0.99	40,241.01	40,242.16
Total – Gross (B)	**0.16**	**0.99**	**40,241.01**	**40,242.16**
Less: Allowance for impairment loss (C)	-	-	-	-
Total – Net D= (A)-(C)	**0.16**	**0.99**	**40,241.01**	**40,242.16**

	Amortised Cost	At Fair Value through profit or loss	Others*	Total
As at 31 March 2019				
(A) Mutual funds	-	-	-	-
Government securities	0.16	-	-	0.16
Equity instruments	-	0.99	-	0.99
Subsidiaries	-	-	21,970.94	21,970.94
Joint ventures	-	-	8,270.07	8,270.07
Total – Gross (A)	**0.16**	**0.99**	**30,241.01**	**30,242.16**
(B) Investments in India	0.16	0.99	30,241.01	30,242.16
Total – Gross (B)	**0.16**	**0.99**	**30,241.01**	**30,242.16**
Less: Allowance for impairment loss (C)	-	-	-	-
Total – Net D= (A)-(C)	**0.16**	**0.99**	**30,241.01**	**30,242.16**

* The Company accounts for its investments in subsidiaries, associates and joint ventures at deemed cost (carrying value of previous GAAP) in accordance with Ind AS 101.

Note 8: Other financial assets

	As at 31 March 2020	As at 31 March 2019
Accrued interest / financial charges	870.89	292.86
Advances recoverable	9,494.26	796.46
Application money paid towards securities *	2,650.04	-
Trade advance	2,103.78	2,112.09
Excess interest spread receivable (refer note 47)	7,475.84	5,111.15
Security deposits	793.26	847.14
Advances to related parties #	845.06	1,007.94
Others	3,129.23	4,578.68
Less: Impairment loss allowance **	(1,756.71)	(1,566.57)
	25,605.65	**13,179.75**

* 5,464,000 equity shares of the face value of ₹10/- each at price of ₹48.50/- each (including premium of ₹38.50/- each) have been allotted on 28 April 2020 by Magma HDI.

** Includes allowance created against advance recoverable of ₹505.27 lacs (31 March 19: ₹505.27 lacs) and expected credit loss against excess interest spread (EIS) receivable of ₹57.93 lacs (31 March 19: ₹45.06 lacs) and trade advance of ₹1,193.51 lacs (31 March 19: ₹1,016.24 lacs).

\# Includes advance given to a private limited company in which director of the Company is a director / member. (Refer Note 44)

Notes
to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 9: Current tax assets (net)

	As at 31 March 2020	As at 31 March 2019
Advance tax and deduction at source (net of provision for taxes)	9,540.56	10,737.97
Total	**9,540.56**	**10,737.97**

Note 10: Income tax

A. Amounts recognised in statement of profit or loss

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Current tax		
Current period (a)	1,130.00	2,117.00
Changes in estimates related to prior years (b)	(109.50)	383.10
	1,020.50	**2,500.10**
Deferred tax (c)		
Attributable to-		
Origination / (Reversal) of temporary differences	(292.58)	10,232.33
Decrease in tax rate	3,691.46	-
Recognition of previously unrecognised temporary timing differences	-	-
Recognition of MAT credit entitlement	-	42.61
Sub-total (c)	**3,398.88**	**10,274.94**
Tax expense (a)+(b)+(c)	**4,419.38**	**12,775.04**

B. Income tax recognised in other comprehensive income

Particulars	Year ended 31 March 2020 Income Tax	Year ended 31 March 2019 Income Tax
Remeasurements of the defined benefit plans	33.97	65.92
Debt instruments fair value through other comprehensive income	123.83	32.00
	157.80	**97.92**

C. Reconciliation of effective tax rate

Particulars	Year ended 31 March 2020		Year ended 31 March 2019	
	%	Amount	%	Amount
Profit before tax		3,418.30		40,287.91
Tax using the Company's domestic tax rate	25.17	860.32	34.94	14,078.21
Effect of:				
Impact of change in tax rate	107.99	3,691.46	-	-
Non taxable income / tax incentives / disallowable expenses	(1.28)	(43.87)	(1.78)	(719.48)
Recognition of previously unrecognised temporary timing differences	-	-	-	-
Adjustment of brought forward losses of earlier years	-	-	-	-
Others	0.61	20.97	(2.40)	(966.79)
Effective tax rate	**132.49**	**4,528.88**	**30.76**	**12,391.94**
Provisions relating to earlier years	(3.20)	(109.50)	0.95	383.10
Income tax expense reported in the statement of profit and loss	**129.29**	**4,419.38**	**31.71**	**12,775.04**

MAGMA
Investing in the smallest dream

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 10: Income tax (Contd.)

D. Deferred tax assets, net

Movement of deferred tax assets / liabilities

Particulars	As at 31 March 2019	Recognised in profit or loss during the year	Recognised in OCI during the year	Others	As at 31 March 2020
Deferred tax assets:					
Impairment allowance	19,360.03	(4,199.63)	-	-	15,160.40
Application of effective interest rate method on financial assets and financial liabilities	3,398.93	(1,511.84)	-	-	1,887.09
Provision for compensated absences	231.27	(31.14)	-	-	200.13
Unabsorbed depreciation and amortisation	-	-	-	-	-
Minimum alternate tax credit entitlement	719.78	-	-	(719.78)	-
Others	27.86	80.31	-	-	108.17
	23,737.87	**(5,662.30)**	**-**	**(719.78)**	**17,355.79**
Deferred tax liabilities:					
Property, plant and equipment	2,038.85	(1,200.99)	-	-	837.86
Loans	(118.83)	72.47	(123.83)	-	(170.19)
EIS receivable	1,786.04	95.48	-	-	1,881.52
Investments	(322.81)	(65.20)	-	-	(388.01)
Application of effective interest rate method on financial assets and financial liabilities	5,785.53	(1,329.35)	-	-	4,456.18
Gratuity (excess of plan assets over obligation)	53.61	(11.01)	(33.97)	-	8.63
Others	156.31	175.18	-	-	331.49
	9,378.70	**(2,263.42)**	**(157.80)**	**-**	**6,957.48**
Net deferred tax assets	**14,359.17**	**(3,398.88)**	**157.80**	**(719.78)**	**10,398.31**

Particulars	As at 1 April 2018	Recognised in profit or loss during the year	Recognised in OCI during the year	Others	As at 31 March 2019
Deferred tax assets:					
Impairment allowance	34,503.65	(15,143.62)	-	-	19,360.03
Application of effective interest rate method on financial assets and financial liabilities	2,378.11	1,020.82	-	-	3,398.93
Provision for compensated absences	229.86	1.41	-	-	231.27
Unabsorbed depreciation and amortisation	-	-	-	-	-
Minimum alternate tax credit entitlement	762.39	(42.61)	-	-	719.78
Others	106.38	(78.52)	-	-	27.86
	37,980.39	**(14,242.52)**	**-**	**-**	**23,737.87**
Deferred tax liabilities:					
Property, plant and equipment	3,232.18	(1,193.33)	-	-	2,038.85
Loans	2,868.57	(2,955.40)	(32.00)	-	(118.83)
EIS receivable	1,489.27	296.77	-	-	1,786.04
Investments	347.68	(670.49)	-	-	(322.81)
Application of effective interest rate method on financial assets and financial liabilities	5,233.18	552.35	-	-	5,785.53
Gratuity (excess of plan assets over obligation)	49.00	70.53	(65.92)	-	53.61
Others	224.32	(68.01)	-	-	156.31
	13,444.20	**(3,967.58)**	**(97.92)**	**-**	**9,378.70**
Net deferred tax assets	**24,536.19**	**(10,274.94)**	**97.92**	**-**	**14,359.17**

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 10: Income tax (Contd.)

E. Unused tax losses on which deferred tax is not created

Particulars	As at 31 March 2020		As at 31 March 2019	
	Amount	Expiry on	Amount	Expiry on
Long term capital loss				
A.Y. 2016-2017	257.58	A.Y. 2024-2025	257.73	A.Y. 2024-2025
Short term capital loss				
A.Y. 2014-2015	18.18	A.Y. 2022-2023	18.18	A.Y. 2022-2023
	275.76		275.91	

A.Y. - 'Assessment Year'

F. Uncertain tax positions

Refer Note 45 on contingent liabilities and commitment relating to income tax matter under dispute.

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 11: Property, plant and equipment

Particulars	Gross block				Depreciation and amortisation				Net block	
	As at 31 March 2019	Additions	Deletions / adjustments	As at 31 March 2020	As at 31 March 2019	For the year	Deletions / adjustments	As at 31 March 2020	As at 31 March 2020	As at 31 March 2019
Owned Assets										
Fixed assets for own use^										
Land	30.26	-	-	30.26	-	-	-	-	30.26	30.26
Buildings *	1,509.54	35.54	-	1,545.08	76.01	38.70	-	114.71	1,430.37	1,433.53
Wind mills	5,112.34	-	-	5,112.34	820.78	411.52	-	1,232.30	3,880.04	4,291.56
Furniture and fixtures	1,076.12	234.49	92.71	1,217.90	389.84	188.78	84.71	493.91	723.99	686.28
Vehicles	371.37	50.26	57.62	364.01	47.09	58.16	20.76	84.49	279.52	324.28
Office equipment	3,241.14	622.09	471.85	3,391.38	1,326.91	837.31	465.68	1,698.54	1,692.84	1,914.23
Leasehold improvements	1,571.30	386.80	130.52	1,827.58	580.36	343.80	120.91	803.25	1,024.33	990.94
Assets under Lease										
Fixed assets on operating lease										
Investment property	8.60	-	-	8.60	0.36	0.18	-	0.54	8.06	8.24
Vehicles	7,047.79	3,516.60	2,597.84	7,966.55	930.21	2,343.70	1,689.72	1,584.19	6,382.36	6,117.58
Total	19,968.46	4,845.78	3,350.54	21,463.70	4,171.56	4,222.15	2,381.78	6,011.93	15,451.77	15,796.90

Particulars	Cost / Deemed cost				Depreciation and amortisation				Net block	
	As at 1 April 2018	Additions	Deletions / adjustments	As at 31 March 2019	As at 1 April 2018	For the year	Deletions / adjustments	As at 31 March 2019	As at 31 March 2019	As at 1 April 2018
Owned Assets										
Fixed assets for own use^										
Land	30.26	-	-	30.26	-	-	-	-	30.26	30.26
Buildings *	1,509.54	-	-	1,509.54	38.01	38.00	-	76.01	1,433.53	1,471.53
Wind mills	5,112.34	-	-	5,112.34	410.39	410.39	-	820.78	4,291.56	4,701.95
Furniture and fixtures	1,022.99	95.75	42.62	1,076.12	212.10	213.84	36.10	389.84	686.28	810.89
Vehicles	298.81	132.21	59.65	371.37	31.18	49.85	33.94	47.09	324.28	267.63
Office equipment	2,813.27	760.96	333.09	3,241.14	720.48	928.25	321.82	1,326.91	1,914.23	2,092.79
Leasehold improvements	1,477.35	116.07	22.12	1,571.30	275.71	320.74	16.09	580.36	990.94	1,201.64
Assets under Lease										
Fixed assets on operating lease										
Investment property	8.60	-	-	8.60	0.18	0.18	-	0.36	8.24	8.42
Vehicles	6,106.84	3,126.83	2,185.88	7,047.79	348.64	1,989.65	1,408.08	930.21	6,117.58	5,758.20
Total	18,380.00	4,231.82	2,643.36	19,968.46	2,036.69	3,950.90	1,816.03	4,171.56	15,796.90	16,343.31

* Registration of title for 3 buildings is pending.

^ For details of movable / immovable property, plant and equipment hypothecated against borrowings, refer Note 18 & 19.

For details on contractual commitment, refer note 45

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 12: Capital work in progress

Particulars	As at 31 March 2020	As at 31 March 2019
Capital work in progress	-	259.19

Note 13: Intangible assets under development

Particulars	As at 1 April 2018	Additions	Deletions	Wriiten off	As at 31 March 2019	Additions	Deletions	Wriiten off	As at 31 March 2020
Intangible assets under development	96.27	210.46	192.25	19.84	94.64	1,028.76	475.28	94.64	553.48

Note 14: Other intangible assets

Description of assets	Gross block				Depreciation and amortisation				Net block	
	As at 31 March 2019	Additions	Deletions / adjustments	As at 31 March 2020	As at 31 March 2019	For the year	Deletions / adjustments	As at 31 March 2020	As at 31 March 2020	As at 31 March 2019
Fixed assets for own use										
Computer software	4,391.03	629.85	-	5,020.88	1,831.60	1,643.26	-	3,474.86	1,546.02	2,559.43
Total	**4,391.03**	**629.85**	**-**	**5,020.88**	**1,831.60**	**1,643.26**	**-**	**3,474.86**	**1,546.02**	**2,559.43**

Description of assets	Cost / Deemed cost				Depreciation and amortisation				Net block	
	As at 1 April 2018	Additions	Deletions / adjustments	As at 31 March 2019	As at 1 April 2018	For the year	Deletions / adjustments	As at 31 March 2019	As at 31 March 2019	As at 1 April 2018
Fixed assets for own use										
Computer software	3,530.24	860.79	-	4,391.03	766.87	1,064.73	-	1,831.60	2,559.43	2,763.37
Total	**3,530.24**	**860.79**	**-**	**4,391.03**	**766.87**	**1,064.73**	**-**	**1,831.60**	**2,559.43**	**2,763.37**

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 15: Right to use assets

	As at 31 March 2020	As at 31 March 2019
Right to use assets	5,122.24	-

Note 16: Other non-financial assets

	As at 31 March 2020	As at 31 March 2019
Prepaid expenses	2,461.22	1,924.78
Balances with statutory / government authorities	1,231.47	1,157.52
Gratuity* (excess of plan assets over obligation)	34.29	153.42
Capital Advances	13.95	139.33
	3,740.93	3,375.05

*Refer Note 40 for disclosure related to provisions for employee benefits.

Note 17: Trade payables

	As at 31 March 2020	As at 31 March 2019
(i) total outstanding dues of micro enterprises and small enterprises*	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	1,966.47	36,487.06
	1,966.47	36,487.06

*The Company has no dues to micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006, as at 31 March 2020 and 31 March 2019. This information is required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006, and has been determined to the extent such parties have been identified on the basis of information available with the Company. The same has been relied upon by auditors.

	As at 31 March 2020	As at 31 March 2019
a) Dues remaining unpaid to any supplier at the year end		
- Principal	-	-
- Interest on the above	-	-
b) Interest paid in terms of Section 16 of the MSMED Act along with the amount of payment made to the supplier beyond the appointed day during the year		
- Principal paid beyond the appointed date	-	-
- Interest paid in terms of Section 16 of the MSMED Act	-	-
c) Amount of interest due and payable for the period of delay on payments made beyond the appointed day during the year	-	-
d) Amount of interest accrued and remaining unpaid	-	-
e) Further interest due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small enterprises	-	-

Note 18: Debt securities

	As at 31 March 2020	As at 31 March 2019
At Amortised Cost - Secured		
(A) Redeemable non-convertible debentures	64,915.80	36,279.16
Total (A)	64,915.80	36,279.16
(B) Debt securities in India	64,915.80	36,279.16
Total (B)	64,915.80	36,279.16

Nature of security

Debentures issued under private placement are secured by mortgage of Company's immovable property situated at Rajarhat, Kolkata in the state of West Bengal (except for 3500 units alloted on 10 December 2019 which are only secured by hypothecated loan assets) and are also secured against designated loan assets. The total asset cover is hundred percent or above of the principal amount of the said debentures. Debentures issued under public issue are secured by mortgage of Company's immovable property situated at Luz Church Road, Mylapore, Chennai and are also secured against designated loan assets. The total asset cover is hundred percent or above of the principal amount of the said debentures.

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 18: Debt securities (Contd.)

Terms of maturity of secured redeemable non-convertible debentures *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
0 - 1 Years	-	8.99%	-	5,999.90
1 - 3 Years	9.20% -10.25%	9.55% - 9.95%	19,886.05	20,498.76
3 - 5 Years	9.00% -10.50%	9.00%	44,565.28	4,870.43
> 5 Years	10.27% -10.75%	9.00%	464.47	4,910.07
			64,915.80	**36,279.16**

* As per contractual tenure

Covenant breach

The impact of lockdown caused by COVID 19, additional provisions towards potential credit losses made during the year and other reasons has resulted in breach of some of the covenants related to borrowings such as interest coverage ratio, profitability, NPA ratios etc.

The Company has been regular in servicing of its borrowings and has represented to the lenders for waiver and amendment with respect to non-compliance of these covenants, wherever applicable. In most of the cases, the consequence of breach is either an increase in interest rate or review of the terms of collateral. In very few cases, there is provision for a right to recall of the facilities. The Company is confident of getting the waivers, given similar waivers having been received in past, considering Company's long track record with the lenders. Further, the Company believes its contingency refinance/ funding plan and current capital adequacy would enable it to tide over any impact of covenant breaches.

Note 19: Borrowings (other than debt securities)

	As at 31 March 2020	As at 31 March 2019
At Amortised Cost		
(A) a) Term loans - Secured *		
- from banks	217,702.45	183,991.28
- from other parties	-	30.54
b) Loans repayable on demand - Secured		
- from banks (Cash credit facilities and working capital demand loans)	315,092.68	354,598.68
c) Other loans		
- Loan from PTC investors - Secured	327,062.14	333,175.79
- Commercial paper - Unsecured	-	175,490.48
Total (A)	**859,857.27**	**1,047,286.77**
(B) Borrowings in India	859,857.27	1,047,286.77
Total (B)	**859,857.27**	**1,047,286.77**
* Aggregate of loans guaranteed by Director	-	30.54

Nature of security

a) Term loans are secured by way of hypothecation of designated loan assets and future rentals receivable therefrom.

b) Loans from PTC investors represents amounts received in respect of securitisation transactions (net of repayments and investment therein) as these transactions do not meet the derecogniton criteria specified under IND AS. This are secured by way of hypothecation of designated loan assets receivables.

c) Cash Credit facilities and Working Capital Demand Loans from Banks are secured by way of hypothecation of the Company's loan assets, tangible movable assets, plant and machinery, equipment's, etc. and future rental income therefrom and other current assets (expressly excluding those equipment's, plant, machinery, spare parts, tangible movable assets, loan assets etc. and future rental income therefrom which have been or will be purchased / financed out of any other facility from Financial Institutions, Banks or any other financial organisation). These are collaterally secured by way of equitable mortgage over immovable property.

Details of cash credit facilities and working capital demand loans

The cash credit facilities are repayable on demand and carry interest rates ranging from 8.70 % p.a. to 11.80 % p.a. (31 March 2019: from 8.90% p.a. to 12.05% p.a.). Working capital demand loans are repayable on demand and carry interest rates ranging from 7.90 % p.a. to 9.90 % p.a. (31 March 2019: from 8.55% p.a. to 9.60% p.a.). As per the prevalent practice, cash credit facilities and working capital demand loans are renewed on a year to year basis and therefore, are revolving in nature. There is no unhedged foreign currency exposure as on 31 March 2020.

MAGMA
Investing in the smallest dream

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 19: Borrowings (other than debt securities) (Contd.)

Details of commercial papers

There are no commercial papers outstanding as on 31 March 2020. As on March 2019, commercial paper carried interest rates ranging from 8.95% p.a. to 9.60% p.a. with maturity ranging from 2 months to 11 months.

Terms of repayment of term loans (secured) *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Quarterly installments				
0 - 1 Years	8.75% - 10.25%	8.95% - 10.70%	49,973.60	55,297.48
1 - 3 Years	9.15% - 10.25%	8.95% - 10.00%	76,973.93	82,229.25
3 - 5 Years	9.15% - 10.00%	8.95% - 10.00%	29,160.98	31,339.82
			156,108.51	**168,866.55**
Monthly installments				
0 - 1 Years	9.05% - 12.00%	12.00%	24,941.55	50.55
1 - 3 Years	9.15% - 12.00%	10.50% - 12.00%	31,216.67	7,583.87
3 - 5 Years	9.80% - 12.00%	10.50% - 12.00%	5,435.72	7,520.39
> 5 Years	-	12.00%	-	0.46
			61,593.94	**15,155.27**
			217,702.45	**184,021.82**

Terms of maturity of Loan from PTC Investors *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
0 - 1 Years	6.27% - 10.93%	6.11% - 10.93%	133,625.26	150,985.49
1 - 3 Years	6.27% - 10.93%	6.11% - 10.93%	180,415.31	160,940.13
3 - 5 Years	7.91% - 10.71%	6.27% - 10.93%	13,021.57	21,250.17
			327,062.14	**333,175.79**

* As per contractual tenure

Covenant breach

The impact of lockdown caused by COVID 19, additional provisions towards potential credit losses made during the year and other reasons has resulted in breach of some of the covenants related to borrowings such as interest coverage ratio, profitability, NPA ratios etc.

The Company has been regular in servicing of its borrowings and has represented to the lenders for waiver and amendment with respect to non-compliance of these covenants, wherever applicable. In most of the cases, the consequence of breach is either an increase in interest rate or review of the terms of collateral. In very few cases, there is provision for a right to recall of the facilities. The Company is confident of getting the waivers, given similar waivers having been received in past, considering Company's long track record with the lenders. Further, the Company believes its contingency refinance/ funding plan and current capital adequacy would enable it to tide over any impact of covenant breaches.

Note 20: Subordinated liabilities

	As at 31 March 2020	As at 31 March 2019
At Amortised Cost - Unsecured		
(A) Perpetual debt instruments (Tier I capital) to the extent that do not qualify as equity	10,288.80	13,236.76
Others (Tier II capital) :		
- From banks (subordinated debts)	19,885.50	19,859.90
- Redeemable subordinate debt instruments to the extent that do not qualify as equity	45,510.18	58,308.32
Total (A)	**75,684.48**	**91,404.98**
(B) Subordinated liabilities in India	75,684.48	91,404.98
Total (B)	**75,684.48**	**91,404.98**

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 20: Subordinated liabilities (Contd.)

Terms of maturity of perpetual debt debentures (Tier I capital) *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
0 - 1 Years	12.50%	13.50% - 13.75%	2,461.97	2,990.95
1 - 3 Years	-	12.50%	-	2,466.27
3 - 5 Years	12.00% - 12.10%	12.00% - 12.10%	4,978.52	4,989.72
> 5 Years	11.00% - 12.10%	11.00% - 12.10%	2,848.31	2,789.82
			10,288.80	**13,236.76**

Terms of maturity of redeemable subordinated debt instruments (Tier II capital) *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
0 - 1 Years	-	11.00%	-	12,948.07
1 - 3 Years	10.30% - 11.50%	11.00% - 11.45%	28,474.78	22,859.45
3 - 5 Years	10.70% - 10.90%	10.30% - 11.50%	6,111.78	11,828.09
> 5 Years	10.00% - 10.40%	10.00% - 10.40%	10,923.62	10,672.71
			45,510.18	**58,308.32**

Terms of repayment of subordinated instruments from banks (unsecured) (Tier II capital) *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
0 - 1 Years	-	-	-	-
1 - 3 Years	11.00%	11.00%	8,262.06	1,632.79
3 - 5 Years	11.00%	11.00%	1,637.70	8,327.03
> 5 Years	12.50%	12.50%	9,985.74	9,900.08
			19,885.50	**19,859.90**

* As per contractual tenure

The Company has not defaulted in repayment of principal and interest.

Note 21: Lease liability

	As at 31 March 2020	As at 31 March 2019
Lease liability	**5,496.91**	-

Note 22: Other financial liabilities

	As at 31 March 2020	As at 31 March 2019
Interest accrued	8,549.08	4,539.36
Unpaid dividend*	34.60	37.46
Temporary book overdraft	1,855.80	3,304.12
Director's commission payable	-	177.50
Pending remittance on assignment	5,906.56	6,264.76
Other payables**	10,781.83	9,397.20
	27,127.87	**23,720.40**

*There has been no delay in transfer of amounts required to be transferred to Investor Education and Protection Fund.

**Includes provision for commission payable to executive director Nil (31 March 19: ₹270.00 lacs), refer Note 44.

Note 23: Current tax liabilities (net)

	As at 31 March 2020	As at 31 March 2019
Provision for tax (net of advance tax)	1,435.17	1,096.56
	1,435.17	**1,096.56**

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 24: Provisions

	As at 31 March 2020	As at 31 March 2019
Provision for compensated absence	932.16	772.68
Provision - others	94.00	94.00
	1,026.16	**866.68**

Note 25: Other non-financial liabilities

	As at 31 March 2020	As at 31 March 2019
Revenue received in advance	125.59	91.70
Advances from customers	5,535.32	5,053.62
Statutory liabilities	817.98	888.70
	6,478.89	**6,034.02**

Note 26: Equity

	As at 31 March 2020	As at 31 March 2019
Authorised		
1,265,000,000 (31 March 2019: 1,265,000,000) Equity shares of ₹2/- each	25,300.00	25,300.00
58,300,000 (31 March 2019: 58,300,000) Preference shares of ₹100/- each	58,300.00	58,300.00
	83,600.00	**83,600.00**
Issued, subscribed and paid-up		
Equity share capital		
269,515,312 (2019: 269,324,236) Equity shares of ₹2/- each, fully paid up	5,390.31	5,386.48
	5,390.31	**5,386.48**

Reconciliation of shares outstanding at the beginning and at the end of the reporting period

Particulars	As at 31 March 2020		As at 31 March 2019	
	Number	Amount	Number	Amount
Equity shares				
At the commencement of the period	269,324,236	5,386.48	237,028,672	4,740.57
Shares issued on exercise of ESOPs during the year	191,076	3.83	37,500	0.75
Shares issued to Qualified Institutional Buyer's	-	-	32,258,064	645.16
Issued, subscribed and paid up share capital	**269,515,312**	**5,390.31**	**269,324,236**	**5,386.48**

Equity shares:

The Company has only one class of equity shares having a par value of ₹2/- each. Each holder of equity share is entitled to one vote per share.

The Company declares and pays dividend on equity shares in Indian ₹.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution to preference shareholders. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

During the year, the Company has allotted on 14 May 2019, 3 August 2019, 07 November 2019 and 30 January 2020 18,000 equity shares, 18,000 equity shares, 72,600 equity shares and 82,476 equity shares respectively of the face value of ₹2/- each to the eligible employees of the Company under Employee Stock Option Plan pursuant to SEBI (ESOS and ESPS) Guidelines, 1999, and with corresponding provision of SEBI (Share Based Employee Benefits) Regulations 2014, as amended from time to time.

On 17 June 2020, the Nomination and Remuneration Committee has allotted 4,800 equity shares of the face value of ₹2/- each to the eligible employees of the Company under Employee Stock Option Plan pursuant to SEBI (ESOS and ESPS) Guidelines, 1999, and with corresponding provision of SEBI (Share Based Employee Benefits) Regulations 2014, as amended from time to time. Consequent to the said allotment, the total paid-up equity share capital of the Company stands increased to 269,520,112 equity shares of ₹2/- each aggregating to ₹5,390.40 lacs. The equity shares issued and allotted as aforesaid rank pari passu with the existing equity shares of the Company in all respect.

During previous year ended 31 March 2019, the amount of per share dividend recommended by the Board as distribution to equity shareholders is ₹0.80 (40%) per equity share of the face value of ₹2/- each including shares allotted post 31 March 2019 upto record date. Total dividend on 269,342,236 equity shares for the year ended 31 March 2019 would amount to ₹2,597.65 lacs including corporate dividend tax of ₹442.91 lacs, subject to approval of shareholders.

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 26: Equity (Contd.)

Shares allotted as fully paid-up without payment being received in cash / by way of bonus shares:

The Company has not issued bonus shares or shares for consideration other than cash during the five year period immediately preceding the reporting date.

Shares bought back

Company has not bought back any of its securities during the five year period immediately preceding the reporting date.

Shareholders holding more than 5% shares

Name of the shareholder	As at 31 March 2020		As at 31 March 2019	
	%	No. of shares	%	No. of shares
Equity shares				
Microfirm Capital Private Limited	12.62	34,015,928	12.63	34,015,928
Celica Developers Private Limited	10.92	29,434,455	10.93	29,434,455
True North Fund V LLP	10.48	28,255,524	10.49	28,255,524
Amansa Holdings Private Limited	7.66	20,656,242	7.67	20,656,242
International Finance Corporation	4.77	12,848,310	7.33	19,753,041
Lavender Investments Limited	7.00	18,851,431	7.00	18,851,431
Reliance Capital Trustee Company Ltd	6.92	18,639,210	5.64	15,204,425

Note 27: Other equity

Capital redemption reserve

Capital redemption reserve is created to keep the capital intact when preference shares are redeemed or equity shares are bought back. It is utilised in accordance with the provisions of the Companies Act, 2013.

Employee share option outstanding

The Company instituted the Magma Employee Stock Option Plan (MESOP) in 2007 and Magma Restricted Stock Option Plan 2014 (MRSOP) in 2014, which were approved by the Board of Directors and the shareholders of the Company. The share option outstanding reserve is used to recognise the grant date fair value of option issued under aforesaid plans.

Refer Note 43 for further details on employee stock options.

Statutory reserve (created pursuant to Section 45-IC of the Reserve Bank of India Act, 1934)

Statutory reserve represents the Reserve Fund created under section 45-IC of the Reserve Bank of India Act, 1934. Under section 45-IC, the Company is required to transfer a sum not less than twenty percent of its net profit for the financial year to the statutory reserve. The statutory reserve can be utilized for the purposes as may be specified by the Reserve Bank of India from time to time.

Securities premium reserve

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

Capital reserve

Capital reserve has been created to set aside gains of capital nature from amalgamation and merger. It is utilised in accordance with the provisions of the Companies Act, 2013.

Debt instruments through other comprehensive income

This comprises changes in the fair value of debt instruments recognised in other comprehensive income and accumulated within equity. The group transfers amounts from such component of equity to retained earnings when the relevant debt instruments are derecognised.

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 28: Interest Income

	Year ended 31 March 2020		Year ended 31 March 2019	
	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost
Interest on loans	40,496.70	157,513.83	33,571.27	165,942.55
Interest on deposits with banks	-	3,153.41	-	2,795.75
Other interest income				
- On loans and margins	-	1,029.25	-	1,228.47
- On security deposit	-	87.47	-	64.06
- Others	-	-	-	52.45
	40,496.70	161,783.96	33,571.27	170,083.28
Total		202,280.66		203,654.55

Note 29: Rental Income

	Year ended 31 March 2020	Year ended 31 March 2019
Income from lease rentals		
- On operating lease assets	3,669.37	2,766.24
- On investment property	2.54	2.54
Total	3,671.91	2,768.78

Note 30: Fees and Commission Income

	Year ended 31 March 2020	Year ended 31 March 2019
Collection and support services	1,870.95	3,047.74
Foreclosure charges	3,036.12	3,022.46
Insurance commission	1,449.36	1,466.62
Others (cheque bouncing charges, valuation charges, etc)	1,083.73	910.11
Total	7,440.16	8,446.93

Note 31: Net gain / (loss) on fair value changes*

	Year ended 31 March 2020	Year ended 31 March 2019
(A) Net gain / (loss) on financial instruments at fair value through profit or loss		
- On equity securities	-	657.72
- On other financial assets	(236.53)	(149.88)
- On derivative contracts	-	59.57
Total Net gain / (loss) on fair value changes (A)	(236.53)	567.41
(B) Fair Value changes:		
Realised	-	507.84
Unrealised	(236.53)	59.57
Total Net gain / (loss) on fair value changes (B)	(236.53)	567.41

*Fair value changes in this schedule are other than those arising on account of interest income/expense.

Note 32: Net gain on derecognition of financial instruments

	Year ended 31 March 2020	Year ended 31 March 2019
Income from derecognition on account of direct assignment transactions	4,361.83	4,395.57
Gain on sale of non performing and written off assets (net of reversal of provision of ₹29,597.96 lacs for 31 March 2019)	-	3,281.36
Total	4,361.83	7,676.93

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 33: Other Income

	Year ended 31 March 2020	Year ended 31 March 2019
Sale of power	1,014.57	1,204.27
Gain on sale of investments	-	245.19
Net gain on derecognition of property, plant and equipment	3.26	43.28
Miscellaneous income	3,131.01	2,123.32
Total	**4,148.84**	**3,616.06**

Note 34: Finance cost

	Year ended 31 March 2020	Year ended 31 March 2019
	On Financial liabilities measured at Amortised Cost	On Financial liabilities measured at Amortised Cost
Interest on security deposits	58.02	60.98
Interest on borrowings	92,454.98	84,451.08
Interest on debt securities	5,681.55	3,558.61
Interest on subordinated liabilities	10,720.13	10,943.50
Other interest expense *	652.46	9.14
Other borrowing costs	2,829.96	2,740.70
	112,397.10	**101,764.01**

* Refer Note 41

Note 35: Impairment on financial instruments

	Year ended 31 March 2020		Year ended 31 March 2019	
	On Financial instruments measured at fair value through OCI	On Financial liabilities measured at Amortised Cost	On Financial instruments measured at fair value through OCI	On Financial liabilities measured at Amortised Cost
Loans *	(1,710.06)	6,617.54	(704.45)	(12,624.71)
Other assets	-	190.14	-	(361.95)
Bad debts written-off (net of recoveries)	9,273.83	32,033.26	4,055.65	34,133.00
	7,563.77	**38,840.94**	**3,351.20**	**21,146.34**
Total		**46,404.71**		**24,497.54**

* Effective 1 July 2018, SME has been reclassified from amortised cost to FVOCI.

Note 36: Employee benefits expenses *

	Year ended 31 March 2020	Year ended 31 March 2019
Salaries and wages	34,227.63	34,069.59
Contribution to provident and other funds	1,842.78	1,594.04
Share based payments to employees	141.38	739.45
Staff welfare expenses	1,196.94	1,637.82
Total	**37,408.73**	**38,040.90**

* Refer Note 44

Note 37: Depreciation, amortisation and impairment

	Year ended 31 March 2020	Year ended 31 March 2019
Depreciation on property, plant and equipment	4,221.97	3,950.72
Depreciation on investment property	0.18	0.18
Depreciation on right to use assets	1,298.73	-
Amortisation of intangible asset	1,643.26	1,064.73
Total	**7,164.14**	**5,015.63**

MAGMA
Investing in the smallest dream

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 38: Others expenses

	Year ended 31 March 2020	Year ended 31 March 2019
Rent	191.68	1,998.11
Rates and taxes	766.75	32.16
Electricity charges	661.20	794.25
Repairs and maintenance		
- Machinery	242.75	283.22
- Others	2,025.25	1,773.15
Communication expenses	856.24	1,185.57
Printing and stationery	401.73	557.58
Advertisement and publicity	379.07	363.47
Directors		
- Fees	73.87	73.08
- Commission	15.96	177.50
Legal charges	913.65	926.97
Professional fees*	2,005.66	2,839.41
Insurance	125.72	106.63
Travelling and conveyance	1,993.85	2,078.70
CSR expenditure**	226.45	292.98
Outsource collection charges	1,169.09	1,942.76
Intangible assets under development written off	94.64	19.84
Credit guarantee fees	1,983.61	430.65
Miscellaneous expenses	746.72	1,248.64
Total	**14,873.89**	**17,124.67**

Refer Note 44

	Year ended 31 March 2020	Year ended 31 March 2019
* Payments to auditors		
Statutory audit	55.00	55.00
Limited review of quarterly results	30.00	30.00
Other services	60.38	40.55
Reimbursement of expenses	18.53	4.49
Total	**163.90**	**130.04**

** Details of corporate social responsibility expenditure

A CSR committee has been formed by the Company as per the Companies Act, 2013. CSR expenses have been incurred through out the year on the activities as specified in Schedule VII of the said Act. The focus area of CSR initiatives undertaken by the Company are education, health and environment. The Company incurs CSR expenses directly or through trust Magma Foundation.

	Year ended 31 March 2020	Year ended 31 March 2019
(a) Amount required to be spent by the Company during the year	447.50	362.92
(b) Amount spent during the year		
(i) Construction/ acquisition of any asset	-	-
(ii) On purposes other than (i) above	226.45	292.98

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 39: Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	As at 31 March 2020			As at 31 March 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	20,485.66	-	20,485.66	56,741.02	-	56,741.02
Bank balance other than cash and cash equivalents	37,770.83	6,579.95	44,350.78	29,823.52	6,704.58	36,528.10
Receivables	991.41	-	991.41	1,096.98	-	1,096.98
Loans	401,276.28	716,215.02	1,117,491.30	493,644.13	820,141.27	1,313,785.40
Investments	-	40,242.16	40,242.16	-	30,242.16	30,242.16
Other financial assets	19,572.75	6,032.90	25,605.65	6,276.19	6,903.56	13,179.75
Total financial assets	**480,096.93**	**769,070.03**	**1,249,166.96**	**587,581.84**	**863,991.57**	**1,451,573.41**
Non-financial assets						
Current tax assets (net)	-	9,540.56	9,540.56	-	10,737.97	10,737.97
Deferred tax assets (net)	-	10,398.31	10,398.31	-	14,359.17	14,359.17
Property, plant and equipment	-	15,451.77	15,451.77	-	15,796.90	15,796.90
Capital work-in-progress	-	-	-	-	259.19	259.19
Intangible assets under development	-	553.48	553.48	-	94.64	94.64
Other intangible assets	-	1,546.02	1,546.02	-	2,559.43	2,559.43
Right to use assets	1,352.37	3,769.87	5,122.24			
Other non-financial assets	3,545.18	195.75	3,740.93	2,884.64	490.41	3,375.05
Total non-financial assets	**4,897.55**	**41,455.76**	**46,353.31**	**2,884.64**	**44,297.71**	**47,182.35**
Total assets	**484,994.48**	**810,525.79**	**1,295,520.27**	**590,466.48**	**908,289.28**	**1,498,755.76**
LIABILITIES						
Financial liabilities						
Trade payables	1,966.47	-	1,966.47	36,487.06	-	36,487.06
Debt securities	-	64,915.80	64,915.80	5,999.90	30,279.26	36,279.16
Borrowings (other than debt securities)	523,633.09	336,224.18	859,857.27	736,422.68	310,864.09	1,047,286.77
Subordinated liabilities	2,461.97	73,222.51	75,684.48	15,939.02	75,465.96	91,404.98
Lease liability	1,170.46	4,326.45	5,496.91			
Other financial liabilities	27,127.87	-	27,127.87	23,720.40	-	23,720.40
Total financial liabilities	**556,359.86**	**478,688.94**	**1,035,048.80**	**818,569.06**	**416,609.31**	**1,235,178.37**
Non-financial liabilities						
Current tax liabilities (net)	1,435.17	-	1,435.17	1,096.56	-	1,096.56
Provisions	26.16	1,000.00	1,026.16	25.10	841.58	866.68
Other non-financial liabilities	6,406.54	72.35	6,478.89	5,975.38	58.64	6,034.02
Total non-financial liabilities	**7,867.87**	**1,072.35**	**8,940.22**	**7,097.04**	**900.22**	**7,997.26**
EQUITY						
Equity share capital	-	5,390.31	5,390.31	-	5,386.48	5,386.48
Other equity	-	246,140.94	246,140.94	-	250,193.65	250,193.65
Total equity	**-**	**251,531.25**	**251,531.25**	**-**	**255,580.13**	**255,580.13**
Total liabilities and equity	**564,227.73**	**731,292.54**	**1,295,520.27**	**825,666.10**	**673,089.66**	**1,498,755.76**

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 40: Employee benefits

The Company operates the following post-employment plans -

i. Defined contribution plan

The contribution made to various statutory funds is recognized as expenses and included in Note 36 'Employee benefits expense' under 'Contribution to provident and other funds' in Statement of Profit and Loss. The detail is as follows :

	Year ended 31 March 2020	Year ended 31 March 2019
Provident and Pension Fund	1,510.76	1,315.80
Gratuity Fund	332.02	278.24
	1,842.78	**1,594.04**

ii. Defined benefit plan

Gratuity

The Company has a defined benefit gratuity plan in India, governed by the Payment of Gratuity Act, 1972. This plan entitles an employee, who has rendered at least five years of continuous service, to gratuity at the rate of fifteen days wages for every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned. The scheme is fully funded with Life Insurance Corporation of India (LIC). This defined benefit plan expose the Company to actuarial risks, such as regulatory risk, credit risk, liquidity risk, etc as defined below.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at 31 March 2020. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity plan and the amounts recognised in the Company's financial statements as at balance sheet date:

	As at 31 March 2020	As at 31 March 2019
Net defined benefit asset/(liability)	34.29	153.42

A. Funding

The scheme is fully funded with Life Insurance Corporation of India (LIC). The funding requirements are based on the gratuity fund's actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out in Section E below.

Expected contributions to gratuity plan for the year ending 31 March 2020 is ₹315.69 lacs.

B. Reconciliation of the net defined benefit (asset) / liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

	As at 31 March 2020			As at 31 March 2019		
	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability
Balance at the beginning of the year	2,047.71	2,201.13	(153.42)	1,748.67	1,888.89	(140.22)
Included in profit or loss						
Current service cost	364.04	-	364.04	302.03	-	302.03
Interest cost (income)	144.33	(176.35)	(32.02)	122.70	(151.82)	(29.12)
	508.37	**(176.35)**	**332.02**	**424.73**	**(151.82)**	**272.91**
Included in other comprehensive income						
Remeasurements loss (gain)						
– Actuarial loss (gain) arising from:						
- demographic assumptions	(1.20)	-	(1.20)	-	-	-
- financial assumptions	255.01	-	255.01	25.81	-	25.81

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 40: Employee benefits (Contd.)

	As at 31 March 2020			As at 31 March 2019		
	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability
- experience adjustment	(31.14)	-	(31.14)	162.84	-	162.84
– on plan assets	-	100.26	100.26	-	-	-
	222.67	**100.26**	**322.93**	**188.65**	**-**	**188.65**
Other						
Contributions paid by the employer	-	535.82	(535.82)	-	474.76	(474.76)
Benefits paid	(297.37)	(297.37)	-	(314.34)	(314.34)	-
	(297.37)	**238.45**	**(535.82)**	**(314.34)**	**160.42**	**(474.76)**
Balance at the end of the year	**2,481.38**	**2,515.67**	**(34.29)**	**2,047.71**	**2,201.13**	**(153.42)**

C. Plan assets

	As at 31 March 2020	As at 31 March 2019
Investment with Life insurance Corporation	100%	100%

On an annual basis, an asset-liability matching study is done by the Company whereby the Company contributes the net increase in the actuarial liability to the plan manager (insurer) in order to manage the liability risk.

D. Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	As at 31 March 2020	As at 31 March 2019
Discount rate	6.62%	7.60%
Future salary growth	5.00%	5.00%
Withdrawal rate:		
Upto 40 years	4.20%	4.20%
40 years and above	Nil	Nil
Early retirement and disability:		
40-54 years	1.80%	1.80%
55-57 years	2.20%	2.20%
Expected rate of return on plan assets	7.60%	7.71%
Mortality	IALM (2012-14)	IALM (2006-08)

E. Sensitivity analysis of significant assumptions

The following table present a sensitivity analysis to one of the relevant actuarial assumption, holding other assumptions constant, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

	As at 31 March 2020		As at 31 March 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% movement)	2,411.84	2,553.92	1,989.73	2,108.17
Future salary growth (0.5% movement)	2,631.28	2,342.51	2,173.79	1,930.88
Withdrawal rate (2% movement)	2,481.50	2,481.25	2,047.94	2,047.49
Mortality rate (1% movement)	2,481.50	2,481.25	2,047.91	2,047.51

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Notes

to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 40: Employee benefits (Contd.)

F. Expected maturity analysis of the defined benefit plans in future years

	As at 31 March 2020	As at 31 March 2019
1 year	161.48	101.75
Between 2-5 years	460.34	471.32
Between 6-10 years	829.86	602.21
Over 10 years	4,701.30	4,784.25
Total	**6,152.98**	**5,959.53**

As at 31 March 2020, the weighted-average duration of the defined benefit obligation was 13.14 years (31 March 2019: 13.86 years).

G. Description of risk exposures

Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such company is exposed to various risks as follow -

Credit Risk: If the scheme is insured and fully funded on Projected Unit Credit ('PUC') basis there is a credit risk to the extent the insurer(s) is/ are unable to discharge their obligations including failure to discharge in timely manner.

Pay-as-you-go Risk: For unfunded schemes financial planning could be difficult as the benefits payable will directly affect the revenue and this could be widely fluctuating from year to year. Moreover there may be an opportunity cost of better investment returns affecting adversely the cost of the scheme.

Discount Rate risk: The Company is exposed to the risk of fall in discount rate. A fall in discount rate will eventually increase in the ultimate cost of providing the above benefit thereby increasing the value of the liability.

Liquidity Risk: This risk arises from the short term asset and liability cash-flow mismatch thereby causing the company being unable to pay the benefits as they fall due in the short term. Such a situation could be the result of holding large illiquid assets disregarding the results of cash-flow projections and cash outgo inflow mismatch. (Or it could be due to insufficient assets/cash).

Future Salary Increase Risk: The Scheme cost is very sensitive to the assumed future salary escalation rates for all final salary defined benefit Schemes. If actual future salary escalations are higher than that assumed in the valuation actual Scheme cost and hence the value of the liability will be higher than that estimated.

Regulatory Risk: Gratuity Benefit must comply with the requirements of the Payment of Gratuity Act, 1972 (as amended up-to-date). There is a risk of change in the regulations requiring higher gratuity payments (e.g. raising accrual rate from 15/26 etc.)

iii. Other long-term benefits

The Company provides compensated absences benefits to the employees of the Company which can be carried forward to future years. Amount recognised in the Statement of profit and loss for compensated absences is as under-

	Year ended 31 March 2020	Year ended 31 March 2019
Amount recognised in statement of profit and loss		
Compensated absences	**390.11**	**324.69**

Note 41: Leases

The Company has adopted Ind AS 116 effective 01 April 2019, using the modified retrospective method. The Company has applied the Accounting Standard to its leases with the cumulative impact recognised on the date of initial application ie 01 April 2019. Accordingly, previous period information has not been restated. This has resulted in recognizing a right-of-use asset and a corresponding lease liability. The effect of the adoption is not significant to the profit for the period.

A. Lease in the capacity of Lessee

a) Nature : Leases considered here are taken for offices use, guesthouse and godown

b) Particulars	Year ened 31 March 2020
1) Depreciation on right to use assets (gross)	1,502.96
2) Interest expense on lease laibility	642.39
3) Rent paid for leases which are not considered under IND AS 116	109.79
4) Income from Subletting right of use assets	-

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 41: Leases (Contd.)

b) Particulars	Year ended 31 March 2020
5) Total cash outflow for leases	1,770.69
6) Additions to right to use assets	7,239.36
7) Carrying amount of right to use assets	5,122.24
c) Bifurcation of rent paid during the year	
- Principal	1,128.30
- Interest	642.39

B. Lease in the capacity of Lessor

a) Nature : Operating and finanace lease of Vehicles primarily to Corporate clients

b) Company manages the risk associated with any rights it retains in underlying assets as per the terms of the respective lease contracts. There is a dedicated team which manages this portfolio.

c) Future lease payments

At year end, the future lease receivables under finance leases are as follows:

Particulars	Year ended 31 March 2020
1st Year	9,138.60
2nd Year	7,287.45
3rd Year	4,644.15
4th Year	1,997.71
5th Year	381.89
More than 5 Year	-

At year end, the future lease receivables under operating leases are as follows:

Particulars	Year ended 31 March 2020
1st Year	3,477.21
2nd Year	2,535.97
3rd Year	1,494.37
4th Year	512.73
5th Year	160.63
More than 5 Year	-

d) Reconciliation - Finance lease

Particulars	Year ended 31 March 2020
Net investment in lease (carrying amount of Finance lease) (A)	19,285.19
Uneraned finance income (B)	4,164.61
Total lease payments (A+B)	23,449.80

Note 42: Earnings per share (EPS)

Particulars	Units	Year ended 31 March 2020	Year ended 31 March 2019
a) (i) Weighted average number of equity shares for basic EPS	Nos	269,394,955	268,324,253
(ii) Effect of potential ordinary equity shares on employee stock options	Nos	630,817	436,049
(iii) Weighted average number of equity shares for diluted EPS	Nos	270,025,772	268,760,302
b) Net (loss) / profit after tax	₹ in Lacs	(1,001.08)	27,512.87
c) (i) Net (loss) / profit for equity shareholders for basic EPS	₹ in Lacs	(1,001.08)	27,512.87
(ii) Net (loss) / profit for equity shareholders for diluted EPS	₹ in Lacs	(1,001.08)	27,512.87
d) (i) Earnings per share (Face value of ₹2/- per share) – basic	₹	(0.37)	10.25
(ii) Earnings per share (Face value of ₹2/- per share) – diluted	₹	(0.37)	10.24

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 43: Share-based payments

A Description of share-based payment arrangements

The company instituted the Magma Employee Stock Option Plan (MESOP) in 2007 and Magma Restricted Stock Option Plan 2014 (MRSOP) in 2014, which were approved by the Board of Directors and the shareholders of the Company.

MESOP, 2007

Under MESOP 2007, the Company provided for the creation and issue of 1,000,000 options, that would eventually convert into equity shares of ₹10/- each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of and at the exercise price determined by the Nomination and Remuneration Committee of the Board of Directors. The options generally vest in a graded manner and are exercisable within 3/4 years from the date of vesting. Following the sub-division of one equity share of the face value of ₹10/- each into five equity shares of the face value of ₹2/- each during the financial year ended 31 March 2011, the number of options increased from 1,000,000 to 5,000,000. During the year, the Nomination and Remuneration Committee of the Board of Directors has granted 1,103,711 options (31 March 2019: 1,605,083 options) under MESOP 2007 to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹2/- each).

MRSOP, 2014

Under MRSOP 2014, the Company provided for the creation and issue of 5,000,000 options, that would eventually convert into equity shares of ₹2/- each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of the Nomination and Remuneration Committee of the Board of Directors and at the exercise price of the face value of ₹2/- each. The options generally will vest in a graded manner and are exercisable within 3 years from the date of vesting. During the year, the Nomination and Remuneration Committee of the Board of Directors has not granted any options (31 March 2019: 300,000 options) under MRSOP 2014 to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹2/- each).

B Measurement of Fair values

The fair value of employee share options has been measured using Black-Scholes model. The weighted average fair value of each option of Magma Fincorp Limited was ₹58.93 (31 March 2019: ₹79.02).

The fair value of the options and the inputs used in the measurement of the grant-date fair values of the equity-settled share based payment plans are as follows:

Particulars	Units	31 March 2020	31 March 2019
Fair value at grant date	₹	14.41 - 146.98	43.72 - 146.98
Share price at grant date	₹	39.45 - 151.50	79.80 - 165.30
Exercise price	₹	2.00 - 120.00	2.00 - 120.00
Expected volatility (weighted average volatility)	%	39.83 - 49.99	39.83 - 49.99
Expected life (expected weighted average life)	years	2.38 - 5.21	2.38 - 5.21
Expected dividends	%	0.53 - 2.03	0.48 - 1.02
Risk-free interest rate (based on government bonds)	%	5.98 - 8.06	6.80 - 8.06

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behavior.

During the year, the Nomination and Remuneration Committee of the Board of Directors through Resolution by circulation passed on 19 November 2019 has approved the change in the method of pricing of options. Some unexercised or unvested options granted earlier under the MESOP Plan 2007 have been repriced at market price as on the date of such change, i.e. ₹39.45/- for each option.

The incremental fair value due to modification of the exercise price ranges from ₹10.02 to ₹13.88

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 43: Share-based payments (Contd.)

The fair value of the options and the inputs used in the measurement of the fair values as on the date of modification are as follows:

Particulars	Units	31 March 2020
Fair value	₹	10.02 - 13.88
Share price at grant date	₹	39.45
Exercise price	₹	39.45
Expected volatility (weighted average volatility)	%	43.94 - 46.05
Expected life (expected weighted average life)	years	1.92 - 3.90
Expected dividends	%	2.03
Risk-free interest rate (based on government bonds)	%	5.47 - 5.88

C Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under the share option plans were as follows:

MESOP, 2007

	Year ended 31 March 2020		Year ended 31 March 2019	
	Number of share options	Wtd. Avg. price	Number of share options	Wtd. Avg. price
Outstanding options at the beginning of the year	1,895,310	91.03	660,000	88.64
Add: Granted during the year	1,103,711	35.99	1,605,083	87.58
Less: Exercised during the year	191,076	13.46	37,500	60.00
Less: Lapsed/forfeited during the year	603,857	82.21	332,273	73.10
Outstanding options at the end of the year	**2,204,088**	**72.61**	**1,895,310**	**91.03**
Options vested and exercisable at the end of the year	531,056	37.58	45,000	82.22

The options outstanding at 31 March 2020 have an exercise price in the range of ₹2 to ₹60 (31 March 2019: ₹2 to ₹120) and a weighted average remaining contractual life of 1.5 years (31 March 2019: 1.2 years).

The weighted average share price at the date of exercise for share options exercised in 2019-20 was ₹68.44 (2018-19: ₹110.06).

MRSOP 2014

	Year ended 31 March 2020		Year ended 31 March 2019	
	Number of share options	Wtd. Avg. price	Number of share options	Wtd. Avg. price
Outstanding options at the beginning of the year	600,000	100.00	510,000	59.65
Add: Granted during the year	-	-	300,000	100.00
Less: Exercised during the year	-	-	-	-
Less: Lapsed/forfeited during the year	300,000	100.00	210,000	2.00
Outstanding options at the end of the year	**300,000**	**100.00**	**600,000**	**100.00**
Options vested and exercisable at the end of the year	-	-	-	-

The options outstanding at 31 March 2020 have an exercise price of ₹100 (31 March 2019: ₹100) and a weighted average remaining contractual life of 1.56 years (31 March 2019: 2.09 years).

No options were exercised during the year FY 19-20 and FY 18-19.

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 43: Share-based payments (Contd.)

D Equity shares reserved for issue under options

	No. of options granted	Exercise price (₹)	Year ened31 March 2020		Year ended 31 March 2019	
			No. of options	Amount	No. of options	Amount
Under MESOP 2007:						
Tranche VI	50,000	60.00	20,000	0.40	20,000	0.40
Tranche XIII	225,000	100.00	-	-	225,000	4.50
Tranche XIV	90,000	120.00	-	-	90,000	1.80
Tranche XV	75,000	120.00	-	-	75,000	1.50
Tranche XVI A	726,083	39.45	400,411	8.01	630,310	12.61
Tranche XVI B	322,000	2.00	158,000	3.16	308,000	6.16
Tranche XVII	8,000	2.00	2,800	0.06	4,000	0.08
Tranche XVIII	6,000	2.00	2,400	0.05	6,000	0.12
Tranche XIX	60,000	39.45	60,000	1.20	60,000	1.20
Tranche XX	30,000	39.45	30,000	0.60	30,000	0.60
Tranche XXI	100,000	39.45	100,000	2.00	100,000	2.00
Tranche XXII	44,000	2.00	31,000	0.62	38,000	0.76
Tranche XXIII	9,000	39.45	9,000	0.18	9,000	0.18
Tranche XXIV A	125,000	39.45	125,000	2.50	125,000	2.50
Tranche XXIV B	175,000	39.45	175,000	3.50	175,000	3.50
Tranche XXV	1,001,711	39.45	988,477	19.77	-	-
Tranche XXVI	102,000	2.00	102,000	2.04	-	-
Under MRSOP 2014:						
Tranche I (C)	300,000	100.00	-	-	300,000	6.00
Tranche I (D)	300,000	100.00	300,000	6.00	300,000	6.00

Note 44: Related parties

(i) Name of related parties and description of relationship:

A Names of the Related parties where control exists	Nature of Relationship
Magma Housing Finance Limited	Subsidiary Company

B Joint Venture
Magma HDI General Insurance Company Limited
Jaguar Advisory Services Private Limited

C Key Managerial Personnel ('KMP')	Nature of Relationship
Mr. Mayank Poddar	Chairman Emeritus and Whole Time Director
Mr. Sanjay Chamria	Vice Chairman and Managing Director
Mr. Kailash Baheti	Chief Financial Officer
Mrs. Shabnum Zaman	Company Secretary

D Directors	
Mr. Narayan K Seshadri	Chairman and Independent Director
Mr. Satyabrata Ganguly	Independent Director (upto 24 September 2019)
Mr. Nabankur Gupta	Independent Director (upto 7 December 2018)
Ms. Madhumita Dutta-Sen	Director (Upto 15 May 2019)
Mr. V K Viswanathan	Independent Director
Mrs. Vijayalakshmi R Iyer	Independent Director (w.e.f 31 January 2019)
Mr. Sunil Rewachand Chandiramani	Independent Director (w.e.f 10 December 2019)
Mr. Bontha Prasada Rao	Independent Director (w.e.f 10 December 2019)

E Private Company in which KMP/Director or his relative is Member or Director
Celica Developers Private Limited
Microfirm Capital Private Limited
Magma Consumer Finance Private Limited

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 44: Related parties (Contd.)

F	Relatives of Directors / KMP
	Harshvardhan Chamria
	Mayank Poddar H U F
	Kalpana Poddar
	Ashita Poddar
	Bimla Devi Baheti
	Shashi Baheti
	Apoorva Baheti
	Ankita Baheti
	Kailash Baheti HUF
	Mansi Poddar
	Shaili Poddar
	Adarsh Tulshan
	Sanjay Chamria (HUF)
	Banwarilal Chamria and Others (HUF)

(ii) Related party transactions during the year and balance receivable from and payable to related parties as at the balance sheet date:

Name of related party		Nature of transaction	Transaction value for the year ended 31 March 2020	Outstanding amount as at 31 March 2020	Transaction value for the year ended 31 March 2019	Outstanding amount as at 31 March 2019
A)	**Subsidiary**					
	Magma Housing Finance Limited	Cost allocation made*	1,163.50	-	1,334.01	-
		Investment in equity shares	10,000.00	31,970.94	-	21,970.94
		Long-term loans and advances given	57,000.00	-	35,000.00	-
		Refund of long-term loans and advances given	57,000.00	-	35,000.00	-
		Direct assignment purchase	22,946.51	-	22,802.95	-
		Direct assignment servicing fees paid	36.67	2.72	1.90	1.32
		Interest income	683.87	-	870.41	-
B)	**Joint venture**					
1	Magma HDI General Insurance Company Limited	Investment in equity shares	-	8,267.87	-	8,267.87
		Share Application money paid **	2,650.04	2,650.04	-	-
		Purchase of equity shares	-	-	2,055.56	-
		Short-term loans and advances given	19,973.13	833.90	21,247.52	848.39
		Refund / adjustment of short-term loans and advances given	19,987.62	-	20,962.50	-
		Claims received	1.66	-	10.42	-
		Insurance commission income	1,710.10	67.82	1,730.64	125.01
		Insurance premium paid	11.91	-	16.98	-
		Subscription to public issue of NCD	7,500.00	7,500.00	-	-
		Interest accrued but not due on NCD	712.19	712.19	-	-
2	Jaguar Advisory Services Private Limited	Investment in equity shares	-	2.20	-	2.20
C)	**Private Company in which director is member or director**					
1	Celica Developers Private Limited	Security Deposit refund ***	163.05	-	-	159.55
		Prepaid rent ***	-	-	-	3.33
		Rent paid	-	-	253.30	-
		Equity dividend paid	235.48	-	235.48	-

MAGMA
Investing in the smallest dream

Notes

to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 44: Related parties (Contd.)

	Name of related party	Nature of transaction	Transaction value for the year ended 31 March 2020	Outstanding amount as at 31 March 2020	Transaction value for the year ended 31 March 2019	Outstanding amount as at 31 March 2019
2	Magma Consumer Finance Private Limited	Equity dividend paid	14.56	-	-	-
3	Microfirm Capital Private Limited	Equity dividend paid	272.13	-	272.13	-
D)	**Key Managerial Personnel**					
1	Mr. Mayank Poddar	Director's remuneration	168.40	-	168.40	-
2	Mr. Sanjay Chamria	Director's remuneration #	224.40	-	224.40	-
		Provision for commission	-	-	270.00	270.00
3	Mr. Kailash Baheti	Salary	213.18	-	221.58	-
		Subscription to public issue of NCD	10.00	10.00	-	-
		Interest accrued but not due on NCD	0.89	0.89		
		Equity dividend paid	0.40	-		
4	Mrs. Shabnum Zaman	Salary	27.55	-	26.95	-
E)	**Directors**					
1	Mr. Narayan K Seshadri	Sitting fees	18.00	-	20.10	-
		Commission	-	-	65.00	65.00
2	Mr. Nabankur Gupta	Sitting fees	-	-	8.00	-
		Commission	-	-	22.50	22.50
3	Mr. Satya Brata Ganguly	Sitting fees	8.80	-	14.40	-
		Commission	-	-	45.00	45.00
4	Mr. V K Viswanathan	Sitting fees	18.00	-	21.00	-
		Commission	-	-	45.00	45.00
		Equity dividend paid	0.01	-		
5	Mrs. Madhumita Dutta-Sen	Sitting fees	1.00	-	4.00	-
6	Mr. Sunil Rewachand Chandiramani	Sitting fees	3.30	-	-	-
7	Mrs. Vijayalakshmi R Iyer	Sitting fees	19.00	-	-	-
F)	**Other related parties**					
1	Mr. Harshvardhan Chamria	Salary	118.05	-	89.32	-
2	Mayank Poddar H U F	Rent expense	11.19	-	-	-
		Advances given / Prepaid Rent ***	4.73	4.69	-	-
3	Kalpana Poddar	Rent expense	22.38	-	-	-
		Advances given / Prepaid Rent ***	9.47	9.38	-	-
		Equity dividend paid	0.44	-	-	-
4	Ashita Poddar	Rent expense	11.19	-	-	-
		Advances given / Prepaid Rent ***	4.73	4.69	-	-
		Equity dividend paid	0.13	-	-	-
5	Bimla Devi Baheti	Subscription to public issue of NCD	10.00	10.00	-	-
		Interest accrued but not due on NCD	0.89	0.89	-	-
6	Shashi Baheti	Subscription to public issue of NCD	10.00	10.00	-	-
		Interest accrued but not due on NCD	0.89	0.89	-	-

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 44: Related parties (Contd.)

	Name of related party	Nature of transaction	Transaction value for the year ended 31 March 2020	Outstanding amount as at 31 March 2020	Transaction value for the year ended 31 March 2019	Outstanding amount as at 31 March 2019
7	Apoorva Baheti	Subscription to public issue of NCD	10.00	10.00	-	-
		Interest accrued but not due on NCD	0.89	0.89	-	-
8	Ankita Baheti	Subscription to public issue of NCD	10.00	10.00	-	-
		Interest accrued but not due on NCD	0.89	0.89	-	-
9	Kailash Baheti HUF	Subscription to public issue of NCD	10.00	10.00	-	-
		Interest accrued but not due on NCD	0.89	0.89	-	-
10	Mansi Poddar	Equity dividend paid	2.28	-	-	-
11	Shaili Poddar	Equity dividend paid	1.00	-	-	-
12	Adarsh Tulshan	Equity dividend paid	0.04	-	-	-
13	Sanjay Chamria (HUF)	Subscription to public issue of NCD	25.00	25.00	-	-
		Interest accrued but not due on NCD	2.32	2.32	-	-
14	Banwarilal Chamria and Others(HUF)	Subscription to public issue of NCD	25.00	25.00	-	-
		Interest accrued but not due on NCD	2.32	2.32	-	-

Related parties identified includes related parties as per section 2(76) of the Companies Act, 2013.

* represents expenses recovered towards infrastructural support, operational assistance and other services.

** The equity shares were alloted on 28 April 2020 by Magma HDI.

*** includes the impact of fair valuation of security deposits.

Pursuant to inadequate profits due to additional provision made for Covid - 19, the existing managerial remuneration paid by the Company to its Vice Chairman and Managing Director during the current year is in excess of the limits laid down under Section 197 of the Companies Act, 2013 ('Act') read with Schedule V to the Act by ₹42.87 lacs. The Company is in the process of obtaining approval from its shareholders vide special resolution at the forthcoming annual general meeting for such excess remuneration paid.

(iii) Compensation of key managerial personnel

	Year ended 31 March 2020	Year ended 31 March 2019
Short-term employee benefits	621.95	900.01
Post-employment defined benefit*	11.58	11.32
Share-based payments	-	-
	633.53	911.33

*Excludes provision for encashable leave and gratuity for certain key management personnel as these are determined for the Company as a whole.

Terms and conditions

All transactions with these related parties are priced on an arm's length basis. Outstanding amount as at the end of the year, in respect of loan and advances are unsecured and to be settled in cash and / or adjusted against goods or services.

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 45: Contingent liabilities and commitments

1) Contingent liabilities and commitments (to the extent not provided for)

a) Contingent liabilities

	As at 31 March 2020	As at 31 March 2019
Claims against the Company not acknowledged as debt		
i) Income tax matters under dispute	122.33	235.76
ii) VAT and GST matters under dispute	522.05	1,129.51
iii) Service tax matters under dispute	392.51	431.29
iv) Legal cases against the Company *	201.70	198.62

* The Company is also involved in other law suits, claims, investigations and proceedings, including collection and repossession related matters, which arise in the ordinary course of business. However, there are no significant claims on such cases. Future cash outflows in respect of the above, if any, is determinable only on receipt of judgement / decisions pending with the relevant authorities.

b) Commitments

	As at 31 March 2020	As at 31 March 2019
Estimated amount of contracts remaining to be executed on capital account and not provided for	160.99	1,026.79

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

d) The Company has a process whereby periodically all long term contracts are assessed for material foreseeable losses. As at year end, the Company does not have any long term contracts (including derivative contracts) for which there were material foreseeable losses.

2) Others

a) Commissioner of service tax had issued a show cause notice in respect of the financial years 2002-03 to 2006-07 on 16 October 2007 and the matter was adjudicated vide Order dated 31 March 2009, confirming the service tax liability at ₹464 lacs plus interest and penalty against which ₹404 lacs was paid and charged to the statement of profit and loss in earlier years. Both, the Company and the Department had gone into appeal in CESTAT against the order. Finally, in July 2017, order has been passed by Calcutta High Court where in Company's appeal has been allowed except for ₹93 lacs. Accordingly, the Company has filed application seeking refund of balance amount of ₹311 lacs from Department which has been rejected by the Department. Company has filed a case in Calcutta High Court wherein it has challenged the Show Cause Notice of Department rejecting the refund of ₹311 lacs after 2 years of refund application. Hearing pending before the High Court.

b) Fringe benefit tax had been levied on fringe benefit provided to employees as per Section 115W of the Income Tax Act, 1961. The Company had filed a writ petition before the Hon'ble High Court of Calcutta. The writ petition was dismissed by the Hon'ble High Court of Calcutta. The Company has filed an appeal against the order in the Division Bench of the Hon'ble High Court of Calcutta which has been admitted and next hearing is awaited. However, basis prudence, the Company had made a provision for the same amounting to ₹437.28 lacs as at 31 March 2020 (31 March 2019 ₹397.38 lacs).

c) On February 28, 2019, the Supreme Court of India held that allowances paid by establishments to its employees which meet the test of universality should be considered as 'basic wages' while computing provident fund amounts for employees whose basic wages is less than statutory thresholds. On evaluation of the impact of the aforesaid judgement, the Management is of the view that no material additional liability would arise on account of the same.

d) In respect of a regulatory matter pertaining to the capital raise in the year 2012, the JV company, MHDI has received a show cause notice from the authorities and pursuant to it, the Company and its promoter entity, Celica Developers Pvt Limited have agreed to indemnify an investor in MHDI to protect its proportionate interests in the event of any levy of penalty/fine on MHDI. The Company and Celica are in the process of executing an inter se indemnity agreement for sharing of pay out, if any, arising from the indemnity provided.

Based on the legal opinion obtained by MHDI, Management is of the view that the chances of any liability arising are remote. Consequently, chances of the inter se indemnity getting invoked are also considered remote.

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 46: Transfers of financial assets

In the ordinary course of business, the Company enters into transactions that result in the transfer of financial assets. In accordance with the accounting policy set out in Note 2, the transferred financial assets continue to be recognised or derecognised as per the conditions specified in Ind AS.

The Company transfers financial assets that are not derecognised in their entirety are primarily through securitisation transactions, in which loans to customers are transferred to securitisation special purpose vehicles.

Transferred financial assets that are not derecognised in their entirety

Securitisation

Certain loans to customers are sold by the Company to securitisation special purpose vehicles, which in turn issue Pass Through Certificates ('PTC') to investors collateralised by the purchased assets. In securitisation transactions entered, the Company transfers loans to an unconsolidated securitisation vehicle, however it retains credit risk (principally by providing credit enhancement). The Company retains substantial risks and rewards of such loan transferred and accordingly, does not derecognise the loans transferred in its entirety and recognises an associated liability for the consideration received.

The following table sets out the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

As at 31 March 2020	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
	Loans to customers	Loans to customers
Assets		
Securitisation	12,909.62	334,542.77
Carrying amount of assets	**12,909.62**	**334,542.77**
Associated liabilities		
Loans from PTC Investors	12,946.93	314,115.21
Carrying amount of associated liabilities	**12,946.93**	**314,115.21**
For those liabilities that have recourse only to the transferred financial assets		
Assets		
Securitisation	12,869.21	332,392.81
Fair value of assets	**12,869.21**	**332,392.81**
Associated liabilities		
Loans from PTC Investors	13,020.79	317,933.50
Fair value of associated liabilities	**13,020.79**	**317,933.50**

As at 31 March 2019	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
	Loans to customers	Loans to customers
Assets		
Securitisation	4,734.56	329,201.13
Carrying amount of assets	**4,734.56**	**329,201.13**
Associated liabilities		
Loans from PTC Investors	4,935.67	328,240.12
Carrying amount of associated liabilities	**4,935.67**	**328,240.12**
For those liabilities that have recourse only to the transferred financial assets		
Assets		
Securitisation	4,726.60	333,209.84
Fair value of assets	**4,726.60**	**333,209.84**
Associated liabilities		
Loans from PTC Investors	4,935.67	326,048.95
Fair value of associated liabilities	**4,935.67**	**326,048.95**

MAGMA
Investing in the smallest dream

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 47: Financial instruments - fair value and risk management

A. Financial instruments by category

The following table shows the carrying amounts of financial assets and financial liabilities.

Particulars	As at 31 March 2020			
	Others	FVTPL	FVTOCI	Amortised cost
Financial assets:				
Cash and cash equivalents	-	-	-	20,485.66
Bank balance other than cash and cash equivalents	-	-	-	44,350.78
Receivables	-	-	-	991.41
Loans	-	-	215,607.60	901,883.70
Other investment	-	0.99	-	0.16
Investments in subsidiary and joint venture	40,241.01	-	-	-
Other financial assets	-	3,083.42	-	22,522.23
	40,241.01	**3,084.41**	**215,607.60**	**990,233.94**
Financial liabilities:				
Trade payables	-	-	-	1,966.47
Debt securities	-	-	-	64,915.80
Borrowings (other than debt securities)	-	-	-	859,857.27
Subordinated liabilities	-	-	-	75,684.48
Lease liability	-	-	-	5,496.91
Other financial liabilities	-	-	-	27,127.87
	-	-	-	**1,035,048.80**

Particulars	As at 31 March 2019			
	Others	FVTPL	FVTOCI	Amortised cost
Financial assets:				
Cash and cash equivalents	-	-	-	56,741.02
Bank balance other than cash and cash equivalents	-	-	-	36,528.10
Receivables	-	-	-	1,096.98
Loans	-	-	234,577.18	1,079,208.22
Other investment	-	0.99	-	0.16
Investments in subsidiary and joint venture	30,241.01	-	-	-
Other financial assets	-	4,513.46	-	8,666.29
	30,241.01	**4,514.45**	**234,577.18**	**1,182,240.77**
Financial liabilities:				
Trade payables	-	-	-	36,487.06
Debt securities	-	-	-	36,279.16
Borrowings (other than debt securities)	-	-	-	1,047,286.77
Subordinated liabilities	-	-	-	91,404.98
Lease liability	-	-	-	-
Other financial liabilities	-	-	-	23,720.40
	-	-	-	**1,235,178.37**

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 47: Financial instruments - fair value and risk management (Contd.)

B. Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are:

(a) recognised and measured at fair value and

(b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows below the table.

Financial assets and liabilities measured at fair value - recurring fair value measurements

As at 31 March 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans	-	-	215,607.60	215,607.60
Other investment	-	0.99	-	0.99
Other financial assets	-	3,083.42	-	3,083.42
	-	**3,084.41**	**215,607.60**	**218,692.01**

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at 31 March 2020	Amortised cost	Fair Value	Level 1	Level 2	Level 3	Total
Financial assets:						
Bank balance other than cash and cash equivalents	44,350.78	44,418.48	-	44,418.48	-	44,418.48
Loans	901,883.70	897,801.62	-	-	897,801.62	897,801.62
Other investments	0.16	0.16	-	0.16	-	0.16
Other financial assets	22,522.23	22,522.23	-	22,522.23	-	22,522.23
	968,756.87	**964,742.49**	**-**	**66,940.87**	**897,801.62**	**964,742.49**
Financial liabilities:						
Debt securities	64,915.80	67,829.24	-	67,829.24	-	67,829.24
Borrowings (other than debt securities)	859,857.27	864,004.14	-	864,004.14	-	864,004.14
Subordinated liabilities	75,684.48	75,986.35	-	75,986.35	-	75,986.35
Lease liability	5,496.91	5,496.91	-	5,496.91	-	5,496.91
Other financial liabilities	27,127.87	27,127.87	-	27,127.87	-	27,127.87
	1,033,082.33	**1,040,444.51**	**-**	**1,040,444.51**	**-**	**1,040,444.51**

Financial assets and liabilities measured at fair value - recurring fair value measurements

As at 31 March 2019	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans	-	-	234,577.18	234,577.18
Other investment	-	0.99	-	0.99
Other financial assets	-	4,513.46	-	4,513.46
	-	**4,514.45**	**234,577.18**	**239,091.63**

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at 31 March 2019	Amortised cost	Fair Value	Level 1	Level 2	Level 3	Total
Financial assets:						
Bank balance other than cash and cash equivalents	36,528.10	36,529.81	-	36,529.81	-	36,529.81
Loans	1,079,208.22	1,093,711.38	-	-	1,093,711.38	1,093,711.38
Other investments	0.16	0.16	-	0.16	-	0.16
Other financial assets	8,666.29	8,666.29	-	8,666.29	-	8,666.29
	1,124,402.77	**1,138,907.64**	**-**	**45,196.26**	**1,093,711.38**	**1,138,907.64**

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 47: Financial instruments - fair value and risk management (Contd.)

As at 31 March 2019	Amortised cost	Fair Value	Level 1	Level 2	Level 3	Total
Financial liabilities:						
Debt securities	36,279.16	36,169.82	-	36,169.82	-	36,169.82
Borrowings (other than debt securities)	1,047,286.77	1,045,095.60	-	1,045,095.60	-	1,045,095.60
Subordinated liabilities	91,404.98	92,256.46	-	92,256.46	-	92,256.46
Lease liability	-	-	-	-	-	-
Other financial liabilities	23,720.40	23,720.40	-	23,720.40	-	23,720.40
	1,198,691.31	1,197,242.28	-	1,197,242.28	-	1,197,242.28

Financial instruments valued at carrying value

The respective carrying values of certain on-balance sheet financial instruments approximate their fair value. These financial instruments include cash in hand, balances with other banks, receivables, trade payables and certain other financial assets and liabilities, with maturities less than a year from the balance sheet date. Carrying values were assumed to approximate fair values for these financial instruments as they are short-term in nature and their recorded amounts approximate fair values or are receivable or payable on demand.

C. Valuation framework

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximize the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. If all significant inputs required to fair value an instrument are observable the instrument is included in level 2.

Level 3 : If one or more of the significant inputs is not based in observable market data, the instruments is included in level 3. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. The Company develops Level 3 inputs based on the best information available in the circumstances.

Financial instruments measured at fair value and fair value of financial instruments carried at amortised cost

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value and sensitivity
Financial assets and liabilities measured at amortised cost	Discounted cash flows: The valuation model considers the present value of expected receipt/payment discounted using appropriate discounting rates.	Not applicable	Not applicable
Financial assets and liabilities measured at FVOCI	Discounted cash flows: The valuation model considers the present value of expected receipt/payment discounted using appropriate discounting rates.	The discount rate is the average lending rate at which the loans are disbursed.	There is an inverse correlation. Higher the discount rate i.e average lending rate for the disbursed loans, lower the fair value of the assets.
Financial assets measured at FVTPL	Comparable company method (CCM) considering Price/ Sales ('P/S') multiple and NAV based method.	Not applicable	Not applicable
Investment	Comparable company method (CCM) considering Price/ Sales ('P/S') multiple and NAV based method.	Not applicable	Not applicable
Derivative instruments	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates that reflects the credit risk of various parties.	Not applicable	Not applicable

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 47: Financial instruments - fair value and risk management (Contd.)

D. Movement in Level 3 financial instruments measured at fair value

Particulars	As at 1 April 2019	Purchase / origination	Sales / run-off	Transfer into Level 3	Interest income	Other Comprehensive Income	As at 31 March 2020
Financial instruments at FVOCI*	249,243.33	112,434.05	195,467.89	22,309.63	40,496.70	(452.13)	228,563.69

Particulars	As at 1 April 2018	Purchase / origination	Sales / run-off	Transfer into Level 3	Interest income	Other Comprehensive Income	As at 31 March 2019
Financial instruments at FVOCI*	67,912.69	114,662.10	165,879.76	199,068.59	33,571.27	(91.56)	249,243.33

* The above numbers are gross carrying amount. Refer Note 48

48: Financial risk management

The Company assumes credit risk, market risk, compliance risk, operational risk and reputational risk in the normal course of it business. This exposes the company to a substantial level of inherent financial risk.

i Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

Efficient and timely management of risks involved in the Company's activities is critical for the financial soundness and profitability of the Company. Risk management involves the identifying, measuring, monitoring and managing of risks on a regular basis. The objective of risk management is to increase shareholders' value and achieve a return on equity that is commensurate with the risks assumed. To achieve this objective, the Company employs leading risk management practices and recruits skilled and experienced people.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

ii Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's asset on finance;

The carrying amounts of financial assets represent the maximum credit risk exposure.

A) Credit risk management

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- a breach of contract such as a default or past due event;
- when a borrower becomes 3 months overdue in its contractual payments;

The risk management committee has established a credit policy under which each new customer is analyzed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, background verification, financial statements, income tax returns, credit agency information, industry information, etc (as applicable).

B) Probability of default (PD)

Days past due (DPD) analysis is the primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by type of product or borrower as well as by DPD. The Company employs statistical models to analyze the data collected and generate estimates of the PD of exposures and how these are expected to change as a result of passage of time.

Note 48: Financial risk management (Contd.)

Expected loss has been calculated as an unbiased and probability-weighted amount for multiple scenarios. The probability of default was calculated for 3 scenarios: upside (0%), downside (32%) and base (68%). These weightage has been decided on best practices and expert's judgement. Weight of downside has been increased from 16% to 32% and that of upside reduced from 16% to 0% to make additional provision on account of Covid 19 scenario.

C) Definition of default

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 3 months overdue on its contractual payments.

The Company considers probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Following indicators are incorporated:

- DPD analysis as on each reporting date
- significant increase in credit risk on other financial instruments of same borrower
- significant changes in value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements.

D) Exposure at default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation;

To calculate the ECL for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12 month ECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Company determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios.

E) Loss given default (LGD)

Loss given default (LGD) represents estimated financial loss the company is likely to suffer in respect of default account and it is used to calculate provision requirement on EAD along with PD. The Company uses collection details on previously defaulted cases for calculating LGD including estimated direct cost of collection from default cases. Appropriate discounting rates are applied to calculate present value of future estimated collection net of direct collection cost. LGD thus calculated is used for all stages, i.e. Stage 1, Stage 2 and Stage 3.

F) Discounting

ECL is computed by estimating timing of expected credit shortfalls associated with defaults and discounting them using effective interest rate.

G) Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 1 month overdue, the credit risk is deemed to have increased significantly since initial recognition.

The Company has applied a three-stage approach to measure expected credit losses (ECL) on loans and other credit exposures accounted for at amortised cost and FVOCI. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Assets migrate through following three stages based on the changes in credit quality since initial recognition:

(a) Stage 1: 12- months ECL: For exposures where there is no significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12- months is recognized.

(b) Stage 2: Lifetime ECL, not credit-impaired: For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL is recognized.

(c) Stage 3: Lifetime ECL, credit-impaired: Financial assets are assessed as credit impaired upon occurrence of one or more events that have a detrimental impact on the estimated future cash flows of that asset. For financial assets that have become credit-impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortised cost.

H) Expected Credit Loss on Loans

The Company assesses whether the credit risk on a financial asset has increased significantly on collective basis. For

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 48: Financial risk management (Contd.)

the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type, product type, collateral type, and other relevant factors.

The Company considers defaulted assets as those which are contractually 3 months overdue, other than those assets where there is empirical evidence to the contrary. Financial assets which are contractually 1 month overdue are classified under Stage 2 - life time ECL, not credit impaired, barring those where there is empirical evidence to the contrary. An asset migrates down the ECL stage based on the change in the risk of a default occurring since initial recognition. If in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loan loss provision stage reverses to 12-months ECL from lifetime ECL.

The Company measures the amount of ECL on a financial instrument in a way that reflects an unbiased and probability-weighted amount. The Company considers its historical loss experience and adjusts the same for current observable data. The key inputs into the measurement of ECL are the probability of default, loss given default and exposure at default. These parameters are derived from the Company's internally developed statistical models and other historical data. In addition, the Company uses reasonable and supportable information on future economic conditions including macroeconomic factors. Since incorporating these forward looking information increases the judgment as to how the changes in these macroeconomic factor will affect ECL, the methodology and assumptions are reviewed regularly.

Forward looking information

In its ECL models, the Company relies on a broad range of forward looking information as macro economic inputs. As required by Ind AS 109, Macro Economic (ME) overlays are required to be factored in ECL Models and accordingly, Company have used agricultural produce and retail inflation as the relevant ME variable. Overtime, new ME variable may emerge to have a better corelation and may replace ME being used now.

Policy on write off of loan assets

Financial assets are fully provided for or written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities under the Company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in statement of profit or loss on actual realization from customer.

I) Covid - 19

COVID-19 and consequent lockdown has caused severe slowdown in economies and adversely impacted the capacity utilization and viability of various industry sectors. The Company's business has also been adversely impacted both in terms of disbursals as well as collections since the last week of March 2020. The lending has gradually resumed since second half of May 2020, and collections are gradually returning to normal, though it may take more time for returning to normal level. The impact of lockdown on Company's business and consequently financial results remain uncertain and dependent on lifting of lockdown, steps taken by the Government and Regulatory authorities to mitigate the economic impact, and the time taken for return of economic activities to normal levels.

The Company's Capital Adequacy and Liquidity position remains stable and shall continue to be an area of focus.

In accordance with the Reserve Bank of India guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Company offered moratorium up to 3 months on payment of all installments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers as per the Company's policy. For all loans where moratorium is availed by the customers, the Company has kept ageing of such loans and their asset classification at standstill during the moratorium period. The standstill on ageing has been considered for consideration of staging for ECL purposes.

The Company is yet to assess the impact of extension of the second moratorium announced by the Reserve Bank of India on 22 May 2020.

The Company has made additional provision during the quarter and year ended 31 March 20 aggregating to ₹10,924.41 lacs towards potential impact of COVID-19 pandemic resulting in consequent reduction of PBT by ₹10,924.41 lacs and PAT by ₹8,174.95 lacs for the quarter and year ended 31 March 2020. These additional provisions are on the basis of management judgement of expected losses on its loan portfolio. Any potential excess/shortfall based on actual experience will be adjusted in the relevant period in future.

Further, the underlying forecasts and assumptions applied by the Company in determination of ECL provision (including additional provision) are subject to uncertainties which are often outside the control of the Company and accordingly, actual results may differ from these estimates.

The following table provides information about the exposure to credit risk and expected credit loss for assets on finance.

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 48: Financial risk management (Contd.)

Loans measured at amortised cost (Including trade advance, excluding staff loans and EIS receivables)

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit -impaired
As at 31 March 2020				
Current (not past due)				
Upto 1 month overdue	672,644.22	1.01%	6,822.37	No
More than 1 month and upto 2 months overdue	88,227.16	4.50%	3,973.19	No
More than 2 month and upto 3 months overdue	66,039.24	8.61%	5,683.18	No
More than 3 months overdue	49,574.27	12.43%	6,163.30	No
	73,038.34	32.72%	23,896.33	Yes
	949,523.23	**4.90%**	**46,538.37**	

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit -impaired
As at 31 March 2019				
Current (not past due)	865,197.24	0.76%	6,560.57	No
Upto 1 month overdue	76,217.66	3.94%	3,006.15	No
More than 1 month and upto 2 months overdue	79,002.44	7.45%	5,889.04	No
More than 2 month and upto 3 months overdue	41,958.55	11.89%	4,989.29	No
More than 3 months overdue	57,622.72	33.49%	19,298.50	Yes
	1,119,998.61	**3.55%**	**39,743.55**	

Loans at fair value through OCI

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit -impaired
As at 31 March 2020				
Current (not past due)	191,778.03	0.76%	1,458.43	No
Upto 1 month overdue	10,662.50	5.02%	534.76	No
More than 1 month and upto 2 months overdue	4,854.61	15.17%	736.41	No
More than 2 month and upto 3 months overdue	6,840.22	33.67%	2,302.78	No
More than 3 months overdue	14,428.33	54.92%	7,923.71	Yes
	228,563.69	**5.67%**	**12,956.09**	

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit -impaired
As at 31 March 2019				
Current (not past due)	211,912.69	1.74%	3,682.68	No
Upto 1 month overdue	5,892.88	11.26%	663.66	No
More than 1 month and upto 2 months overdue	5,217.23	24.11%	1,257.90	No
More than 2 month and upto 3 months overdue	12,525.81	16.49%	2,066.13	No
More than 3 months overdue	13,694.72	51.08%	6,995.78	Yes
	249,243.33	**5.88%**	**14,666.15**	

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 48: Financial risk management (Contd.)

Expected credit loss on trade receivables and other financial assets

Trade receivables primarily includes receivables against sale of power, support services and operating lease. These receivables are of short term nature and there has been no impairment allowance on the same. Credit risk on excess interest spread receivable is low as it primarily falls in Stage 1. Other financial asset are measured at FVTPL and hence the credit risk is already factored in the fair value.

Cash and cash equivalents and bank balance other than cash and cash equivalents

The Company holds cash and cash equivalents and bank balance of ₹64,836.44 lacs at 31 March 2020 (31 March 2019: ₹93,269.12 lacs). The cash and cash equivalents are held with bank and financial institution counterparties with acceptable credit ratings.

Derivatives

The derivatives are entered into with bank and financial institution counterparties with acceptable credit ratings.

An analysis of changes in gross carrying amount and corresponding ECL allowances is as follows :

(i) Movements in the gross carrying amount in respect of loans, i.e. asset on finance

Loans measured at amortised cost (Including trade advance, excluding staff loans and EIS receivables)

Reconciliation of gross carrying amount	Stage 1	Stage 2	Stage 3
Gross carrying amount on 1 April 2018	985,932.97	147,984.88	112,390.77
Transfer to Stage 1	28,270.33	(26,251.03)	(2,019.30)
Transfer to Stage 2	(88,399.94)	91,619.41	(3,219.48)
Transfer to Stage 3	(18,394.17)	(29,336.73)	47,730.90
Transfer from Amortised cost to Fair value through OCI	(188,302.88)	(3,960.09)	(6,805.62)
New financial assets originated or purchased	607,365.63	18,039.36	2,814.68
Financial assets that have been derecognised / repaid	(381,704.94)	(74,117.20)	(65,505.94)
Write offs	(3,352.10)	(3,017.61)	(27,763.29)
Gross carrying amount on 31 March 2019	**941,414.90**	**120,960.99**	**57,622.72**
Transfer to Stage 1	14,868.05	(14,046.91)	(821.14)
Transfer to Stage 2	(93,378.11)	94,927.95	(1,549.84)
Transfer to Stage 3	(29,466.55)	(31,287.26)	60,753.81
Transfer from Amortised cost to Fair value through OCI	(22,301.35)	(8.28)	0.00
New financial assets originated or purchased	335,394.68	11,121.90	5,571.35
Financial assets that have been derecognised / repaid	(380,774.95)	(61,616.98)	(25,828.49)
Write offs	(4,885.29)	(4,437.90)	(22,710.07)
Gross carrying amount on 31 March 2020	**760,871.38**	**115,613.51**	**73,038.34**

Loans at fair value through OCI

Reconciliation of gross carrying amount	Stage 1	Stage 2	Stage 3
Gross carrying amount on 1 April 2018	49,953.09	11,940.93	6,018.67
Transfer to Stage 1	3,625.79	(3,377.10)	(248.69)
Transfer to Stage 2	(4,008.80)	4,335.26	(326.47)
Transfer to Stage 3	(6,185.31)	(1,664.42)	7,849.73
Transfer from Amortised cost to Fair value through OCI	188,302.88	3,960.09	6,805.62
New financial assets originated or purchased	107,010.35	7,178.12	473.63
Financial assets that have been derecognised / repaid	(120,049.80)	(4,189.82)	(4,104.77)
Write offs	(842.63)	(440.02)	(2,773.00)
Gross carrying amount on 31 March 2019	**217,805.57**	**17,743.04**	**13,694.72**
Transfer to Stage 1	2,625.24	(2,257.08)	(368.16)
Transfer to Stage 2	(7,047.57)	7,339.27	(291.70)
Transfer to Stage 3	(7,312.09)	(3,237.48)	10,549.57
Transfer from Amortised cost to Fair value through OCI	22,301.35	8.28	0.00
New financial assets originated or purchased	109,702.50	2,356.65	374.90
Financial assets that have been derecognised / repaid	(134,703.48)	(9,729.91)	(1,716.10)
Write offs	(930.99)	(527.94)	(7,814.90)
Gross carrying amount on 31 March 2020	**202,440.53**	**11,694.83**	**14,428.33**

MAGMA
Investing in the smallest dream

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 48: Financial risk management (Contd.)

ii) **Movements in the allowance for impairment in respect of loans, i.e. asset on finance**

The movement in the allowance for impairment in respect of asset on finance is as follows:

Loans measured at amortised cost (Including trade advance, excluding staff loans and EIS receivables)

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses	
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired
Loss allowance on 1 April 2018	15,737.09	19,046.19	58,461.28
Transfer to Stage 1	3,581.08	(2,957.43)	(623.66)
Transfer to Stage 2	(2,352.14)	3,376.73	(1,024.58)
Transfer to Stage 3	(624.37)	(4,434.21)	5,058.59
Transfer from Amortised cost to Fair value through OCI	(4,291.76)	(1,829.66)	(5,059.17)
New financial assets originated or purchased	5,547.07	1,498.14	887.61
Financial assets that have been derecognised / repaid	(7,699.09)	(1,856.39)	(17,449.37)
Write offs	(331.16)	(1,965.04)	(20,952.20)
Loss allowance on 31 March 2019	**9,566.72**	**10,878.33**	**19,298.50**
Transfer to Stage 1	1,432.33	(1,165.22)	(267.11)
Transfer to Stage 2	(1,558.77)	2,053.72	(494.95)
Transfer to Stage 3	(532.69)	(3,015.27)	3,547.96
Transfer from Amortised cost to Fair value through OCI	(47.10)	(0.30)	-
New financial assets originated or purchased	4,036.60	1,000.19	1,253.83
Financial assets that have been derecognised / repaid	(1,772.98)	3,288.44	10,781.47
Write offs	(328.55)	(1,193.41)	(10,223.37)
Loss allowance on 31 March 2020	**10,795.56**	**11,846.48**	**23,896.33**

Loans at fair value through OCI

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses	
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired
Loss allowance on 1 April 2018	623.57	1,675.35	2,065.00
Transfer to Stage 1	463.46	(386.63)	(76.83)
Transfer to Stage 2	94.29	(24.93)	(69.37)
Transfer to Stage 3	(312.23)	(144.96)	457.19
Transfer from Amortised cost to Fair value through OCI	4,291.76	1,829.66	5,059.17
New financial assets originated or purchased	2,126.50	975.00	279.77
Financial assets that have been derecognised / repaid	(2,618.61)	(1.03)	2,072.26
Write offs	(322.40)	(598.43)	(2,791.41)
Loss allowance on 31 March 2019	**4,346.34**	**3,324.03**	**6,995.78**
Transfer to Stage 1	433.25	(299.15)	(134.10)
Transfer to Stage 2	(184.60)	287.02	(102.42)
Transfer to Stage 3	(354.32)	(1,142.70)	1,497.02
Transfer from Amortised cost to Fair value through OCI	47.10	0.30	-
New financial assets originated or purchased	901.08	1,384.89	211.21
Financial assets that have been derecognised / repaid	(2,964.93)	1.14	4,614.47
Write offs	(230.73)	(516.34)	(5,158.25)
Loss allowance on 31 March 2020	**1,993.19**	**3,039.19**	**7,923.71**

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 48: Financial risk management (Contd.)

J) Concentration risk

Pursuant to the guidelines of the RBI, credit exposure of banks to an individual borrower must not exceed 15% of owned fund and 25% of owned fund of the Company to any single group of borrower. The Company is in compliance with these guidelines.

In addition, the Company views the concentration of risk on the basis of below product category.

Loans to customers (carrying value)	As at 31 March 2020	As at 31 March 2019
Asset backed finance (ABF)	947,187.14	1,094,979.65
Loan against property (LAP)	74,003.62	63,711.52
Small and medium enterprise (SME)	154,560.07	208,438.68
Total	**1,175,750.83**	**1,367,129.85**

Loans to customers (%)	As at 31 March 2020	As at 31 March 2019
Asset backed finance (ABF)	80.56%	80.09%
Loan against property (LAP)	6.29%	4.66%
Small and medium enterprise (SME)	13.15%	15.25%
Total	**100.00%**	**100.00%**

Fair value of collateral relating to credit impaired financial assets

Particulars	As at 31 March 2020	As at 31 March 2019
Collateral value of underlying assets	120,760.74	87,035.25
Gross carrying amount	87,466.67	71,317.44
Loss allowance	31,820.04	26,294.28

iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions in a timely manner, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

The Company has obtained fund and non-fund based working capital lines from various banks, Further, the Company has access to funds from debt markets through commercial paper, non-convertible debentures and other debt instruments including term loans. Cash Credit / WCDL limits are renewed on annual basis and are therefore revolving in nature. The Company also manages liquidity by raising funds through Securitisation / assignment transactions.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities (including interest portion) at the reporting date.

As at 31 March 2020	Contractual cash flows					
	Carrying amount	Gross nominal outflow	0-12 months	1-3 years	3-5 years	More than 5 years
Non - derivative financial liabilities						
Trade payables	1,966.47	1,966.47	1,966.47	-	-	-
Debt securities	64,915.80	89,199.32	6,199.30	31,688.63	50,617.44	693.95
Borrowings (other than debt securities)	859,857.27	949,275.88	570,104.32	325,306.03	53,865.53	-
Subordinated liability	75,684.48	108,153.55	11,176.46	49,257.59	19,682.03	28,037.47
Lease liability	5,496.91	7,434.19	1,717.59	2,614.72	1,667.77	1,434.11
Other financial liability	27,127.87	27,127.87	27,127.87	-	-	-

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 48: Financial risk management (Contd.)

As at 31 March 2019	Contractual cash flows					
	Carrying amount	Gross nominal outflow	0-12 months	1-3 years	3-5 years	More than 5 years
Non - derivative financial liabilities						
Trade payables	36,487.06	36,487.06	36,487.06	-	-	-
Debt securities	36,279.16	46,107.13	9,478.05	24,379.08	6,800.00	5,450.00
Borrowings (other than debt securities)	1,047,286.77	1,139,877.82	783,084.65	317,950.81	38,841.90	0.46
Subordinated liability	91,404.98	134,493.55	26,516.89	42,872.90	34,424.85	30,678.91
Lease liability	-	-	-	-	-	-
Other financial liability	23,720.40	23,720.40	23,720.40	-	-	-

iv) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company – primarily ₹. In cases where the borrowings is denominated in foreign currency, the Company uses derivatives to manage market risks.

v) Interest rate risk

Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rates. Any movement in the reference rates could have an impact on the Company's cash flows as well as costs.

The Company is subject to variable interest rates on some of its interest bearing financial assets/ liabilities. The Company also uses a mix of interest rate sensitive financial instruments to manage the liquidity and fund requirements for its day to day operations like short-term loans.

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management is as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
Fixed rate instruments		
Financial assets	1,179,499.49	1,414,223.12
Financial liabilities	774,615.64	896,783.95
Variable rate instruments		
Financial assets	69,667.47	37,699.29
Financial liabilities	260,433.16	338,394.42

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 bps in interest rate at the reporting date would have increased or decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Particulars	Profit or loss	
	100 bps increase	100 bps decrease
As at 31 March 2020		
Variable rate instruments	(1,907.66)	1,907.66
As at 31 March 2019		
Variable rate instruments	(3,006.95)	3,006.95

The model assumes that interest rate changes are instantaneous parallel shifts in the yield curve. Although some assets and liabilities may have similar maturities or periods to re-pricing, these may not react correspondingly to changes in market interest rates. Also, the interest rates on some types of assets and liabilities may fluctuate with changes in market interest rates, while interest rates on other types of assets may change with a lag.

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 48: Financial risk management (Contd.)

The risk estimates provided assume a parallel shift of 100 basis points interest rate across all yield curves. This calculation also assumes that the change occurs at the balance sheet date and has been calculated based on risk exposures outstanding as at that date. The period-end balances are not necessarily representative of the average debt outstanding during the period. This analysis assumes that all other variables remain constant.

vi) Legal and operational risk

Legal risk

Legal risk is the risk relating to losses due to legal or regulatory action that invalidates or otherwise precludes performance by the end user or its counterparty under the terms of the contract or related netting agreements.

The Company has developed preventive controls and formalised procedures to identify legal risks so that potential losses arising from non-adherence to laws and regulations, negative publicity, etc. are significantly reduced.

As at 31 March 2020, there were legal cases pending against the Company aggregating ₹201.70 lacs (31 March 2019: ₹198.62 lacs). Based on the opinion of the Company's legal advisors, the management believes that no substantial liability is likely to arise from these cases.

Operational risk

Operational risk framework is designed to cover all functions and verticals towards identifying the key risks in the underlying processes.

The framework, at its core, has the following elements :

1. Documented Operational Risk Management Policy.
2. Well defined Governance Structure.
3. Use of Identification and Monitoring tools such as Loss Data Capture, Risk and Control Self Assessment, Key Risk Indicators.
4. Standardized reporting templates, reporting structure and frequency.
5. Regular workshops and training for enhancing awareness and risk culture.

The Company has adopted the internationally accepted 3-lines of defense approach to operational risk management. First line - Each function/vertical undergoes transaction testing to evaluate internal compliance and thereby lay down processes for further improvement. Thus, the approach is "bottom-up", ensuring acceptance of findings and faster adoption of corrective actions, if any, to ensure mitigation of perceived risks.

Second line – Independent risk management vertical supports the first line in developing risk mitigation strategies and provides oversight through regular monitoring. All key risks are presented to the Risk Management Committee on a quarterly basis.

Third line – Internal Audit conducts periodic risk-based audits of all functions and process to provide an independent assurance to the Audit Committee.

Note 49: Change in liabilities arising from financing activities

Particulars	As at 1 April 2019	Loan Taken	Loan Paid	Non Cash Changes*	As at 31 March 2020
Debt securities	36,279.16	55,141.45	(25,697.36)	(807.45)	64,915.80
Borrowings (other than debt securities)	1,047,286.77	355,519.23	(542,857.29)	(91.44)	859,857.27
Subordinated liabilities	91,404.98	-	(16,000.00)	279.50	75,684.48
Total Liabilities from financing activities	**1,174,970.91**	**410,660.68**	**(584,554.65)**	**(619.39)**	**1,000,457.55**

Particulars	As at 1 April 2018	Loan Taken	Loan Paid	Non Cash Changes*	As at 31 March 2019
Debt securities	24,233.10	17,000.00	(5,000.00)	46.06	36,279.16
Borrowings (other than debt securities)	983,346.16	356,197.98	(290,118.37)	(2,139.00)	1,047,286.77
Subordinated liabilities	102,223.97	10,000.00	(21,030.00)	211.01	91,404.98
Total Liabilities from financing activities	**1,109,803.23**	**383,197.98**	**(316,148.37)**	**(1,881.93)**	**1,174,970.91**

* Represents adjustments on account of EIR and other adjustments

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 50: Capital management

The Company maintains an actively managed capital base to cover risks inherent in the business and meets the Capital Adequacy Requirements (CRAR) of the Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI. The Company has complied in full with all its externally imposed capital requirements over the reported period. The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholder value. The funding requirements are met through equity, non-convertible debentures and other long-term/ short-term borrowings. The Company's policy is aimed at appropriate combination of short-term and long term borrowings. The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

i. Regulatory capital

The Company's regulatory capital consists of the sum of the following elements :

- Tier 1 capital, which includes ordinary share capital, retained earnings and reserves and deduction for intangible assets and other regulatory adjustments relating to items that are not included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities and impairment provision in respect of standard assets.

	As at 31 March 2020	As at 31 March 2019
CRAR (%) *	25.90	24.87
CRAR -Tier I Capital (%)	23.02	20.74
CRAR -Tier II Capital (%)	2.88	4.13

* For the purpose calculation of CRAR , securitization (PTC) transactions has been considered as 'zero risk weight asset' as per Reserve Bank of India notification dated 13 March 2020, while the corresponding investments in pass through certificates have been considered as 'on balance sheet exposures' in determination of risk weighted assets. The corresponding credit enhancement facilities have been deducted from Tier I and Tier II capital accordingly.

ii. Capital allocation

Management uses regulatory capital ratios to monitor its capital base. There is no allocation of capital required as Company is operating primarily in a single segment i.e., financing.

The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

Note 51: Operating segments

The Executive Committee (EXCOM) of the Company has been identified as the Chief Operating Decision Maker (CODM) pursuant to the requirements of Ind AS 108, "Operating Segments." The Company's operating segments are established in the manner consistent with the components of the Company that are reviewed regularly by the CODM for the purpose of allocation of resources and evaluation of performance. The Company is engaged primarily in the business of financing and there are no separate reportable segments as per Ind AS 108. The Company does not have operations outside India.

No revenue from transactions with a single customer amounted to 10% or more of the Company's total revenue for the year ended 31 March 2020 and 31 March 2019.

Note 52: Revenue from contracts with customers

	As at 31 March 2020	As at 31 March 2019
(a) **Below table provides disaggregation of the Company's revenue from contracts with customers:**		
Type of service		
Fees and commission income	7,440.16	8,446.93
Other income	3,103.65	2,979.88
Total	**10,543.81**	**11,426.81**

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 52: Revenue from contracts with customers (Contd.)

		As at 31 March 2020	As at 31 March 2019
	Geographical markets		
	India	10,543.81	11,426.81
	Outside India	-	-
	Total	**10,543.81**	**11,426.81**
	Timing of recognition of revenue		
	Performance obligation satisfied at a point in time	10,543.81	11,426.81
	Performance obligation satisfied over period of time	-	-
	Total	**10,543.81**	**11,426.81**
(b)	**Trade receivables**	851.39	1,082.04
	Total	**851.39**	**1,082.04**

Note 53: Loans and advances to subsidiary company pursuant to Regulation 33 (e) and 53 (f) of SEBI (Listing Obligation and Disclosure Requirements), 2015

Name of the Subsidiary	Maximum Outstanding	Closing Amount Outstanding
Magma Housing Finance Limited*		
As at 31 March 2020	20,000.00	-
As at 31 March 2019	35,000.00	-

* Above loans and advances have been given for general business purposes.

Note 54: Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November, 2014*

* Amounts included herein are based on current and previous year financials, as per Ind AS.

(a) Capital

		As at 31 March 2020	As at 31 March 2019
(i)	CRAR (%) #	25.90	24.87
(ii)	CRAR -Tier I Capital (%)	23.02	20.74
(iii)	CRAR -Tier II Capital (%)	2.88	4.13
(iv)	Subordinated debt as Tier-II capital	65,395.68	78,168.22
(v)	Perpetual debt instruments	10,288.80	13,236.76

For the purpose calculation of CRAR , securitization (PTC) transactions have been considered as 'off balance sheet exposures', while the corresponding investments in pass through certificates have been considered as 'on balance sheet exposures' in determination of risk weighted assets. The corresponding credit enhancement facilities have been deducted from Tier I and Tier II capital accordingly.

(b) Investments

	As at 31 March 2020	As at 31 March 2019
Value of Investments		
(i) Gross Value of Investments #		
(a) In India	43,325.58	34,755.62
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net Value of Investments #		
(a) In India	43,325.58	34,755.62
(b) Outside India	-	-

Includes other financial assets of ₹3,083.42 lacs (31 March 2019 : ₹4,513.46 lacs).

MAGMA
Investing in the smallest dream

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 54: Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November, 2014 (Contd.)

(c) Derivative

		As at 31 March 2020	As at 31 March 2019
1	Forward Rate Agreement / Interest rate Swap		
	(i) The notional principal of swap agreements	-	-
	(ii) Loss which would be incurred if counterparties failed to fulfil their obligations under the agreements	-	-
	(iii) Collateral required by the NBFC upon entering into swaps	-	-
	(iv) Concentration of credit risk arising from the swaps	-	-
	(v) The fair value of swap book loss	-	-

The Company has recognised gain - Nil (31 March 2019: gain of ₹59.57 lacs) relating to derivative financial instrument.

The Company does not have any exposure to exchange traded interest rate (IR) derivatives as at 31 March 2020 and 31 March 2019.

2 Disclosures on risk exposure in derivatives

Qualitative disclosure

Fair value of derivative contracts is determined based on the appropriate valuation techniques considering the terms of the contract as at the balance sheet date. Mark to market gains or losses in derivative contracts are recognised in the statement of profit and loss in the period in which they arise.

Quantitative Disclosures

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

(d) Disclosures relating to Securitisation^

		As at 31 March 2020	As at 31 March 2019
1	(i) **Outstanding amount of Securitised assets as per books of the SPVs #**		
	1 No. of Special Purpose Vehicles (SPVs) sponsored by the NBFC for securitisation transactions **	32	39
	2 Total amount of securitised assets as per books of the SPVs sponsored	306,439.29	348,788.85
	3 Total amount of the exposures retained by the NBFC to comply with MRR as on the date of balance sheet		
	a) Off-balance sheet exposures		
	First loss	-	-
	Others	-	-
	b) On-balance sheet exposures		
	First loss	29,617.54	26,840.12
	Others	18,311.49	19,304.57
	4 Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	(i) Exposure to own securitisation		
	First loss	-	-
	Others	29,847.85	41,200.58
	(ii) Exposure to third party securitisations		
	First loss	-	-
	Others	-	-

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 54: Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November, 2014 (Contd.)

	As at 31 March 2020	As at 31 March 2019
b) On-balance sheet exposures		
(i) Exposure to own securitisation		
First loss	-	-
Others	21,352.39	27,488.92
(ii) Exposure to third party securitisations		
First loss	-	-
Others	-	-

** Only the SPVs relating to outstanding securitisation transactions are reported here.

The above figures are being reported based on certificate issued by the auditors of the SPV.

^ Securitization (PTC) transaction do not meet the derecognition criteria under Ind AS and are recognized as 'on balance sheet exposures'. Accordingly income and discounting charges are included in revenue from operations and finance cost respectively. Amounts stated above are for the purpose of disclosure.'

(ii) The value of "excess interest spread receivable" and "unrealised gain" on securitisation transactions undertaken in terms of guidelines on securitisation transaction issued by Reserve Bank of India on 21 August 2012 is given below:

		As at 31 March 2020	As at 31 March 2019
1	Excess interest spread receivable	20,357.58	17,710.47
2	Unrealised gain on securitisation transactions	20,357.58	17,710.47

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

		As at 31 March 2020	As at 31 March 2019
(i)	No. of accounts	-	2.00
(ii)	Aggregate value (net of provisions Nil, 31 March 2019 - ₹12.93 lacs) of accounts sold to SC / RC	-	29.21
(iii)	Aggregate consideration	-	16.43
(iv)	Additional consideration realised in respect of accounts transferred in earlier years	-	-
(v)	Aggregate gain / (loss) over net book value (NBV)	-	(12.78)

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

		As at 31 March 2020	As at 31 March 2019
(i)	Backed by non-performing assets sold by the Company as underlying #	3,083.42	4,513.46
(ii)	Backed by non-performing assets sold by other banks / financial institutions / non-banking financial companies as underlying.	-	-
	Total book value of investments in security receipts	**3,083.42**	**4,513.46**

Represents carrying amount of security receipts as per RBI guidelines.

4 Details of Assignment transactions undertaken by NBFCs

		As at 31 March 2020	As at 31 March 2019
(i)	No. of accounts	10,830	13,958
(ii)	Aggregate value (net of provisions) of accounts sold	99,997.61	87,922.26
(iii)	Aggregate consideration	99,997.61	87,922.26
(iv)	Additional consideration realised in respect of accounts transferred in earlier years	-	-
(v)	Aggregate gain / loss over net book value	-	-

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 54: Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November, 2014 (Contd.)

5 Details of non-performing financial assets purchased / sold

a) Details of non-performing financial assets purchased:

The Company has not purchased any non-performing financial assets during the financial year ended 31 March 2020 and 31 March 2019.

b) Details of non-performing financial assets sold:

	As at 31 March 2020	As at 31 March 2019
(i) No. of accounts sold	-	17,811.00
(ii) Aggregate outstanding (net of provisions)	-	909.05
(iii) Aggregate consideration received	-	4,189.63

(e) Asset Liability Management - Maturity pattern of certain items of Assets and Liabilities

	1 to 7 days	8 to 14 days	15 days to 30/31 days	Over 1 Month upto 2 Months	Over 2 Months upto 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Years to 3 Years	Over 3 Years to 5 Years	Over 5 Years	Total
Deposits placed	2,750.00	0.85	1,951.53	1,971.81	5,745.80	9,648.03	15,761.35	6,471.35	-	15.47	44,316.19
Advances	16,644.14	7,635.26	16,862.18	18,114.78	58,189.31	121,174.33	226,290.18	577,041.74	121,405.70	34,639.37	1,197,997.00
Investments	-	-	-	-	-	-	-	3,083.42	-	40,242.16	43,325.58
Borrowings	3.19	943.91	12,463.05	4,095.08	13,978.18	64,438.61	435,197.87	345,385.01	104,363.45	24,330.57	1,005,198.92
Foreign currency assets	-	-	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-	-	-

(f) Exposures

		As at 31 March 2020	As at 31 March 2019
1	**Exposure to real estate sector**		
	Category		
	(i) Direct exposure		
	A. Residential mortgages	61,571.57	50,764.85
	B. Commercial mortgages	12,432.05	12,946.67
	C. Investments in Mortgage Backed Securities (MBS) and other securitised exposures #		
	a. Residential	-	-
	b. Commercial Real Estate	773.16	1,574.67
	(ii) Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-
#	Includes security receipts.		
2	**Exposure to Capital Market**		
	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
	Total Exposure to Capital Market	-	-
3	**Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC**		
	The Company has not exceeded the prudential exposure limits during the financial year ended 31 March 2020 and 31 March 2019.		
4	**Unsecured advances**		
	Unsecured Advances	154,560.07	208,438.68

The Company has not given any unsecured advances against intangible securities such as charge over the rights, licenses, authority, etc. during the financial year ended 31 March 2020 and 31 March 2019.

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 54: Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November, 2014 (Contd.)

(g) Registration obtained from other financial sector regulators.

Regulator		Registration no.	Date of registration / renewal
1	Ministry of Corporate Affairs	L51504WB1978PLC031813	18 December 1978
2	Insurance Regulatory and Development Authority	CA0154 (Composite)	09 March 2019

(h) Details of penalties imposed by RBI and other regulators

No penalties has been imposed by RBI and other regulators on the Company during the financial year ended 31 March 2020 and 31 March 2019.

(i) Details of Ratings assigned by credit rating agencies and migration of ratings during the year

Nature		Date of rating assigned #	Rating assigned	Previous rating assigned
1	Secured debentures	28-Jun-19	CARE AA-	CARE AA-
		23-Jul-19	IND AA-	IND AA-
		09-Dec-19	ICRA AA-	ICRA AA-
		24-Jan-20	BWR AA	BWR AA
		13-Mar-20	ACUITE AA	ACUITE AA
2	Subordinated debentures	28-Jun-19	CARE AA-	CARE AA-
		24-Jan-20	BWRAA	BWRAA
		13-Mar-20	ACUITE AA	ACUITE AA
3	Perpetual debt instruments	28-Jun-19	CARE A+	CARE A+
		24-Jan-20	BWR AA-	BWR AA-
4	Securitisation	22-Nov-19	AA+	AA
		01-Apr-19	AAA	-
		24-May-19	AA	-
		01-Jun-19	AAA	-
		27-Jun-19	AA	-
		28-Jun-19	AA-	-
		29-Jul-19	AA-	-
		13-Aug-19	AA	-
		13-Aug-19	AAA	-
		29-Aug-19	AAA	-
		01-Sep-19	AAA	-
		01-Sep-19	AA	-
		01-Oct-19	AAA	
		21-Nov-19	AA	
		01-Nov-19	AA	
		01-Jan-20	AA	-
5	Commercial papers	24-Dec-19	CARE A1+	CARE A1+
		03-Jan-20	CRISIL A1+	CRISIL A1+
6	Bank facility	28-Jun-19	CARE AA-	CARE AA-
		07-Jan-20	ICRA AA-	ICRA AA-
		23-Jul-19	IND AA-	IND AA-

Date of rating assigned relates to rating valid on 31 March 2020.

j) Remuneration of non-executive Directors

Name of directors		Nature of payment	As at 31 March 2020	As at 31 March 2019
1	Mr. Narayan K Seshadri	Sitting Fees	18.00	20.10
		Commission	-	65.00
2	Mr. Nabankur Gupta	Sitting Fees	-	8.00
		Commission	-	22.50
3	Mr. Satya Brata Ganguly	Sitting Fees	8.80	14.40
		Commission	-	45.00
4	Mr. V K Viswanathan	Sitting Fees	18.00	21.00
		Commission	-	45.00
5	Ms. Madhumita Dutta-Sen	Sitting Fees	1.00	4.00
6	Mr. Sunil Rewachand Chandiramani	Sitting Fees	3.30	-
7	Mrs. Vijayalakshmi R Iyer	Sitting Fees	19.00	-

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 54: Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November, 2014 (Contd.)

(k) Provisions and Contingencies

Break up of 'Provisions and Contingencies' shown in the Statement of Profit and Loss	As at 31 March 2020	As at 31 March 2019
Under "Impairment on financial instruments"		
1 Provision for standard assets (Stage 1 and Stage 2)	(397.97)	(8,980.18)
2 Provision for non-performing assets (Stage 3)	5,305.45	(4,348.98)
3 Other provisions	190.14	(361.95)
Under "Tax expenses"		
Provision made towards income tax (includes deferred tax)	4,419.38	12,775.04
Under "Employee Benefit Expenses"		
Provision for compensated absences	390.11	324.69

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

1 Concentration of Advances

	As at 31 March 2020	As at 31 March 2019
Total advances to twenty largest borrowers	25,936.87	23,552.58
Percentage of advances to twenty largest borrowers to total advances	2.2%	1.7%

2 Concentration of Exposures

	As at 31 March 2020	As at 31 March 2019
Total exposure to twenty largest borrowers/ customers	25,936.87	23,552.58
Percentage of exposures to twenty largest borrowers/ customers to total exposure on borrowers/ customers	2.2%	1.7%

3 Concentration of NPAs

	As at 31 March 2020	As at 31 March 2019
Total exposure to top four NPA accounts	633.45	1,523.37

4 Sector-wise NPAs

Sector	% of NPAs to Total Advances in the sector	
	As at 31 March 2020	As at 31 March 2019
(i) Agriculture and allied activities	12.8%	11.2%
(ii) MSME	4.9%	2.3%
(iii) Corporate borrowers #	-	-
(iv) Services	9.1%	2.8%
(v) Unsecured personal loans	-	-
(vi) Auto loans	5.2%	5.1%
(vii) Other loans	8.5%	12.8%

Corporate borrowers is included in the respective sector

(m) Movement of NPAs

	As at 31 March 2020	As at 31 March 2019
i) Net NPAs to Net Advances (%)	4.8%	3.3%
ii) Movement of NPAs (Gross)		
a) Opening balance	71,317.44	118,409.44
b) Additions during the year	64,679.76	47,646.00
c) Reductions during the year	48,530.53	94,738.00
d) Closing balance	87,466.67	71,317.44

Notes
to the financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 54: Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November, 2014 (Contd.)

	As at 31 March 2020	As at 31 March 2019
iii) Movement of Net NPAs		
a) Opening balance	45,023.16	57,883.16
b) Additions during the year	40,922.52	29,487.00
c) Reductions during the year	30,299.05	42,347.00
d) Closing balance	55,646.63	45,023.16
iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	26,294.28	60,526.28
b) Provisions made during the year	23,757.24	18,159.00
c) Write-off / write-back of excess provisions	18,231.48	52,391.00
d) Closing balance	31,820.04	26,294.28

The Company classifies non-performing assets (NPAs) at 3 months overdue and is compliant with the requirement for the financial year ending 31 March 2019 as per the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated 1 September 2016. As company has adopted Ind-AS, provision on NPAs has been made as per expected credit loss method.

(n) Detail of restructured advances

	Doubtful Advances	
	Number	Amount
Opening balance as on 1 April 2019	-	-
Accounts restructed during the year	123.00	2,492.04
Accounts terminated / writte off dring the year	-	-
Closing balance as on 31 March 2020	123.00	2,492.04
Provision made	-	285.62
Balance net of provisions as on 31 March 2020	123.00	2,206.42

(o) Disclosure of complaints

	As at 31 March 2020	As at 31 March 2019
Customer complaints		
No. of complaints pending at the beginning of the year	10	4
No. of complaints received during the year	349	299
No. of complaints redressed during the year	356	293
No. of complaints pending at the end of the year	3	10

(p) Disclosures relating to fraud in terms of the notification issued by Reserve Bank of India

During the year ended 31 March 2020, 34 cases (31 March 2019: 75 cases) of frauds has been detected and reported. The un-recovered amounts aggregating to ₹287.04 lacs (31 March 2019: ₹663.55 lacs) have been fully provided for / written-off.

(q) Comparison between provisions required under IRACP and impairment allowances made under IND AS 109

Asset Classification as per RBI Norms (1)	Asset classification as per Ind AS 109 (2)	Gross Carrying Amount as per Ind AS (3)	Loss Allowances (Provisions) as required under Ind AS 109 (4)	Net Carrying Amount (5=3-4)	Provisions required as per IRACP norms (6) *	Difference between Ind AS 109 provisions and IRACP norms (7=4-6)
Performing Assets						
Standard	Stage 1	949,942.40	12,619.55	937,322.85	3,782.56	8,836.99
	Stage 2	124,908.66	14,733.34	110,175.32	3,261.86	11,471.48
Sub-total		1,074,851.06	27,352.89	1,047,498.17	7,044.42	20,308.47
Non-Performing Assets						
Substandard	Stage 3	66,090.63	23,525.60	42,565.03	11,908.33	11,617.27
Doubtful						
upto 1 year	Stage 3	15,885.98	5,290.91	10,595.07	6,348.83	(1,057.92)
1 to 3 years	Stage 3	2,812.34	1,240.22	1,572.12	1,716.01	(475.79)

MAGMA
Investing in the smallest dream

Notes

to the financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 54: Disclosure required in terms of the Revised Regulatory Framework for NBFC issued by RBI on 10 November, 2014 (Contd.)

Asset Classification as per RBI Norms (1)	Asset classification as per Ind AS 109 (2)	Gross Carrying Amount as per Ind AS (3)	Loss Allowances (Provisions) as required under Ind AS 109 (4)	Net Carrying Amount (5=3-4)	Provisions required as per IRACP norms (6) *	Difference between Ind AS 109 provisions and IRACP norms (7=4-6)
More than 3 years	Stage 3	496.20	405.10	91.10	486.98	(81.88)
Sub-total		19,194.52	6,936.23	12,258.29	8,551.82	(1,615.59)
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		85,285.15	30,461.83	54,823.32	20,460.15	10,001.68
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	10,249.98	210.94	10,039.04	-	210.94
	Stage 2	1,987.03	168.52	1,818.51	-	168.52
	Stage 3	2,156.07	1,358.21	797.86	-	1,358.21
Sub-total		14,393.08	1,737.67	12,655.41	-	1,737.67
Total	Stage 1	960,192.38	12,830.49	947,361.89	3,782.56	9,047.93
	Stage 2	126,895.69	14,901.86	111,993.83	3,261.86	11,640.00
	Stage 3	87,441.22	31,820.04	55,621.18	20,460.15	11,359.89
	Total	1,174,529.29	59,552.39	1,114,976.90	27,504.57	32,047.82
Lower income booked on Stage 3		3,557.13	3,557.13	-	-	3,557.13
	Total	**1,178,086.42**	**63,109.52**	**1,114,976.90**	**27,504.57**	**35,604.95**

* Includes interest suspended on Stage 3 assets

(r) Morotorium facility provided by the Company

Due to stress caused by the pandemic COVID-19, Reserve Bank of India (RBI) vide its circular on "COVID-19 – Regulatory Package" dated March 27, 2020 and April 17 2020, has permitted all financial institutions, including NBFCs, to grant moratorium to its customers on instalments of outstanding term loans falling due during the period from 1st March 20 to 31st May 20. Accordingly, Company has provided loan moratorium to borrowers as mentioned below:

i) Loan moratorium has been provided to 284,110 borrowers having loan outstanding ₹913,968.96 lacs as on 29th Feb 20. This is based on the borrower consent received upto 30 April, 2020. Request received after this date would be factored in the subsequent financial year.

ii) Out of the above, in respect of 8,540 borrowers having loan outstanding of ₹27,709.69 lacs would have become NPAs as of 31st March 20, had loan moratorium not been provided.

iii) Provisions made during the Q4FY2020 in respect of such loans is ₹29,128.27 lacs.

iv) There has been no usage out of the higher provisions made during the year.

Note 55:

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

As per our report of even date attached

For and on behalf of the Board of Directors
Magma Fincorp Limited

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

Kailash Baheti
Chief Financial Officer

Narayan K Seshadri
Chairman
(DIN : 00053563)

Manoj Kumar Vijai
Partner
Membership No.: 046882

Shabnum Zaman
Company Secretary

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Place : Mumbai
Date : 18 June 2020

Place : Kolkata
Date : 18 June 2020

Place : Mumbai
Date : 18 June 2020

Schedule annexed to the balance sheet

for the year ended 31 March 2020

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Disclosure of details as required in terms of Paragraph 18 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

Sl. No.	Particulars	Amount outstanding as at 31 March 2020	Amount overdue as at 31 March 2020
	Liabilities		
1	**Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid ***		
(a)	Debentures		
	- Secured	64,915.80	-
	- Unsecured	75,684.48	-
(b)	Deferred Credits	-	-
(c)	Term Loans	217,702.45	-
(d)	Inter-Corporate Loans and Borrowing	-	-
(e)	Commercial Paper	-	-
(f)	Public Deposits	-	-
(g)	Cash Credit / Working Capital Demand Loans from Banks	315,092.68	-

* Does not include loan from PTC investors which forms part of borrowings under Ind AS as the same does not meet the derecognition criteria under Ind AS.

Sl. No.	Particulars	Amount outstanding as at 31 March 2020
	Assets	
2	**Break-up of Loans and Advances, including Bills Receivables (other than those included in (4) below)**	
(a)	Secured	-
(b)	Unsecured	30,026.41
3	**Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards AFC activities * #**	
(i)	Lease Assets including Lease Rentals under Sundry Debtors	6,530.44
(ii)	Stock on Hire including Hire Charges under Sundry Debtors	-
(iii)	Other loans counting towards AFC activities	
	(a) Loans where assets have been repossessed	5,060.71
	(b) Loans other than (a) above	1,170,690.12

AFC classification has been discontinued by RBI with effect from 22 February 2019

* Securitization (PTC) transaction do not meet the de-recognition criteria under Ind AS and are recognized in books of accounts. Accordingly amounts stated above are inclusive of PTC transactions for the purpose of disclosure.

Sl. No.	Particulars	Amount outstanding as at 31 March 2020
4	**Break-up of Investments**	
	Current Investments	
1	Quoted	
	(i) Shares (a) Equity	-
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of Mutual Funds	-
	(iv) Government Securities	-
	(v) Others (please specify)	-
2	Unquoted	
	(i) Shares (a) Equity	-
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of Mutual Funds	-
	(iv) Government Securities	-
	(v) Others (please specify)	-

Schedule annexed to the balance sheet (Contd.)

for the year ended 31 March 2020

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Disclosure of details as required in terms of Paragraph 18 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

Sl. No.	Particulars	Amount outstanding as at 31 March 2020
	Long-term Investments	
1	Quoted	
	(i) Shares (a) Equity	-
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of Mutual Funds	-
	(iv) Government Securities	-
	(v) Others (please specify)	-

Sl. No.	Particulars	Amount outstanding as at 31 March 2020
2	Unquoted	
	(i) Shares (a) Equity	40,242.00
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of Mutual Funds	-
	(iv) Government Securities	-
	(v) Others	
	- National Savings Certificate	0.16
	- Security Receipts	3,083.42

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

	Category	Secured	Unsecured	Total as at 31 March 2020
1	Related Parties			
	(a) Subsidiaries	-	-	-
	(b) Companies in the same group	-	901.72	901.72
	(c) Other related parties		11.16	11.16
2	Other than Related Parties	1,027,721.20	183,673.60	1,211,394.80
	Total	**1,027,721.20**	**184,586.48**	**1,212,307.68**

* Securitization (PTC) transaction do not meet the de-recognition criteria under Ind AS and are recognized in books of accounts. Accordingly amounts stated above are inclusive of PTC transactions for the purpose of disclosure.

Schedule annexed to the balance sheet (Contd.)

for the year ended 31 March 2020

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Disclosure of details as required in terms of Paragraph 18 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

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 March 2020	Book Value (Net of Provisions) as at 31 March 2020
1	Related Parties		
	(a) Subsidiaries	48,058.43	31,970.94
	(b) Companies in the same group	15,837.34	8,270.07
	(c) Other related parties		-
2	Other than Related Parties	1.62	1.15
	Total	**63,897.39**	**43,325.58**

7 Other information

	Particulars	Total as at 31 March 2020
(i)	Gross Non-Performing Assets	
	(a) Related parties	-
	(b) Other than Related parties	87,466.67
(ii)	Net Non-Performing Assets	
	(a) Related parties	-
	(b) Other than Related parties	55,646.63
(iii)	Assets acquired in satisfaction of debt	-

Narayan K Seshadri
Chairman
(DIN: 00053563)

Sanjay Chamria
Vice Chairman & Managing Director
(DIN: 00009894)

Kailash Baheti
Chief Financial Officer

Shabnum Zaman
Company Secretary

Place : Mumbai
Date : 18 June 2020

Place : Kolkata
Date : 18 June 2020

Independent Auditors' Report

To the Members of Magma Fincorp Limited

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Magma Fincorp Limited (hereinafter referred to as the 'Holding Company") and its subsidiary (Holding Company and its subsidiary together referred to as "the Group") and its joint ventures, which comprise the consolidated balance sheet as at 31 March 2020, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on separate financial statements of such subsidiary, and joint ventures as were audited by the other auditors, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its joint ventures as at 31 March 2020, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group and its joint ventures in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in terms of the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub paragraph (a) of the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

Emphasis of matter

As described in Note 51(I) to the consolidated financial statements, for the purpose of staging of loans and advances for determination of expected credit losses on accounts for which the moratorium benefit has been granted, the Company has classified overdue but standard loans at 29 February 2020, based on the days past due status as on that date in accordance with the Reserve Bank of India COVID-19 Regulatory Package. The extent to which the COVID-19 pandemic will impact the Company's current estimate of expected credit losses is dependent on future developments, which are highly uncertain at this point.

Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report (Contd.)

Key Audit Matters (Contd.)

Impairment of loans

Charge to the Statement of Profit and Loss: INR 5,494 Lakhs [Refer Note 36 to the consolidated financial statements]

Provision as at 31 March 2020: INR 61,184 Lakhs [Refer Note 6 to the consolidated financial statements]

Key audit matter	How the matter was addressed in our audit
Subjective estimate Recognition and measurement of impairment of loans and advances involve significant management judgement. Under Ind AS 109, Financial Instruments, allowance for loan losses are determined using expected credit loss (ECL) model. The Company's impairment allowance is derived from estimates including the historical default and loss ratios. Management exercises judgement in determining the quantum of loss based on a range of factors. The most significant areas are: - Segmentation of loan book - Determination of exposure at default - Loan staging criteria - Calculation of probability of default / loss given default - Consideration of probability weighted scenarios and forward looking macro-economic factors The application of ECL model requires several data inputs. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model. *Impact of COVID-19* On 11 March 2020, the World Health Organisation declared the Novel Coronavirus (COVID-19) outbreak to be a pandemic. We have identified the impact of, and uncertainty related to the COVID 19 pandemic as a key element and consideration for recognition and measurement of impairment of loans and advances on account of: - Short and long term macroeconomic effect on businesses in the country and globally and its consequential first order and cascading negative impact on revenue and employment generation opportunities; - impact of the pandemic on the Company's customers and their ability to repay dues; and - application of regulatory package announced by the Reserve Bank of India (RBI) on asset classification and provisioning. Management has conducted a qualitative assessment of significant increase in credit risk (SICR) of the loan portfolio with respect to the moratorium benefit to borrowers prescribed by the RBI and considered updated macroeconomic scenarios and the use of management overlays to reflect potential impact of COVID-19 on expected credit losses on its loan portfolio.	Our key audit procedures included: Design / controls • Evaluation of the appropriateness of the impairment principles used by management based on the requirements of Ind AS 109, our business understanding and industry practice. • Understanding management's revised processes, systems and controls implemented in relation to impairment allowance process, particularly in view of COVID-19 regulatory package. • Evaluating management's controls over collation of relevant information used for determining estimates for management overlays on account of COVID-19. • Testing the controls over 'Governance Framework' in line with the RBI guidance. • Assessing the design and implementation of key internal financial controls over loan impairment process used to calculate the impairment charge. • Using our modelling specialist to test the model methodology and reasonableness of assumptions used, including management overlays. • Testing of review controls over measurement of impairment allowances and disclosures in financial statements. Substantive tests • Assessing the appropriateness of management rationale for determination of criteria for SICR considering both: adverse effects of COVID 19 and mitigants in the form of the RBI / Government financial relief package. • Assessing the appropriateness of changes made in macroeconomic factors and management overlays to calibrate the risks that are not yet fully captured by the existing model. • Corroborate through independent check and enquiries the reasonableness of management's assessment of grading of severity of impact of COVID-19 on segments of its loan portfolio and the resultant impairment provision computed. • Focus on appropriate application of accounting principles, validating completeness and accuracy of the data and reasonableness of assumptions used in the model. • Test of details over of calculation of impairment allowance for assessing the completeness, accuracy and relevance of data. • Model calculations testing through re-performance where possible. • The appropriateness of management's judgments was also independently reconsidered in respect of calculation methodologies, segmentation, economic factors, the period of historical loss rates used and the valuation of recovery assets and collateral. • Assessing the factual accuracy and appropriateness of the additional financial statements disclosures made by the Company regarding impact of COVID-19.

Independent Auditors' Report (Contd.)

Information Technology (IT) systems and controls

The key audit matter	How the matter was addressed in our audit
The Company's key financial accounting and reporting processes are highly dependent on information systems including automated controls, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. The Company uses several systems for it overall financial reporting process. Further, the prevailing COVID-19 situation, has caused the required IT applications to be made accessible on a remote basis. We have identified 'Information Technology systems' as key audit matter because of the high level of automation, the complexity of the IT architecture and the risks associated with remote access of key applications by a large population of staff at the year end.	Our response Our audit procedures to assess the IT system management included the following: We involved our IT Specialist to: • Understand General IT Controls (GITC) i.e. Access Controls, Program/ System Change, Program Development, Computer Operations (i.e. Job Processing, Data/System Backup Incident Management) over key financial accounting and reporting systems, and supporting control systems (referred to as in-scope systems). • Understand IT infrastructure i.e. operating systems and databases supporting the in-scope systems. • Test the General IT Controls for design and operating effectiveness for the audit period over the in-scope systems. • Understand IT application controls covering: — user access and roles, segregation of duties; and — key interfaces, reports, reconciliations and system processing. • Test the IT application controls for design and operating effectiveness for the audit period. • Test the controls to determine whether these controls remained unchanged during the audit period or were changed following the standard change management process. • Test the controls over the IT infrastructure covering user access (including privilege users), data center and system change (e.g. patches). and • Enquiry on data security controls in the context of a large population of staff working from remote location at the year end.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the holding Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and based on the work done/ audit report of other auditors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's and Board of Directors' Responsibilities for the Consolidated Financial Statements

The Holding Company's Management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/ loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group including its joint ventures in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. The respective Management and Board of Directors of the companies included in the Group and of its joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of each company, and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Management and Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Management and Board of Directors of the companies included in the Group and of its joint ventures are responsible for assessing the ability of each company to continue as a going concern, disclosing,

Independent Auditors' Report (Contd.)

as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its joint ventures is responsible for overseeing the financial reporting process of each company.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on the internal financial controls with reference to the consolidated financial statements and the operating effectiveness of such controls based on our audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management and Board of Directors.
- Conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its joint ventures to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group and its joint ventures to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in the section titled 'Other Matters' in this audit report.

We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or

Independent Auditors' Report (Contd.)

regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

We did not audit the financial statements of one subsidiary whose financial statements reflect total assets of Rs. 255,367.38 lakhs as at 31 March 2020, total revenues of Rs. 35,636.65 lakhs and net cash outflows of Rs 246.69 lakhs for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit (and other comprehensive income) of Rs. 945.23 lakhs for the year ended 31 March 2020, in respect of two joint ventures, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary and joint ventures, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary and joint ventures is based solely on the audit reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

A. As required by Section 143(3) of the Act, based on our audit and on the consideration of reports of the other auditors on separate financial statements of such subsidiaries, associates, joint ventures and joint operations as were audited by other auditors, as noted in the 'Other Matters' paragraph, we report, to the extent applicable, that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

   b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

   c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

   d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under section 133 of the Act.

   e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, associate companies, joint ventures and joint operations incorporated in India, none of the directors of the Group companies, its associate companies, and joint ventures incorporated in India is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act.

   f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company, its subsidiary company and joint ventures incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

B. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements of the subsidiaries, associates and joint ventures and joint operations, as noted in the 'Other Matters' paragraph:

   i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2020 on the consolidated financial position of the Group, its associates and joint ventures and joint operations. Refer Note 46 to the consolidated financial statements.

   ii. The Group and its joint ventures did not have any material foreseeable losses on long-term contracts including derivative contracts during the year ended 31 March 2020.

   iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Holding

Independent Auditors' Report (Contd.)

Company or its subsidiary company and joint ventures incorporated in India during the year ended 31 March 2020.

iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the financial statements since they do not pertain to the financial year ended 31 March 2020.

C. With respect to the matter to be included in the Auditor's report under section 197(16):

We draw attention to Note 45 to the consolidated financial statements for the year ended 31 March 2020 according to which the managerial remuneration paid to Vice Chairman and Managing Director of the Holding Company (amounting to INR 201.87 lacs) exceed the prescribed limits under Section 197 read with Schedule V to the Companies Act, 2013 by INR 42.87 lacs. As per the provisions of the Act, the excess remuneration is subject to approval of the shareholders which the Company proposes to obtain in the forthcoming Annual General Meeting.

The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

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

Manoj Kumar Vijai
Partner
Membership No. 046882
UDIN: 20046882AAAABQ3915

Place: Mumbai
Date: 18 June 2020

Annexure A to the Independent Auditors' report on the consolidated financial statements of Magma Fincorp Limited for the year ended 31 March 2020

Report on the internal financial controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

Referred to in paragraph 1(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date

Opinion

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2020, we have audited the internal financial controls with reference to consolidated financial statements of Magma Fincorp Limited (hereinafter referred to as "the Holding Company") and such companies incorporated in India under the Companies Act, 2013 which are its subsidiary company and its joint venture companies as of that date.

In our opinion, the Holding Company and such companies incorporated in India which are its subsidiary company and its joint venture companies, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Emphasis of Matter

As described in Emphasis of Matter paragraph of our report to the consolidated financial statements, the extent to which the COVID-19 pandemic will have impact on the Company's internal financial controls with reference to the consolidated financial statements is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of the above matter.

Management's Responsibility for Internal Financial Controls

The respective Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements were established and maintained and if such controls operated effectively in all material respects.

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

Annexure A to the Independent Auditors' report on the consolidated financial statements of Magma Fincorp Limited for the year ended 31 March 2020 (Contd.)

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the relevant subsidiary company and joint venture companies in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

Meaning of Internal Financial controls with Reference to Consolidated Financial Statements

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

Inherent Limitations of Internal Financial controls with Reference to consolidated Financial Statements

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

Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated financial statements insofar as it relates to one subsidiary company and two joint venture companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

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

Manoj Kumar Vijai
Partner
Membership No. 046882
UDIN: 20046882AAAABQ3915

Place: Mumbai
Date: 18 June 2020

Consolidated Balance Sheet

as at 31 March 2020

(All amounts are in ₹ lacs except share data and unless otherwise stated)

	Note	As at 31 March 2020	As at 31 March 2019
ASSETS			
1 Financial assets			
Cash and cash equivalents	3	20,596.15	57,098.21
Bank balances other than cash and cash equivalents	4	50,232.02	38,586.29
Receivables	5		
(i) Trade receivables		799.29	868.18
(ii) Other receivables		192.12	228.80
Loans	6	1,354,645.40	1,500,663.29
Investments	7	15,059.88	14,114.65
Other financial assets	8	32,425.64	18,611.57
Total financial assets		**1,473,950.50**	**1,630,170.99**
2 Non-financial assets			
Current tax assets (net)	9	10,119.72	10,755.86
Deferred tax assets (net)	10	9,381.60	13,758.37
Property, plant and equipment	11	15,578.05	15,867.62
Capital work-in-progress	12	-	290.24
Intangible assets under development	13	661.94	94.64
Goodwill	15	1,430.34	1,430.34
Other intangible assets	14	1,603.98	2,616.27
Right to use assets	16	5,571.51	-
Other non-financial assets	17	5,673.88	3,943.64
Total non-financial assets		**50,021.02**	**48,756.98**
Total assets		**1,523,971.52**	**1,678,927.97**
LIABILITIES AND EQUITY			
LIABILITIES			
1 Financial liabilities			
Trade payables	18		
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		2,505.68	36,966.00
Debt securities	19	70,407.73	49,250.44
Borrowings (other than debt securities)	20	1,042,705.58	1,162,730.49
Subordinated liabilities	21	85,623.66	101,330.04
Lease liability	22	5,983.06	-
Other financial liabilities	23	32,304.87	44,664.46
Total financial liabilities		**1,239,530.58**	**1,394,941.43**
2 Non-financial liabilities			
Current tax liabilities (net)	24	1,435.17	1,192.27
Provisions	25	1,124.63	1,274.84
Other non-financial liabilities	26	7,081.26	7,130.64
Total non-financial liabilities		**9,641.06**	**9,597.75**
EQUITY			
Equity share capital	27	5,390.31	5,386.48
Other equity	28	269,409.57	269,002.31
Total equity		**274,799.88**	**274,388.79**
Total liabilities and equity		**1,523,971.52**	**1,678,927.97**
Significant accounting policies	2		
Notes to the financial statements	3-55		
The accompanying notes are an integral part of these financial statements			

As per our report of even date attached

For and on behalf of the Board of Directors
Magma Fincorp Limited

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

Manoj Kumar Vijai
Partner
Membership No.: 046882

Place : Mumbai
Date : 18 June 2020

Kailash Baheti
Chief Financial Officer

Shabnum Zaman
Company Secretary

Place : Kolkata
Date : 18 June 2020

Narayan K Seshadri
Chairman
(DIN : 00053563)

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Place : Mumbai
Date : 18 June 2020

Consolidated Statement of Profit and Loss

for the year ended 31 March 2020

(All amounts are in ₹ lacs except share data and unless otherwise stated)

		Note	For the year ended 31 March 2020	For the year ended 31 March 2019
	Revenue from operations			
	Interest income	29	232,434.29	224,975.68
	Rental income	30	3,671.91	2,768.78
	Fees and commission income	31	8,650.27	9,274.06
	Net gain on fair value changes	32	-	448.59
	Net gain on derecognition of financial instruments	33	6,586.82	7,986.38
(I)	**Total**		**251,343.29**	**245,453.49**
(II)	Other income	34	4,944.49	4,016.34
(III)	**Total income (I+II)**		**256,287.78**	**249,469.83**
	Expenses			
	Finance costs	35	129,382.18	112,223.40
	Net loss on fair value changes	32	461.66	-
	Impairment on financial instruments	36	48,578.97	24,670.64
	Employee benefits expenses	37	44,791.09	43,663.79
	Depreciation, amortisation and impairment	38	7,478.99	5,046.39
	Others expenses	39	17,316.43	19,695.94
(IV)	**Total expenses**		**248,009.32**	**205,300.16**
(V)	**Profit before share of profit/(loss) of joint ventures and tax (III-IV)**		**8,278.46**	**44,169.67**
(VI)	**Share of profit of equity-accounted investee, net of tax**		(100.72)	66.42
(VII)	**Profit / (loss) before tax (V+VI)**		**8,177.74**	**44,236.09**
(VIII)	**Tax expense:**			
	Current tax - current year	10	1,656.00	2,992.00
	- earlier year		(141.35)	376.42
	Deferred tax	10	3,957.75	10,467.04
			5,472.40	**13,835.46**
(IX)	**Profit / (loss) for the year (VII-VIII)**		**2,705.34**	**30,400.63**
(X)	**Other comprehensive income/(loss)**			
A	(i) Items that will not be reclassified to profit or loss			
	- Remeasurements of the defined benefit plans		(323.94)	(208.43)
	- Share of profit of equity-accounted investee, net of tax		(18.80)	(1.35)
	(ii) Income tax relating to items that will not be reclassified to profit or loss		34.41	73.12
	Subtotal (A)		**(308.33)**	**(136.66)**
B	(i) Items that will be reclassified to profit or loss			
	- Debt instruments through other comprehensive income		(1,105.76)	(1,022.87)
	- Share of profit of equity-accounted investee, net of tax		1,064.75	337.80
	(ii) Income tax relating to items that will be reclassified to profit or loss		266.35	325.03
	Subtotal (B)		**225.34**	**(360.04)**
	Other comprehensive income/(loss) (A + B)		**(82.99)**	**(496.70)**
(XI)	**Total comprehensive income for the year, net of tax**		**2,622.35**	**29,903.93**
(XII)	**Earnings per equity share**			
	Basic (₹)	43	1.00	11.33
	Diluted (₹)	43	1.00	11.31
	Significant accounting policies	2		
	Notes to the financial statements	3-55		
	The accompanying notes are an integral part of these financial statements			

As per our report of even date attached

For and on behalf of the Board of Directors
Magma Fincorp Limited

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

Kailash Baheti
Chief Financial Officer

Narayan K Seshadri
Chairman
(DIN : 00053563)

Manoj Kumar Vijai
Partner
Membership No.: 046882

Shabnum Zaman
Company Secretary

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Place : Mumbai
Date : 18 June 2020

Place : Kolkata
Date : 18 June 2020

Place : Mumbai
Date : 18 June 2020

Consolidated Statement of Cash Flows

for the year ended 31 March 2020

(All amounts are in ₹ lacs except share data and unless otherwise stated)

	For the year ended 31 March 2020	For the year ended 31 March 2019
A. Cash flow from operating activities		
Profit for the period	**8,278.46**	**44,169.67**
Adjustments for :		
Depreciation and amortisation expense	7,478.99	5,046.39
Impairment on financial assets	48,578.97	26,539.87
Gain on sale of investments	-	(245.19)
Net gain on fair value changes	236.53	(448.59)
Profit on sale of fixed assets	(3.26)	(43.28)
Intangible assets under development written-off	94.64	19.84
Employee share based compensation expense	360.66	850.78
Interest on tax refund	(1,045.19)	(636.18)
Interest on lease liability	694.67	-
Gain on prepayment of debt	(302.64)	-
Others	(240.79)	(635.13)
Operating cash flow before working capital changes	**64,131.04**	**74,618.18**
Movement in working capital:		
Decrease/(increase) in receivables	105.57	(725.09)
Decrease/(increase) in loans	96,856.70	(171,544.84)
(Increase) in other financial assets	(13,119.13)	(59.68)
(Increase) in other non financial assets	(2,407.54)	(885.89)
(Decrease)/Increase in trade payables	(33,853.44)	5,315.20
(Decrease)/Increase in other financial liabilities	(12,836.25)	5,903.23
(Decrease) in provisions	(133.37)	(177.46)
(Decrease) in other non financial liabilities	(49.38)	(591.09)
Net cash (used in)/generated from operating activities before taxes	**98,694.20**	**(88,147.44)**
Income taxes paid (net of refunds)	1,129.36	(4,179.62)
Net cash (used in)/generated from operating activities (A)	**99,823.56**	**(92,327.06)**
B. Cash flow from investing activities		
Purchase of property, plant and equipment	(4,734.52)	(4,549.00)
Proceeds from sale of property, plant and equipment	972.02	870.61
Purchase of intangible assets	(1,204.90)	(879.00)
Investment in fixed deposits	(120,867.56)	(64,793.06)
Redemption of fixed deposits	109,221.84	56,716.41
Investment in subsidiary	(10,000.00)	-
Investment in joint venture	(2,650.04)	(2,055.56)
Proceeds from sale of investments	1,193.51	4,904.63
Net cash (used in) investing activities (B)	**(28,069.65)**	**(9,784.97)**

Consolidated Statement of Cash Flows (Contd.)

for the year ended 31 March 2020

(All amounts are in ₹ lacs except share data and unless otherwise stated)

	For the year ended 31 March 2020	For the year ended 31 March 2019
C. Cash flow from financing activities		
Proceeds from issue of long-term debentures	55,141.45	43,500.00
Redemption of long-term debentures	(49,197.36)	(30,030.00)
Proceeds from long term borrowings	175,042.96	95,113.85
Repayment of long term borrowings	(88,785.46)	(79,637.55)
Proceeds from long term borrowings - pass through certifcate	272,064.70	298,496.53
Repayment of long term borrowings - pass through certifcate	(258,477.89)	(193,268.74)
Repayment - loan repayable on demand (net) (refer note b)	(219,610.02)	(31,559.16)
Interest on lease liability	(694.67)	-
Principal portion of lease liability	(1,164.90)	-
Proceeds from issue of equity shares including securities premium	10,025.73	49,029.51
Dividend paid (including tax thereon)	(2,600.51)	(2,594.21)
Net cash generated from /(used in) financing activities (C)	**(108,255.97)**	**149,050.23**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(36,502.06)**	**46,938.20**
Cash and cash equivalents at the beginning of the year	57,098.21	10,160.01
Cash and cash equivalents at the end of the year	**20,596.15**	**57,098.21**

(a) Cash and cash equivalents consist of cash on hand, balance with banks and deposits with banks. Please refer Note 3 for detailed disclosure.

(b) The figures has been presented on a net basis as the transactions during the year are voluminous.

The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Indian Accounting Standard (Ind AS-7) on 'Statement of Cash Flows'.

As per our report of even date attached

For and on behalf of the Board of Directors
Magma Fincorp Limited

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

Kailash Baheti
Chief Financial Officer

Narayan K Seshadri
Chairman
(DIN : 00053563)

Manoj Kumar Vijai
Partner
Membership No.: 046882

Shabnum Zaman
Company Secretary

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Place : Mumbai
Date : 18 June 2020

Place : Kolkata
Date : 18 June 2020

Place : Mumbai
Date : 18 June 2020

Consolidated Statement of Changes in Equity

for the year ended 31 March 2020

(All amounts are in ₹ lacs except share data and unless otherwise stated)

a. Equity share capital

Balance as at 1 April 2018	Changes in equity share capital during the year	Balance as at 31 March 2019	Changes in equity share capital during the year	Balance as at 31 March 2020
4,740.57	645.91	5,386.48	3.83	5,390.31

b. Other equity

Particulars	Reserve and Surplus							Items of other comprehensive income	Total
	Statutory Reserves (created pursuant to Section 45-IC of the Reserve Bank of India Act,1934)	Statutory Reserves (created pursuant to Section 29C of the National Housing Bank Act,1987)	Capital Reserve	Securities Premium Reserve	Capital Redemption reserve	Share option Outstanding	Retained Earnings	Debt instruments through Other Comprehensive Income	
Balance as at 1 April 2018	28,450.00	2,743.02	480.22	132,240.32	1,421.84	360.41	25,498.14	1,267.16	192,461.11
Profit for the year	-	-	-	-	-	-	30,400.63	-	30,400.63
Other comprehensive income/(loss) for the year	-	-	-	-	-	-	(136.66)	(360.04)	(496.70)
Transfer to/from retained earnings	5,510.00	690.00	-	-	-	-	(6,200.00)	-	-
Net Proceeds from issue of shares	-	-	-	48,361.84	-	-	-	-	48,361.84
Dividend declared (including dividend distribution tax)	-	-	-	-	-	-	(2,597.11)	-	(2,597.11)
Equity settled share based payment	-	-	-	46.58	-	825.96	-	-	872.54
Balance as at 31 March 2019	33,960.00	3,433.02	480.22	180,648.74	1,421.84	1,186.37	46,965.00	907.12	269,002.31
Profit for the year	-	-	-	-	-	-	2,705.34	-	2,705.34
Other comprehensive income/(loss) for the year	-	-	-	-	-	-	(308.33)	225.34	(82.99)
Transfer to/from retained earnings	-	852.97	-	-	-	-	(852.97)	-	-
Net Proceeds from issue of shares	-	-	-	-	-	-	-	-	-
Dividend declared (including dividend distribution tax)	-	-	-	-	-	-	(2,597.65)	-	(2,597.65)
Equity settled share based payment	-	-	-	265.43	-	117.13	-	-	382.56
Balance as at 31 March 2020	33,960.00	4,285.99	480.22	180,914.17	1,421.84	1,303.50	45,911.39	1,132.46	269,409.57
Significant accounting policies	2								
Notes to the financial statements	3-55								

The accompanying notes are an integral part of these financial statements

As per our report of even date attached

For and on behalf of the Board of Directors
Magma Fincorp Limited

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

Kailash Baheti
Chief Financial Officer

Narayan K Seshadri
Chairman
(DIN : 00053563)

Manoj Kumar Vijai
Partner
Membership No.: 046882

Shabnum Zaman
Company Secretary

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Place : Mumbai
Date : 18 June 2020

Place : Kolkata
Date : 18 June 2020

Place : Mumbai
Date : 18 June 2020

Notes
to the consolidated financial statements

Note 1: Company Overview

Background

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

Note 2: Significant Accounting Policies and Key Accounting Estimates and Judgements:

a) Basis of consolidation and equity accounting

Consolidated financial statements include result of Magma Fincorp Limited, the parent company, its subsidiaries and joint ventures (collectively referred to as 'the Group'). Consolidated financial statements are prepared as set out below:

Name of the Company	Country of incorporation	Consolidated as
Magma Housing Finance Limited (MHFL)	India	Subsidiary
Jaguar Advisory Services Private Limited (JASPL)	India	Joint venture
Magma HDI General Insurance Company Limited (MHDI)	India	Joint venture

I) Subsidiary

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies have been applied uniformly among the group for like transactions and other events in similar circumstances

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on 31 March

The excess of cost to the parent company of its investment in the subsidiaries over the parent's portion of equity of the subsidiaries or vice versa is recognised in the consolidated financial statements as goodwill or capital reserve as the case may be.

Non-controlling interests (if any), in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet respectively.

II) Joint arrangement

Under Ind AS 111 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The group has only joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated financial statements.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit and loss, and the group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

b) Basis of preparation

The consolidated financial statements for the year ended March 31, 2020 have been prepared by the Group in accordance with Indian Accounting Standards ("Ind AS") notified by the Ministry of Corporate Affairs, Government of India under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016, as amended from time to time, in this regard. In case of Magma HDI General Insurance Company Limited, the financial statement are drawn up in accordance with the Insurance Regulatory and Development Authority Act (IRDA), 1999, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 2002, and order and direction issued by IRDA in this behalf and the regulations framed there under read with relevant provisions of the Insurance Act, 1938 to the extent possible.

The group consistently applies the following accounting policies to all periods presented in these consolidated financial statements, unless otherwise stated.

c) Functional and Presentation currency

These consolidated financial statements are presented in Indian Rupees (INR), which is the group's functional and presentation currency. All amounts have been denominated in lacs and rounded off to the nearest two decimal, except when otherwise indicated.

d) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following material items:

- Financial assets at Fair value through other comprehensive income (FVTOCI) that is measured at fair value
- Financial instruments at Fair value through profit and loss (FVTPL) that is measured at fair value
- Net defined benefit (asset)/ liability - fair value of plan assets less present value of defined benefit obligation

e) Significant areas of estimation uncertainty, critical judgements and assumptions in applying accounting policies

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities (including contingent liabilities and assets) as on the date of the consolidated financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Key sources of estimation of uncertainty at the date of consolidated financial statements, which may cause a material adjustment to the carrying amount of assets and liabilities within the next financial year are included in the following notes:

- Note 51 - Impairment of financial instruments: determining inputs into the Expected Credit Loss (ECL) model, including incorporation of forward looking information and assumptions used in estimating recoverable cash flows
- Note 50 - determination of the fair value of financial instruments with significant unobservable inputs
- Note 41 - measurement of defined benefit obligations: key actuarial assumptions
- Note 10 - recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

f) Revenue recognition

Interest income from financial assets (assets on finance) is recognised on accrual basis using Effective Interest Rate ('EIR') method. The EIR is the rate that discounts the estimated future cash flows through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset adjusted for upfront expenses and incomes attributable to the acquisition of the financial asset. The interest income is recognized on EIR method on a time proportion basis applied on the carrying amount for financial assets including credit impaired financial assets.

Income from direct assignment transactions represents the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset de-recognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI.

Overdue interest and other charges are treated to accrue on realisation, due to uncertainty of realisation and is accounted for accordingly.

For revenue recognition from leasing transactions of the Group, refer Note 42 on Leases below.

Interest on fixed deposits is recognized on a time proportion basis taking into account the amount outstanding and the applicable rate.

Income from collection and support services is recognized over time as the services are rendered as per the terms of the contract.

Fair value changes from security receipts is recognized in the revenue from operations.

Income from power generation is recognized based on the unit's generated (point in time) as per the terms of the respective power purchase arrangements with respective State Electricity Boards.

Dividend is recognised when the right to receive the dividend is established.

Other Income

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

g) Financial instruments

I) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

II) Assessment of Business model

An assessment of the applicable business model for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on the Management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group could have more than one business model for managing its financial instruments which reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group considers all relevant information available when making the business model assessment.

III) Classifications

Financial assets

A financial asset is classified as subsequently measured at either amortised cost or fair value through other comprehensive income ('FVTOCI') or fair value through profit and loss (FVTPL), depending on the contractual cash flow characteristics of the financial assets and the Group's business model for managing the financial assets.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

Financial instruments at Amortised Cost

A financial asset is measured at amortised cost only if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at Fair Value through Other Comprehensive Income ('FVTOCI')

A financial asset is measured at FVTOCI only if both of the following conditions are met:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at Fair Value through Profit and Loss (FVTPL)

Any financial instrument, which does not meet the criteria for categorisation as at amortized cost or as FVOCI, is classified as at FVTPL.

Equity Investments

All equity investments other than equity investments in subsidiaries, associates and joint ventures are measured at FVTPL. These include all equity investments in scope of Ind AS 109.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost or fair value through profit or loss, as appropriate.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group is recognised at the proceeds received, net of directly attributable transaction costs.

IV) Subsequent measurement

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of discount or premium on acquisition and fees or costs that are an integral part of the EIR and, for financial assets, adjusted for any loss allowance.

Fair Valuation

Fair value is the price that is expected to be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date or, in its absence, the most advantageous market to which the Group has access at that date.

In the absence of quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

V) De-recognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e. removed from the Group's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. The Group continues to recognize the assets on finance on books which has been securitized under pass through arrangement and does not meet the de-recognition criteria.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset de-recognized) and the sum of the consideration received (including the value of any new asset obtained less any new liability assumed).

Financial liabilities

The Group de-recognizes a financial liability when its contractual obligations are discharged or cancelled, or expired.

VI) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

VII) Impairment of Financial Assets

The Group recognises impairment allowances for Expected Credit Loss (ECL) on all the financial assets that are not measured at FVTPL:

ECL are probability weighted estimate of future credit losses based on the staging of the financial asset to reflect its credit risk. They are measured as follows:

- Financial assets that are not credit impaired – as the present value of all cash shortfalls that are possible within 12 months after the reporting date.
- Financial assets with significant increase in credit risk but not credit impaired – as the present value of all cash shortfalls that result from all possible default events over the expected life of the financial asset.
- Financial assets that are credit impaired – as the difference between the gross carrying amount and the present value of estimated cash flows
- Undrawn loan commitments – as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive.

The above impairment allowance method meets the Master Direction – Non-Banking Financial Company – Systemically important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated 1st September 2016.

Financial assets are fully provided for or written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

However, financial assets that are written off could still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are credited to impairment loss on actual realization from customer

Notes
to the consolidated financial statements (Continued)

h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

I) The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is generally recognised on a straight-line basis over the term of the relevant lease. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the Group's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue.

II) The Group as lessee

i) Right to use assets and Lease liability

The Group has adopted Ind AS 116 effective 1 April, 2019 using the modified retrospective method. The Group has applied the standards to its leases with the cumulative impact recognized on the date of initial application, i.e. 1 April, 2019. Accordingly, previous period information has not been restated.

The Group assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(i) the contract involves the use of an identified asset;

(ii) the Group has substantially all the economic benefits from use of the asset through the period of the lease; and

(iii) the Group has the right to direct the use of the asset.

Recognition and initial measurement

At the lease commencement date, the Group recognises a right-of-use ("RoU") asset and equivalent amount of lease liability. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease (if any), and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent measurement

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed payments) and variable payments based on an index or rate. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in the in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset.

Presentation

Lease liability and Right of Use assets have been separately presented in the financial statements and lease payments have been classified as financing cash flows.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the Statement of profit and loss on a straight-line basis over the lease term.

ii) De-recognition

An item of right to use assets and lease liability is de-recognized upon termination of lease agreement. Any difference between the carrying amount of right to use asset and lease liability is recognized in statement of profit or loss.

i) Employee Benefits

I) Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

II) Post-employment benefits

Defined contribution plans

Provident Fund

Contributions paid / payable to the recognised provident fund, which is a defined contribution scheme, are charged to the statement of profit and loss.

Defined benefit plans

Gratuity

The Group's gratuity benefit scheme is a defined benefit plan. The Group's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Accrued Benefit Method (same as Projected Unit Credit Method), which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the balance sheet date. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contribution to the plan.

The change in defined benefit plan liability is split into changes arising out of service, interest cost and re-measurements and the change in defined benefit plan asset is split between interest income and re-measurements. Changes due to service cost and net interest cost / income is recognized in the statement of profit and loss. Re-measurements of net defined benefit liability / (asset) which comprise of the below are recognized in other comprehensive income:

- Actuarial gains and losses:
- The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset).

III) Other long term employee benefits

Compensated absences

The employees of the Group are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. The expenses and actuarial gain / loss on account of the above benefit plans are recognised in the Statement of Profit and Loss on the basis of actuarial valuation.

IV) Share-based payment arrangements - Employee Stock Options

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

In case, the group modifies the terms and condition on which the equity instruments were granted in a manner that is beneficial to the employees, the incremental cost will be recognized over the period starting from the modification date till the date of vesting if the modification occurs during the vesting period. In case, modification occurs after the vesting period, the incremental cost will be recognized immediately

j) Income Taxes

Income-tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of temporary differences between tax base and book base). It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

I) Current tax

Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961. Current tax comprises the tax payable on the taxable income or loss for the year and any adjustment to the tax payable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if, the Group:

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Notes
to the consolidated financial statements (Continued)

II) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are reviewed at each reporting date and based on management's judgement, are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if the Group:

- has a legally enforceable right to set off current tax assets against current tax liabilities;
  and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

k) Property, plant and equipment and Investment property

Recognition and measurement

Property, plant and equipment held for use or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses. The cost includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. All assets given on operating lease are shown at the cost of acquisition less accumulated depreciation.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Investment Property consists of building let out to earn rentals. The Group follows cost model for measurement of investment property.

Depreciation and amortisation

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

Freehold land is not depreciated. Leasehold improvements are amortised over the underlying lease term on a straight line basis.

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

For the following class of assets, based on internal assessment, the management believes that the useful lives as given below best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013:

Desktop	6 years
Laptops / Hand Held Device	4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

De-recognition

An item of property, plant and equipment or investment property is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment or investment property is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

l) Intangible assets

Recognition and measurement

Intangible assets with finite useful lives that are acquired separately are capitalised and carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

De-recognition

An intangible asset is de-recognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is de-recognized.

m) Impairment of non-financial assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

n) Foreign Currency Transactions

Transactions in foreign currency are translated into the functional currency of the Group at the exchange rates prevailing on the date of the transaction. The foreign currency borrowing being a monetary liability is restated to INR (being the functional currency of the Group) at the prevailing rates of exchange at the end of every reporting period with the corresponding exchange gain/ loss being recognized in profit or loss.

o) Provisions and contingencies related to claims, litigation, etc.

A provision is recognised if, as a result of a past event, the Group has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost.

I) Onerous contracts

A contract is considered as onerous when the expected economic benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

II) Contingencies related to claims, litigation, etc.

Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognised when it is probable that a liability has been incurred, and the amount can be estimated reliably. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

p) Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

Contingent assets are disclosed in the consolidated financial statements where an inflow of economic benefits is probable.

q) Cash and cash equivalent

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

r) Held for Sale

Assets repossessed by the Group under SARFAESI Act, 2002 and identified for sale has been classified as assets held for sale, as their carrying amounts will be recovered principally through a sale of asset. The Group is committed to sell these assets and they are measured at the lower of their carrying amount and the fair value less costs to sell.

s) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of non-cash future, any deferrals, or accruals of past or future operating cash receipts or payments and item of expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the group. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Group. Refer note 56 for details on segment information presented.

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 3: Cash and cash equivalents

	As at 31 March 2020	As at 31 March 2019
Cash on hand	80.01	4,620.46
Balances with banks		
In current accounts	20,516.14	2,477.75
In deposits with original maturity of 3 months or less	-	50,000.00
Total	**20,596.15**	**57,098.21**

Note 4: Bank balance other than cash and cash equivalents

	As at 31 March 2020	As at 31 March 2019
Unpaid dividend account (Earmarked)	34.59	37.46
Bank balance other than cash and cash equivalents		
In deposits with original maturity of 3 months or less	193.00	3,451.30
In deposits with original maturity of more than 3 months	50,004.43	35,097.53
Total	**50,232.02**	**38,586.29**

Balances with banks held as security against borrowings, guarantees amounts to ₹1,832.95 lacs (31 March 2019: ₹2287.00 lacs) and as cash collateral for securitisation of receivables amounts to ₹42,467.00 lacs (31 March 2019: ₹34,109.13 lacs).

Note 5: Receivables

	As at 31 March 2020	As at 31 March 2019
(i) Trade receivables		
Receivables considered good - Unsecured	799.29	868.18
Less: Impairment loss allowance	-	-
Sub-total - (i)	799.29	868.18
(ii) Other receivables		
Receivables considered good - Unsecured	192.12	228.80
Less: Impairment loss allowance	-	-
Sub-total - (ii)	192.12	228.80
Total - (i + ii)	**991.41**	**1,096.98**

Note 6: Loans

	Amortised Cost	At Fair Value through other comprehensive income	Total
As at 31 March 2020			
(A) (i) Term loans	930,306.19	465,838.65	1,396,144.84
(ii) Leasing	19,622.76	-	19,622.76
(iii) Others			
- Staff loans	61.72	-	61.72
Total (A) - Gross	**949,990.67**	**465,838.65**	**1,415,829.32**
Less: Impairment loss allowance	45,490.89	15,693.03	61,183.92
Total (A) - Net	**904,499.78**	**450,145.62**	**1,354,645.40**
(B) (i) Secured by tangible assets *	823,498.83	292,437.40	1,115,936.23
(ii) Covered by bank/government guarantees #	126,430.12	119,487.39	245,917.51
(iii) Unsecured	61.72	53,913.86	53,975.58
Total (B) - Gross	**949,990.67**	**465,838.65**	**1,415,829.32**
Less: Impairment loss allowance	45,490.89	15,693.03	61,183.92
Total (B) - Net	**904,499.78**	**450,145.62**	**1,354,645.40**

MAGMA
Investing in the smallest dream

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 6: Loans (Contd.)

	Amortised Cost	At Fair Value through other comprehensive income	Total
(C) Loans in India			
(i) Public sector	-	-	-
(ii) Others	949,990.67	465,838.65	1,415,829.32
Total (C) - Gross	**949,990.67**	**465,838.65**	**1,415,829.32**
Less: Impairment loss allowance	45,490.89	15,693.03	61,183.92
Total (C) - Net	**904,499.78**	**450,145.62**	**1,354,645.40**

* Secured by underlying assets financed

\# 1) Government of India has issued a scheme on 10th August, 2019 to provide a one time partial credit guarantee to Public Sector Banks for purchase of pooled assets of financially sound NBFC/HFC in order to provide them with liquidity. The Company has entered into a transaction of ₹25,248.41 lacs under this scheme.

2) ₹101,181.71 lacs of loans under amortized cost category and ₹119,487.39 lacs under fair value through other comprehensive income category is covered with credit guarantee scheme for NBFCs for credit facilities extended to eligible borrowers in Micro and Small Industries.

	Amortised Cost	At Fair Value through other comprehensive income	Total
As at 31 March 2019			
(A) (i) Term loans	1,223,639.66	313,876.77	1,537,516.43
(ii) Leasing	18,782.10	-	18,782.10
(iii) Others			
- Staff loans	56.84	-	56.84
Total (A) - Gross	**1,242,478.60**	**313,876.77**	**1,556,355.37**
Less: Impairment loss allowance	40,201.69	15,490.39	55,692.08
Total (A) - Net	**1,202,276.91**	**298,386.38**	**1,500,663.29**
(B) (i) Secured by tangible assets *	1,242,421.76	105,438.09	1,347,859.85
(ii) Covered by bank/government guarantees #	-	52,002.59	52,002.59
(iii) Unsecured	56.84	156,436.09	156,492.93
Total (B) - Gross	**1,242,478.60**	**313,876.77**	**1,556,355.37**
Less: Impairment loss allowance	40,201.69	15,490.39	55,692.08
Total (B) - Net	**1,202,276.91**	**298,386.38**	**1,500,663.29**
(C) Loans in India			
(i) Public sector	-	-	-
(ii) Others	1,242,478.60	313,876.77	1,556,355.37
Total (C) - Gross	**1,242,478.60**	**313,876.77**	**1,556,355.37**
Less: Impairment loss allowance	40,201.69	15,490.39	55,692.08
Total (C) - Net	**1,202,276.91**	**298,386.38**	**1,500,663.29**

* Secured by underlying assets financed

\# ₹52,002.59 lacs under fair value through other comprehensive income category is covered with credit guarantee scheme for NBFCs for credit facilities extended to eligible borrowers in Micro and Small Industries.

Effective 1 July 2018, SME loan portfolio has been reclassified from amortised cost category to FVOCI. Primary reason for reclassification is change in business model, which is based on Management's intent and volume of direct assignment transactions done during the year. Consequently, gain/loss on fair valuation has been recognised in other comprehensive income.

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 7: Investments

	Amortised Cost	At Fair Value through profit or loss	Others*	Total
As at 31 March 2020				
(A) Mutual funds	-	-	-	-
Government securities	0.16	-	-	0.16
Equity instruments	-	0.99	-	0.99
Joint ventures	-	-	15,058.73	15,058.73
Total – Gross (A)	**0.16**	**0.99**	**15,058.73**	**15,059.88**
(B) Investments in India	0.16	0.99	15,058.73	15,059.88
Total – Gross (B)	**0.16**	**0.99**	**15,058.73**	**15,059.88**
Less: Allowance for impairment loss (C)	-	-	-	-
Total – Net D= (A)-(C)	**0.16**	**0.99**	**15,058.73**	**15,059.88**

	Amortised Cost	At Fair Value through profit or loss	Others*	Total
As at 31 March 2019				
(A) Mutual funds	-	-	-	-
Government securities	0.16	-	-	0.16
Equity instruments	-	0.99	-	0.99
Joint ventures	-	-	14,113.50	14,113.50
Total – Gross (A)	**0.16**	**0.99**	**14,113.50**	**14,114.65**
(B) Investments in India	0.16	0.99	14,113.50	14,114.65
Total – Gross (B)	**0.16**	**0.99**	**14,113.50**	**14,114.65**
Less: Allowance for impairment loss (C)	-	-	-	-
Total – Net D= (A)-(C)	**0.16**	**0.99**	**14,113.50**	**14,114.65**

* The Company accounts for its investments in joint ventures at deemed cost (carrying value of previous GAAP) in accordance with Ind AS 101.

Note 8: Other financial assets

	As at 31 March 2020	As at 31 March 2019
Accrued interest / financial charges	870.89	292.86
Advances recoverable	10,011.13	1,207.96
Application money paid towards securities *	2,650.04	-
Trade advance	2,103.78	2,112.09
Excess interest spread receivable (refer note 49)	13,022.36	8,737.28
Security deposits	826.01	873.33
Advances to related parties #	845.06	1,007.94
Others	3,863.89	5,955.18
Less: Impairment loss allowance **	(1,767.52)	(1,575.07)
	32,425.64	**18,611.57**

* 54,64,000 equity shares of the face value of ₹10/- each at price of ₹48.50/- each (including premium of ₹38.50/- each) have been allotted on 28 April 2020 by Magma HDI.

** Includes allowance created against advance recoverable of ₹505.27 lacs (31 March 19: ₹505.27 lacs) and expected credit loss against excess interest spread receivable (EIS) receivable of ₹68.74 lacs (31 March 19: ₹53.56 lacs) and trade advance of ₹1,193.51 lacs (31 March 19: ₹1,016.24 lacs).

\# Includes advance given to a private limited company in which director of the Company is a director / member. (Refer Note 45)

Notes
to the consolidated financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 9: Current tax assets (net)

	As at 31 March 2020	As at 31 March 2019
Advance tax and deduction at source (net of provision for taxes)	10,119.72	10,755.86
Total	**10,119.72**	**10,755.86**

Note 10: Income tax

A. Amounts recognised in statement profit or loss

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Current tax		
Current period (a)	1,656.00	2,992.00
Changes in estimates related to prior years (b)	(141.35)	376.42
	1,514.65	**3,368.42**
Deferred tax (c)		
Attributable to-		
Origination / (Reversal) of temporary differences	369.49	10,520.75
Change in tax rate	3,588.26	(96.32)
Recognition of MAT credit entitlement	-	42.61
Sub-total (c)	**3,957.75**	**10,467.04**
Tax expense (a)+(b)+(c)	**5,472.40**	**13,835.46**

B. Income tax recognised in other comprehensive income

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
	Income Tax	Income Tax
Remeasurements of the defined benefit plans	34.41	73.12
Debt Instruments fair value through other comprehensive income	266.35	325.03
	300.76	**398.15**

C. Reconciliation of effective tax rate

Particulars	Year ended 31 March 2020		Year ended 31 March 2019	
	%	Amount	%	Amount
Profit before tax		8,278.46		44,169.67
Tax using the Company's domestic tax rate	25.17%	2,083.52	34.94%	15,434.65
Effect of:				
Impact of change in tax rate	43.34%	3,588.26	(0.22)%	(96.32)
Non taxable income / tax incentives / disallowable expenses	(0.96)%	(79.84)	(1.66)%	(731.31)
Impact of difference of tax rate in Magma Housing Finance Limited	0.00%	-	(0.51)%	(225.85)
Adjustment of brought forward losses of earlier years	-	-	-	-
Others	0.26%	21.81	(2.08)%	(922.13)
Effective tax rate	**67.81%**	**5,613.75**	**30.47%**	**13,459.04**
Provisions relating to earlier years	(1.71%)	(141.35)	0.85%	376.42
Income tax expense reported in the statement of profit and loss	**66.10%**	**5,472.40**	**31.32%**	**13,835.46**

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 10: Income tax (Contd.)

D. Deferred tax assets, net

Movement of deferred tax assets / liabilities

Particulars	As at 31 March 2019	Recognised in profit or loss during the year	Recognised in OCI during the year	Others	As at 31 March 2020
Deferred tax assets:					
Impairment allowance	20,031.87	(4,174.87)	-	-	15,857.00
Application of effective interest rate method on financial assets and financial liabilities	3,534.99	(1,647.90)	-	-	1,887.09
Provision for compensated absence	231.30	(31.14)	-	-	200.16
Unabsorbed depreciation and amortisation	-	-	-	-	-
Minimum alternate tax credit entitlement	719.78	-	-	(719.78)	-
Others	46.36	92.09	-	-	138.45
	24,564.30	**(5,761.82)**	**-**	**(719.78)**	**18,082.70**
Deferred tax liabilities:					
Property, plant and equipment	2,050.87	(1,204.99)	-	-	845.88
Loans	(224.18)	(201.69)	(266.35)	-	(692.22)
EIS receivable	2,768.79	512.38	-	-	3,281.16
Investments	(322.75)	(65.20)	-	-	(387.95)
Application of effective interest rate method on financial assets and financial liabilities	5,514.35	(976.47)	-	-	4,537.88
Gratuity (excess of plan assets over obligation)	53.61	4.14	(34.41)	-	23.34
Others	965.25	127.76	-	-	1,093.01
	10,805.93	**(1,804.07)**	**(300.76)**	**-**	**8,701.10**
Net deferred tax assets	**13,758.37**	**(3,957.75)**	**300.76**	**(719.78)**	**9,381.60**

Particulars	As at 1 April 2018	Recognised in profit or loss during the year	Recognised in OCI during the year	As at 31 March 2019
Deferred tax assets:				
Impairment allowance	36,232.94	(16,201.07)	-	20,031.87
Application of effective interest rate method on financial assets and financial liabilities	2,472.88	1,062.11	-	3,534.99
Provision for compensated absence	229.89	1.41	-	231.30
Unabsorbed depreciation and amortisation	-	-	-	-
Minimum alternate tax credit entitlement	762.39	(42.61)	-	719.78
Others	168.69	(122.33)	-	46.36
	39,866.79	**(15,302.49)**	**-**	**24,564.30**
Deferred tax liabilities:				
Property, plant and equipment	3,250.85	(1,199.98)	-	2,050.87
Loans	3,294.59	(3,193.75)	(325.03)	(224.18)
EIS receivable	2,584.95	183.84	-	2,768.79
Investments	347.74	(670.49)	-	(322.75)
Application of effective interest rate method on financial assets and financial liabilities	5,197.61	316.74	-	5,514.35
Gratuity (excess of plan assets over obligation)	55.34	71.39	(73.12)	53.61
Others	1,308.41	(343.19)	-	965.25
	16,039.49	**(4,835.45)**	**(398.15)**	**10,805.93**
Net deferred tax assets	**23,827.30**	**(10,467.04)**	**398.15**	**13,758.37**

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 10: Income tax (Contd.)

E. Unused tax losses on which deferred tax is not created

Particulars	As at 31 March 2020		As at 31 March 2019	
	Amount	Expiry on	Amount	Expiry on
Long term capital loss				
A.Y. 2016-2017	257.58	A.Y. 2024-2025	257.73	A.Y. 2024-2025
Short term capital loss				
A.Y. 2014-2015	18.18	A.Y. 2022-2023	18.18	A.Y. 2022-2023
	275.76		275.91	

A.Y. - 'Assessment Year'

F. Uncertain tax positions

Refer Note 45 on contingent liabilities and commitment relating to income tax matter under dispute.

Notes
to the consolidated financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 11: Property, plant and equipment

Particulars	Gross block				Depreciation and amortisation				Net block	
	As at 31 March 2019	Additions	Deletions / adjustments	As at 31 March 2020	As at 31 March 2019	For the year	Deletions / adjustments	As at 31 March 2020	As at 31 March 2020	As at 31 March 2019
Owned Assets										
Fixed assets for own use ^										
Land	30.26	-	-	30.26	-	-	-	-	30.26	30.26
Buildings *	1,529.62	35.54	-	1,565.16	76.73	39.06	-	115.79	1,449.37	1,452.89
Wind mills	5,112.34	-	-	5,112.34	820.78	411.52	-	1,232.30	3,880.04	4,291.56
Furniture and fixtures	1,096.49	263.61	92.71	1,267.39	395.10	194.28	84.71	504.67	762.72	701.39
Vehicles	371.37	50.26	57.62	364.01	47.09	58.16	20.76	84.49	279.52	324.28
Office equipment	3,261.79	635.97	471.85	3,425.91	1,331.36	842.40	465.68	1,708.08	1,717.83	1,930.43
Leasehold improvements	1,595.85	416.04	130.52	1,881.37	584.86	349.53	120.91	813.48	1,067.89	1,010.99
Assets under Lease										
Fixed assets on operating lease										
Investment property	8.60	-	-	8.60	0.36	0.18	-	0.54	8.06	8.24
Vehicles	7,047.79	3,516.60	2,597.84	7,966.55	930.21	2,343.70	1,689.72	1,584.19	6,382.36	6,117.58
Total	20,054.11	4,918.02	3,350.54	21,621.59	4,186.49	4,238.83	2,381.78	6,043.54	15,578.05	15,867.62

Particulars	Cost / Deemed cost				Depreciation and amortisation				Net block	
	As at 1 April 2018	Additions	Deletions / adjustments	As at 31 March 2019	As at 1 April 2018	For the year	Deletions / adjustments	As at 31 March 2019	As at 31 March 2019	As at 1 April 2018
Owned Assets										
Fixed assets for own use ^										
Land	30.26	-	-	30.26	-	-	-	-	30.26	30.26
Buildings *	1,529.62	-	-	1,529.62	38.37	38.36	-	76.73	1,452.89	1,491.25
Wind mills	5,112.34	-	-	5,112.34	410.39	410.39	-	820.78	4,291.56	4,701.95
Furniture and fixtures	1,032.73	106.38	42.62	1,096.49	213.06	218.14	36.10	395.10	701.39	819.67
Vehicles	298.81	132.21	59.65	371.37	31.18	49.85	33.94	47.09	324.28	267.63
Office equipment	2,818.46	776.42	333.09	3,261.79	721.46	931.72	321.82	1,331.36	1,930.43	2,097.00
Leasehold improvements	1,491.40	126.57	22.12	1,595.85	277.65	323.29	16.08	584.86	1,010.99	1,213.75
Assets under Lease										
Fixed assets on operating lease										
Investment property	8.60	-	-	8.60	0.18	0.18	-	0.36	8.24	8.42
Vehicles	6,106.84	3,126.83	2,185.88	7,047.79	348.64	1,989.65	1,408.08	930.21	6,117.58	5,758.20
Total	18,429.06	4,268.41	2,643.36	20,054.11	2,040.93	3,961.58	1,816.02	4,186.49	15,867.62	16,388.13

* Registration of title for 3 buildings is pending.

^ For details of movable / immovable property, plant and equipment hypothecated against borrowings, refer Notes 19 and 20.

For details on contractual commitment, refer note 46

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 12: Capital work in progress

Particulars	As at 31 March 2020	As at 31 March 2019
Capital work in progress	-	290.24

Note 13: Intangible assets under development

Particulars	As at 1 April 2018	Additions	Deletions	Wriiten off	As at 31 March 2019	Additions	Deletions	Wriiten off	As at 31 March 2020
Intangible assets under development	96.27	210.46	192.25	19.84	94.64	1137.22	475.28	94.64	661.94

Note 14: Other intangible assets

Description of assets	Gross block				Depreciation and amortisation				Net block	
	As at 31 March 2019	Additions	Deletions / adjustments	As at 31 March 2020	As at 31 March 2019	For the year	Deletions / adjustments	As at 31 March 2020	As at 31 March 2020	As at 31 March 2019
Fixed assets for own use										
Computer software	4,487.56	651.42	-	5,138.98	1,871.29	1,663.71	-	3,535.00	1,603.98	2,616.27
Total (A)	4,487.56	651.42	-	5,138.98	1,871.29	1,663.71	-	3,535.00	1,603.98	2,616.27

Description of assets	Cost / Deemed cost				Depreciation and amortisation				Net block	
	As at 1 April 2018	Additions	Deletions / adjustments	As at 31 March 2019	As at 1 April 2018	For the year	Deletions / adjustments	As at 31 March 2019	As at 31 March 2019	As at 1 April 2018
Fixed assets for own use										
Computer software	3,626.77	860.79	-	4,487.56	786.48	1,084.81	-	1,871.29	2,616.27	2,840.29
Total (A)	3,626.77	860.79	-	4,487.56	786.48	1,084.81	-	1,871.29	2,616.27	2,840.29

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 15: Goodwill

Particulars	As at 31 March 2020	As at 31 March 2019
At cost, beginning of the year	1,430.34	1,430.34
Additions		
Acquisitions	-	-
Disposals	-	-
Other adjustments	-	-
Total cost	**1,430.34**	**1,430.34**
Accumulated impairment:		
At beginning of the year	-	-
Disposals	-	-
Impairment/(reversal) of impairment	-	-
Other adjustments	-	-
Total impairment	**-**	**-**
Net carrying amount	**1,430.34**	**1,430.34**

Note 16: Right to use assets

	As at 31 March 2020	As at 31 March 2019
Right to use assets	**5,571.51**	-

Note 17: Other non-financial assets

	As at 31 March 2020	As at 31 March 2019
Prepaid expenses	3,628.25	2,076.88
Balances with statutory / government authorities	1,591.43	1,578.69
Assets held for sale #	364.71	-
Gratuity * (excess of plan assets over obligation)	73.71	145.20
Capital Advances	15.78	142.87
	5,673.88	**3,943.64**

* Refer Note 41 for disclosure related to provisions for employee benefits.

The Company has obtained the following assets during the year by taking possession of collateral held as security against loans and advances and held at the year end. The Company's policy is to realise collateral on a timely basis. The Company does not use non-cash collateral for its operations.

	As at 31 March 2020	As at 31 March 2019
Properties	364.71	-
Total assets obtained by taking possession of collateral	**364.71**	**-**

Note 18: Trade payables

	As at 31 March 2020	As at 31 March 2019
(i) total outstanding dues of micro enterprises and small enterprises *	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	2,505.68	36,966.00
	2,505.68	**36,966.00**

* The Company has no dues to micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006, as at 31 March 2020 and 31 March 2019. This information is required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006, and has been determined to the extent such parties have been identified on the basis of information available with the Company. The same has been relied upon by auditors.

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 18: Trade payables (Contd.)

	As at 31 March 2020	As at 31 March 2019
a) Dues remaining unpaid to any supplier at the year end		
- Principal	-	-
- Interest on the above	-	-
b) Interest paid in terms of Section 16 of the MSMED Act along with the amount of payment made to the supplier beyond the appointed day during the year		
- Principal paid beyond the appointed date	-	-
- Interest paid in terms of Section 16 of the MSMED Act	-	-
c) Amount of interest due and payable for the period of delay on payments made beyond the appointed day during the year	-	-
d) Amount of interest accrued and remaining unpaid	-	-
e) Further interest due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small enterprises	-	-

Note 19: Debt securities

	As at 31 March 2020	As at 31 March 2019
At Amortised Cost - Secured		
(A) Redeemable non-convertible debentures	70,407.73	49,250.44
Total (A)	**70,407.73**	**49,250.44**
(B) Debt securities in India	70,407.73	49,250.44
Total (B)	**70,407.73**	**49,250.44**

Nature of security

Debentures issued under private placement are secured by mortgage of Company's immovable property situated at (i) Rajarhat, Kolkata in the state of West Bengal (except for 3500 units alloted on 10 December 2019 which are only secured by hypothecated loan assets), (ii) Barasat, Dist - 24 Parganas (N) and are also secured against designated Loans assets and are also secured against designated loan assets. The total asset cover is hundred percent or above of the principal amount of the said debentures.

Debentures issued under public issue are secured by mortgage of Company's immovable property situated at Luz Church Road, Mylapore, Chennai and are also secured against designated loan assets. The total asset cover is hundred percent or above of the principal amount of the said debentures.

Terms of maturity of secured redeemable non-convertible debentures*

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
0 - 1 Years	10.88%	8.99% - 11.06%	2,502.07	11,482.07
1 - 3 Years	9.20% - 10.10%	9.55% - 10.88%	22,875.91	26,988.01
3 - 5 Years	9.00% - 10.88%	9.00% - 10.33%	44,565.28	5,870.29
> 5 Years	10.27% - 10.75%	9.00%	464.47	4,910.07
			70,407.73	**49,250.44**

* As per contractual tenure

Covenant breach

The impact of lockdown caused by COVID 19, additional provisions towards potential credit losses made during the year and other reasons has resulted in breach of some of the covenants related to borrowings such as interest coverage ratio, profitability, NPA ratios etc.

The Company has been regular in servicing of its borrowings and has represented to the lenders for waiver and amendment with respect to non-compliance of these covenants, wherever applicable. In most of the cases, the consequence of breach is either an increase in interest rate or review of the terms of collateral. In very few cases, there is provision for a right to recall of the facilities. The Company is confident of getting the waivers, given similar waivers having been received in past, considering Company's long track record with the lenders. Further, the Company believes its contingency refinance/ funding plan and current capital adequacy would enable it to tide over any impact of covenant breaches.

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 20: Borrowings (other than debt securities)

	As at 31 March 2020	As at 31 March 2019
At Amortised Cost		
(A) a) Term loans - Secured *		
- from banks	296,852.32	242,338.38
- from other parties	29,401.10	30.54
b) Loans repayable on demand - Secured		
- from banks (Cash credit facilities and working capital demand loans)	353,653.02	385,203.16
c) Other loans		
- Loan from PTC Investors - Secured	362,799.14	349,824.36
- Commercial paper - Unsecured	-	185,334.05
Total (A)	**1,042,705.58**	**1,162,730.49**
(B) Borrowings in India	1,042,705.58	1,162,730.49
Total (B)	**1,042,705.58**	**1,162,730.49**
* Aggregate of loans guaranteed by Director	-	30.54

Nature of security

a) Term loans are secured by way of hypothecation of designated Loans assets and future rentals receivable therefrom.

b) Term loans from PTC investors represents amounts received in respect of securitisation transactions (net of repayments and investment therein) as these transactions do not meet the derecogniton criteria specified under IND AS. This are secured by way of hypothecation of designated Loans assets receivables.

c) Cash Credit facilities and Working Capital Demand Loans from Banks are secured by way of hypothecation of the Company's loan assets, tangible movable assets, plant and machinery, equipment's, etc. and future rental income therefrom and other current assets (expressly excluding those equipment's, plant, machinery, spare parts, tangible movable assets etc. and future rental income therefrom which have been or will be purchased out of the term loans and / or refinance facility from Financial Institutions, Banks or any other financial organisation). These are collaterally secured by way of equitable mortgage over immovable property.

Details of cash credit facilities and working capital demand loans

The cash credit facilities are repayable on demand and carry interest rates ranging from 8.70 % p.a. to 11.80 % p.a. (31 March 2019: from 8.90% p.a. to 12.05% p.a.). Working capital demand loans are repayable on demand and carry interest rates ranging from 7.80 % p.a. to 9.90 % p.a. (31 March 2019: from 8.55% p.a. to 9.60% p.a.). As per the prevalent practice, cash credit facilities and working capital demand loans are renewed on a year to year basis and therefore, are revolving in nature. There is no un-hedged foreign currency exposure as on 31 March 2020.

Details of commercial papers

There are no commercial papers oustanding as on 31 March 2020. As on March 2019, commercial paper carried interest rates ranging from 8.95% p.a. to 9.70% p.a. with maturity ranging from 2 month to 11 months.

Terms of repayment of term loans (secured) *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Half yearly installments				
0 - 1 Years	-	9.20% - 9.30%	-	1,249.47
1 - 3 Years	-	-	-	-
			-	**1,249.47**
Quarterly installments				
0 - 1 Years	8.75% - 10.25%	8.95% - 10.70%	69,615.46	74,110.85
1 - 3 Years	9.15% - 10.25%	8.95% - 10.45%	107,103.91	99,898.94
3 - 5 Years	9.15% - 10.25%	8.95% - 10.25%	47,430.65	36,062.50
> 5 Years	10.50%	9.40% - 10.25%	18,064.23	891.83
			242,214.25	**210,964.12**
Monthly installments				
0 - 1 Years	9.05% - 12.00%	12.00%	30,854.94	50.61
1 - 3 Years	9.15% - 12.00%	10.50% - 12.00%	42,438.85	15,083.87
3 - 5 Years	9.35% - 12.00%	10.50% - 12.00%	10,745.38	15,020.39
> 5 Years	-	12.00%	-	0.46
			84,039.17	**30,155.33**
			326,253.42	**242,368.92**

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 20: Borrowings (other than debt securities) (Contd.)

Terms of maturity of Loan from PTC Investors *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
0 - 1 Years	6.27% - 10.93%	6.11% - 10.93%	134,577.18	152,634.73
1 - 3 Years	6.27% - 10.93%	6.11% - 10.93%	183,315.36	162,372.54
3 - 5 Years	7.91% - 10.71%	6.27% - 10.93%	16,435.06	22,152.72
> 5 years	9.10% - 9.90%	9.75% - 9.90%	28,471.54	12,664.37
			362,799.14	**349,824.36**

* As per contractual tenure

Covenant breach

The impact of lockdown caused by COVID 19, additional provisions towards potential credit losses made during the year and other reasons has resulted in breach of some of the covenants related to borrowings such as interest coverage ratio, profitability, NPA ratios etc.

The Company has been regular in servicing of its borrowings and has represented to the lenders for waiver and amendment with respect to non-compliance of these covenants, wherever applicable. In most of the cases, the consequence of breach is either an increase in interest rate or review of the terms of collateral. In very few cases, there is provision for a right to recall of the facilities. The Company is confident of getting the waivers, given similar waivers having been received in past, considering Company's long track record with the lenders. Further, the Company believes its contingency refinance/ funding plan and current capital adequacy would enable it to tide over any impact of covenant breaches.

Note 21: Subordinated liabilities

	As at 31 March 2020	As at 31 March 2019
At Amortised Cost - Unsecured		
(A) Perpetual debt instruments (Tier I capital) to the extent that do not qualify as equity	10,288.80	13,236.76
Others (Tier II capital) :		
- From banks (subordinated debts)	29,824.68	29,784.96
- Redeemable subordinate debt instruments to the extent that do not qualify as equity	45,510.18	58,308.32
Total (A)	**85,623.66**	**101,330.04**
(B) Subordinated liabilities in India	85,623.66	101,330.04
Total (B)	**85,623.66**	**101,330.04**

Terms of maturity of perpetual debt debentures (Tier I capital) *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
0 - 1 Years	12.50%	13.50% - 13.75%	2,461.97	2,990.95
1 - 3 Years	-	12.50%	-	2,466.27
3 - 5 Years	12.00% - 12.10%	12.00% - 12.10%	4,978.52	4,989.72
> 5 Years	11.00% - 12.10%	11.00% - 12.10%	2,848.31	2,789.82
			10,288.80	**13,236.76**

Terms of maturity of redeemable subordinated debt instruments (Tier II capital) *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
0 - 1 Years	-	11.00%	-	12,948.07
1 - 3 Years	10.30% - 11.50%	11.00% - 11.45%	28,474.78	22,859.45
3 - 5 Years	10.70% - 10.90%	10.30% - 11.50%	6,111.78	11,828.09
> 5 Years	10.00% - 10.40%	10.00% - 10.40%	10,923.62	10,672.71
			45,510.18	**58,308.32**

Notes
to the consolidated financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 21: Subordinated liabilities (Contd.)

Terms of repayment of subordinated instruments from banks (unsecured) (Tier II capital) *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
0 - 1 Years	-	-	-	-
1 - 3 Years	11.00%	11.00%	8,262.06	1,632.79
3 - 5 Years	11.00%	11.00%	1,637.70	8,327.03
> 5 Years	12.50%	12.50%	19,924.92	19,825.14
			29,824.68	**29,784.96**

* As per contractual tenure

The Company has not defaulted in repayment of principal and interest.

Note 22: Lease liability

	As at 31 March 2020	As at 31 March 2019
Lease liability	**5,983.06**	-

Note 23: Other financial liabilities

	As at 31 March 2020	As at 31 March 2019
Interest accrued	8,549.08	5,448.17
Unpaid dividend *	34.60	37.46
Temporary book overdraft	4,454.00	21,380.51
Director's commission payable	-	177.50
Pending remittance on assignment	7,145.42	7,249.77
Other payables **	12,121.77	10,371.05
	32,304.87	**44,664.46**

* There has been no delay in transfer of amounts required to be transferred to Investor Education and Protection Fund.

** Includes provision for commission payable to executive director Nil (31 March 19: ₹270.00 lacs), refer Note 45.

Note 24: Current tax liabilities (net)

	As at 31 March 2020	As at 31 March 2019
Provision for tax (net of advance tax)	1,435.17	1,192.27
	1,435.17	**1,192.27**

Note 25: Provisions

	As at 31 March 2020	As at 31 March 2019
Provision for compensated absence	1,030.63	831.84
Provision - others	94.00	443.00
	1,124.63	**1,274.84**

Note 26: Other non-financial liabilities

	As at 31 March 2020	As at 31 March 2019
Revenue received in advance	125.59	91.70
Advances and deposits from customers	5,957.63	5,938.90
Statutory liabilities	998.04	1,100.04
	7,081.26	**7,130.64**

MAGMA
Investing in the smallest dream

Notes
to the consolidated financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 27: Equity

	As at 31 March 2020	As at 31 March 2019
Authorised		
1,265,000,000 (31 March 2019: 1,265,000,000) Equity shares of ₹2/- each	25,300.00	25,300.00
58,300,000 (31 March 2019: 58,300,000) Preference shares of ₹100/- each	58,300.00	58,300.00
	83,600.00	**83,600.00**
Issued, subscribed and paid-up		
Equity share capital		
269,515,312 (2019: 269,324,236) Equity shares of ₹2/- each, fully paid up	5,390.31	5,386.48
	5,390.31	**5,386.48**

Reconciliation of shares outstanding at the beginning and at the end of the reporting period

Particulars	As at 31 March 2020		As at 31 March 2019	
	Number	Amount	Number	Amount
Equity shares				
At the commencement of the period	269,324,236	5,386.48	237,028,672	4,740.57
Shares issued on exercise of ESOPs during the year	191,076	3.83	37,500	0.75
Shares issued to Qualified Institutional Buyer's	-	-	32,258,064	645.16
Issued, subscribed and paid up share capital	**269,515,312**	**5,390.31**	**269,324,236**	**5,386.48**

Equity shares:

The Company has only one class of equity shares having a par value of ₹2/- each. Each holder of equity share is entitled to one vote per share.

The Company declares and pays dividend on equity shares in Indian ₹.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution to preference shareholders. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

During the year, the Company has allotted on 14 May 2019, 3 August 2019, 07 November 2019 and 30 January 2020 18,000 equity shares, 18,000 equity shares, 72,600 equity shares and 82,476 equity shares respectively of the face value of ₹2/- each to the eligible employees of the Company under Employee Stock Option Plan pursuant to SEBI (ESOS and ESPS) Guidelines, 1999, and with corresponding provision of SEBI (Share Based Employee Benefits) Regulations 2014, as amended from time to time.

On 17 June 2020, the Nomination and Remuneration Committee has allotted 4,800 equity shares of the face value of ₹2/- each to the eligible employees of the Company under Employee Stock Option Plan pursuant to SEBI (ESOS and ESPS) Guidelines, 1999, and with corresponding provision of SEBI (Share Based Employee Benefits) Regulations 2014, as amended from time to time. Consequent to the said allotment, the total paid-up equity share capital of the Company stands increased to 269,520,112 equity shares of ₹2/- each aggregating to ₹5,390.40 lacs. The equity shares issued and allotted as aforesaid rank pari passu with the existing equity shares of the Company in all respect.

During previous year ended 31 March 2019, the amount of per share dividend recommended by the Board as distribution to equity shareholders is ₹0.80 (40%) per equity share of the face value of ₹2/- each including shares allotted post 31 March 2019 upto record date. Total dividend on 269,342,236 equity shares for the year ended 31 March 2019 would amount to ₹2,597.65 lacs including corporate dividend tax of ₹442.91 lacs, subject to approval of shareholders.

Shares allotted as fully paid-up without payment being received in cash / by way of bonus shares:

The Company has not issued bonus shares or shares for consideration other than cash during the five year period immediately preceding the reporting date.

Shares bought back

Company has not bought back any of its securities during the five year period immediately preceding the reporting date.

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 27: Equity (Contd.)

Shareholders holding more than 5% shares

Name of the shareholder	31 March 2020		31 March 2019	
	%	No. of shares	%	No. of shares
Equity shares				
Microfirm Capital Private Limited	12.62	34,015,928	12.63	34,015,928
Celica Developers Private Limited	10.92	29,434,455	10.93	29,434,455
True North Fund V LLP	10.48	28,255,524	10.49	28,255,524
Amansa Holdings Private Limited	7.66	20,656,242	7.67	20,656,242
International Finance Corporation	4.77	12,848,310	7.33	19,753,041
Lavender Investments Limited	7.00	18,851,431	7.00	18,851,431
Reliance Capital Trustee Company Ltd	6.92	18,639,210	5.64	15,204,425

Note 28: Other equity

Capital redemption reserve

Capital Redemption Reserve is created to keep the capital intact when preference shares are redeemed or equity shares are bought back. It is utilised in accordance with the provisions of the Companies Act, 2013

Employee share option outstanding

The Company instituted the Magma Employee Stock Option Plan (MESOP) in 2007 and Magma Restricted Stock Option Plan 2014 (MRSOP) in 2014, which were approved by the Board of Directors and the shareholders of the Company. The share option outstanding reserve is used to recognise the grant date fair value of option issued under aforesaid plans. Refer Note 44 for further details on employee stock options.

Statutory reserve (created pursuant to Section 45-IC of the Reserve Bank of India Act, 1934)

Statutory reserve represents the Reserve Fund created under section 45-IC of the Reserve Bank of India Act, 1934. Under section 45-IC, the Company is required to transfer a sum not less than twenty percent of its net profit for the financial year to the statutory reserve. The statutory reserve can be utilized for the purposes as may be specified by the Reserve Bank of India from time to time.

Statutory reserve (created pursuant to Section 29C of National Housing Bank Act, 1987)

Statutory reserve represents the Reserve Fund created under section 29C of the National Housing Bank Act, 1987. Under section 29C, the MHFL (subsidiary) is required to transfer a sum not less than twenty percent of its net profit for the financial year to the statutory reserve. The statutory reserve can be utilized for the purposes as may be specified by the National Housing Bank from time to time.

Securities premium reserve

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

Capital reserve

Capital reserve has been created to set aside gains of capital nature from amalgamation and merger. It is utilised in accordance with the provisions of the Companies Act, 2013

Debt instruments through other comprehensive income

This comprises changes in the fair value of debt instruments recognised in other comprehensive income and accumulated within equity. The group transfers amounts from such component of equity to retained earnings when the relevant debt instruments are derecognised.

Notes
to the consolidated financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 29: Interest Income

	Year ended 31 March 2020		Year ended 31 March 2019	
	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost
Interest on loans	67,273.87	161,266.62	44,543.79	177,156.42
Interest on deposits with banks	-	3,458.84	-	2,799.48
Other interest income				
- On loans and margins	-	347.49	-	359.48
- On security deposit	-	87.47	-	64.06
- Others	-	-	-	52.45
	67,273.87	**165,160.42**	**44,543.79**	**180,431.89**
Total		**232,434.29**		**224,975.68**

Note 30: Rental Income

	Year ended 31 March 2020	Year ended 31 March 2019
Income from lease rentals		
- On operating lease assets	3,669.37	2,766.24
- On investment property	2.54	2.54
Total	**3,671.91**	**2,768.78**

Note 31: Fees and Commission Income

	Year ended 31 March 2020	Year ended 31 March 2019
Collection and support services	1,967.61	3,099.77
Foreclosure charges	3,226.83	3,260.44
Insurance commission	1,449.36	1,466.62
Commitment fees	888.10	517.88
Others (cheque bouncing charges, valuation charges, etc.)	1,118.37	929.35
Total	**8,650.27**	**9,274.06**

Note 32: Net gain / (loss) on fair value changes*

	Year ended 31 March 2020	Year ended 31 March 2019
(A) Net gain / (loss) on financial instruments at fair value through profit or loss		
- On equity securities	-	657.72
- On other financial assets	(461.66)	(268.70)
- On derivative contracts	-	59.57
Total Net gain / (loss) on fair value changes (A)	(461.66)	448.59
(B) Fair Value changes:		
Realised	-	507.84
Unrealised	(461.66)	(59.25)
Total Net gain / (loss) on fair value changes (B)	(461.66)	448.59

* Fair value changes in this schedule are other than those arising on account of interest income/expense.

Note 33: Net gain on derecognition of financial instruments

	Year ended 31 March 2020	Year ended 31 March 2019
Income from derecognition on account of direct assignment transactions	6,586.82	5,077.35
Gain on sale of non performing and written off assets (Net of reversal of provision of ₹31,372.06 lacs for 31 March 2019)	-	2,909.03
Total	**6,586.82**	**7,986.38**

Notes
to the consolidated financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 34: Other Income

	Year ended 31 March 2020	Year ended 31 March 2019
Sale of power	1,014.57	1,204.27
Gain on sale of investments	-	245.19
Net gain on derecognition of property, plant and equipment	3.26	43.28
Miscellaneous income	3,926.66	2,523.60
Total	**4,944.49**	**4,016.34**

Note 35: Finance cost

	Year ended 31 March 2020	Year ended 31 March 2019
	On Financial liabilities measured at Amortised Cost	On Financial liabilities measured at Amortised Cost
Interest on security deposits	58.02	60.98
Interest on borrowings	106,703.38	93,870.71
Interest on debt securities	6,944.23	4,309.04
Interest on subordinated liabilities	11,984.25	10,950.35
Other interest expense *	652.46	9.14
Other borrowing costs	3,039.84	3,023.18
	129,382.18	**112,223.40**

* Refer Note 42

Note 36: Impairment on financial instruments

	Year ended 31 March 2020		Year ended 31 March 2019	
	On Financial instruments measured at fair value through OCI	On Financial liabilities measured at Amortised Cost	On Financial instruments measured at fair value through OCI	On Financial liabilities measured at Amortised Cost
Loans *	(1,051.83)	6,545.97	(598.17)	(13,432.80)
Other assets	-	190.14	-	(361.95)
Bad debts written-off	10,524.65	32,370.04	5,046.41	34,017.15
	9,472.82	**39,106.15**	**4,448.24**	**20,222.40**
Total		**48,578.97**		**24,670.64**

* Effective 1st July 2018, SME has been reclassified from amortised cost to FVOCI.

Note 37: Employee benefits expenses *

	Year ended 31 March 2020	Year ended 31 March 2019
Salaries and wages	40,906.82	39,225.39
Contribution to provident and other funds	2,228.50	1,840.03
Share based payments to employees	360.66	850.78
Staff welfare expenses	1,295.11	1,747.59
Total	**44,791.09**	**43,663.79**

* Refer note 45

Note 38: Depreciation, amortisation and impairment

	Year ended 31 March 2020	Year ended 31 March 2019
Depreciation on property plant and equipment	4,238.65	3,961.40
Depreciation on investment property	0.18	0.18
Depreciation on right to use assets	1,576.45	-
Amortisation of intangible asset	1,663.71	1,084.81
Total	**7,478.99**	**5,046.39**

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 39: Others expenses

	Year ended 31 March 2020	Year ended 31 March 2019
Rent	212.88	2,244.56
Rates and taxes	781.77	35.21
Electricity charges	736.82	859.48
Repairs and maintenance		
- Machinery	350.23	393.47
- Others	2,025.84	1,773.45
Communication expenses	937.75	1,257.85
Printing and stationery	500.27	627.03
Advertisement and publicity	496.82	443.53
Directors		
- Fees	84.59	82.15
- Commission	15.96	177.50
Legal charges	1,142.26	1,209.63
Professional fees *	2,821.58	3,607.13
Insurance	125.72	106.63
Travelling and conveyance	2,365.75	2,456.11
CSR expenditure **	266.45	345.88
Outsource collection charges	1,176.11	1,942.76
Intangible assets under development written off	94.64	19.84
Credit guarantee fees	1,983.61	430.65
Miscellaneous expenses	1,197.38	1,683.08
Total	**17,316.43**	**19,695.94**

Refer note 45

	Year ended 31 March 2020	Year ended 31 March 2019
*Payments to auditors##		
Statutory audit	55.00	55.00
Limited review of quarterly results	30.00	30.00
Other services	60.38	41.16
Reimbursement of expenses	18.53	4.49
Total	**163.90**	**130.65**

Does not include the remuneration paid to the Auditors' of subsidiary.

****Details of corporate social responsibility expenditure**

A CSR committee has been formed by the Company as per the Companies Act, 2013. CSR expenses have been incurred through out the year on the activities as specified in Schedule VII of the said Act. The focus area of CSR initiatives undertaken by the Company are education, health and environment.

	Year ended 31 March 2020	Year ended 31 March 2019
(a) Amount required to be spent by the Company during the year	532.14	444.90
(b) Amount spent during the year (in cash)		
(i) Construction/ acquisition of any asset	-	-
(ii) On purposes other than (i) above	266.45	345.88

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 40: Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	As at 31 March 2020			As at 31 March 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial Assets						
Cash and cash equivalents	20,596.15	-	20,596.15	57,098.21	-	57,098.21
Bank balance other than cash and cash equivalents	42,430.66	7,801.36	50,232.02	31,881.71	6,704.58	38,586.29
Receivables	991.41	-	991.41	1,096.98	-	1,096.98
Loans	441,655.35	912,990.05	1,354,645.40	501,997.25	998,666.04	1,500,663.29
Investments	-	15,059.88	15,059.88	-	14,114.65	14,114.65
Other financial assets	25,223.61	7,202.03	32,425.64	8,051.55	10,560.02	18,611.57
Total financial assets	**530,897.18**	**943,053.32**	**1,473,950.50**	**600,125.70**	**1,030,045.29**	**1,630,170.99**
Non-financial Assets						
Current tax assets (net)	-	10,119.72	10,119.72	-	10,755.86	10,755.86
Deferred tax assets (net)	-	9,381.60	9,381.60	-	13,758.37	13,758.37
Property, plant and equipment	-	15,578.05	15,578.05	-	15,867.62	15,867.62
Capital work-in-progress	-	-	-	-	290.24	290.24
Intangible assets under development	-	661.94	661.94	-	94.64	94.64
Goodwill	-	1,430.34	1,430.34	-	1,430.34	1,430.34
Other intangible assets	-	1,603.98	1,603.98	-	2,616.27	2,616.27
Right to use assets	1,425.13	4,146.38	5,571.51	-	-	-
Other non-financial assets	4,449.03	1,220.85	5,673.88	3,457.91	485.73	3,943.64
Total non-financial assets	**5,874.16**	**44,142.86**	**50,021.02**	**3,457.91**	**45,299.07**	**48,756.98**
Total assets	**536,771.34**	**987,196.18**	**1,523,971.52**	**603,583.61**	**1,075,344.36**	**1,678,927.97**
LIABILITIES						
Financial Liabilities						
Trade payables	2,505.68	-	2,505.68	36,966.00	-	36,966.00
Debt securities	2,496.94	67,910.79	70,407.73	11,482.07	37,768.37	49,250.44
Borrowings (other than debt securities)	592,191.81	450,513.77	1,042,705.58	797,836.17	364,894.32	1,162,730.49
Subordinated liabilities	2,461.97	83,161.69	85,623.66	15,939.02	85,391.02	101,330.04
Lease liability	1,218.97	4,764.09	5,983.06	-	-	-
Other financial liabilities	32,304.87	-	32,304.87	44,664.46	-	44,664.46
Total financial liabilities	**633,180.24**	**606,350.34**	**1,239,530.58**	**906,887.72**	**488,053.71**	**1,394,941.43**
Non-Financial Liabilities						
Current tax liabilities (Net)	1,435.17	-	1,435.17	1,192.27	-	1,192.27
Provisions	27.57	1,097.06	1,124.63	26.07	1,248.77	1,274.84
Other non-financial liabilities	7,008.91	72.35	7,081.26	7,072.00	58.64	7,130.64
Total non-financial liabilities	**8,471.65**	**1,169.41**	**9,641.06**	**8,290.34**	**1,307.41**	**9,597.75**
EQUITY						
Equity share capital	-	5,390.31	5,390.31	-	5,386.48	5,386.48
Other equity	-	269,409.57	269,409.57	-	269,002.31	269,002.31
Total equity	**-**	**274,799.88**	**274,799.88**	**-**	**274,388.79**	**274,388.79**
Total liabilities and equity	**641,651.89**	**882,319.63**	**1,523,971.52**	**915,178.06**	**763,749.91**	**1,678,927.97**

Notes
to the consolidated financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 41: Employee benefits

The Company operates the following post-employment plans -

i. Defined contribution plan

The contribution made to various statutory funds is recognised as expenses and included in Note 37 'Employee benefits expense' under 'Contribution to provident and other funds' in Statement of Profit and Loss. The detail is as follows

	Year ended 31 March 2020	Year ended 31 March 2019
Provident and Pension Fund	1,801.56	1,527.84
Gratuity Fund	392.48	312.19
	2,194.04	**1,840.03**

ii. Defined benefit plan

Gratuity

The Company has a defined benefit gratuity plan in India, governed by the Payment of Gratuity Act, 1972. This plan entitles an employee, who has rendered at least five years of continuous service, to gratuity at the rate of fifteen days wages for every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned. The scheme is fully funded with Life Insurance Corporation of India (LIC). This defined benefit plan expose the Company to actuarial risks, such as regulatory risk, credit risk, liquidity risk, etc. as defined below.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at 31 March 2020. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity plan and the amounts recognised in the Company's financial statements as at balance sheet date:

	As at 31 March 2020	As at 31 March 2019
Net defined benefit asset/(liability)	73.71	145.20

A. Funding

The scheme is fully funded with Life Insurance Corporation of India (LIC). The funding requirements are based on the gratuity fund's actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out in Section E below.

Expected contributions to gratuity plan for the year ending 31 March 2021 is ₹339.73 lacs.

B. Reconciliation of the net defined benefit (asset) / liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

	As at 31 March 2020			As at 31 March 2019		
	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability
Balance at the beginning of the year	2,143.80	2,289.00	(145.20)	1,824.39	1,982.74	(158.35)
Included in profit or loss						
Current service cost	428.04	-	428.04	338.73	-	338.73
Interest cost (income)	151.08	(186.64)	(35.56)	126.70	(158.57)	(31.87)
	579.12	**(186.64)**	**392.48**	**465.43**	**(158.57)**	**306.86**
Included in Other comprehensive income						
Remeasurements loss (gain)						
– Actuarial loss (gain) arising from:						
- demographic assumptions	(1.29)	-	(1.29)	-	-	-
- financial assumptions	274.50	-	274.50	26.82	-	26.82
- experience adjustment	(49.53)	-	(49.53)	181.61	-	181.61

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 41: Employee benefits (Contd.)

	As at 31 March 2020			As at 31 March 2019		
	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability
– On plan assets	-	100.26	100.26	-	-	-
	223.68	**100.26**	**323.94**	**208.43**	**-**	**208.43**
Other						
Contributions paid by the employer	-	644.93	(644.93)	-	502.14	(502.14)
Benefits paid	(312.92)	(312.92)	-	(354.45)	(354.45)	-
	(312.92)	**332.01**	**(644.93)**	**(354.45)**	**147.69**	**(502.14)**
Balance at the end of the year	**2,633.68**	**2,707.39**	**(73.71)**	**2,143.80**	**2,289.00**	**(145.20)**

C. Plan assets

	As at 31 March 2020	As at 31 March 2019
Investment with Life Insurance Corporation	100%	100%

On an annual basis, an asset-liability matching study is done by the Company whereby the Company contributes the net increase in the actuarial liability to the plan manager (insurer) in order to manage the liability risk.

D. Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	As at 31 March 2020	As at 31 March 2019
Discount rate	6.62% - 6.65%	7.60% - 7.64%
Future salary growth	5.00%	5.00%
Withdrawal rate:		
Upto 40 years	4.20%	4.20%
40 years and above	Nil	Nil
Early retirement and disability:		
40-54 years	1.80%	1.80%
55-57 years	2.20%	2.20%
Expected rate of return on plan assets	7.60% - 7.64%	7.29% - 7.71%
Mortality	IALM (2012-14)	IALM (2006-08)

E. Sensitivity analysis of significant assumptions

The following table present a sensitivity analysis to one of the relevant actuarial assumption, holding other assumptions constant, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

	As at 31 March 2020		As at 31 March 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% movement)	2,558.83	2,711.78	2,082.72	2,207.51
Future salary growth (0.5% movement)	2,795.11	2,484.24	2,276.66	2,020.72
Withdrawal rate (2% movement)	2,633.79	2,633.55	2,144.04	2,143.58
Mortality rate (1% movement)	2,633.81	2,633.54	2,144.01	2,143.59

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 41: Employee benefits (Contd.)

F. Expected maturity analysis of the defined benefit plans in future years

	As at 31 March 2020	As at 31 March 2019
1 year	162.16	102.31
Between 2-5 years	469.10	474.88
Between 6-10 years	891.43	657.08
Over 10 years	5,094.85	5,045.13
Total	**6,617.54**	**6,279.40**

As at 31 March 2020, the weighted-average duration of the defined benefit obligation was 13.14 - 16.13 years (31 March 2019: 13.86 - 15.54 years).

G. Description of risk exposures

Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such company is exposed to various risks as follow -

Credit risk: If the scheme is insured and fully funded on PUC basis there is a credit risk to the extent the insurer(s)is/ are unable to discharge their obligations including failure to discharge in timely manner.

Pay-as-you-go risk: For unfunded schemes financial planning could be difficult as the benefits payable will directly affect the revenue and this could be widely fluctuating from year to year. Moreover there may be an opportunity cost of better investment returns affecting adversely the cost of the scheme.

Discount Rate risk: The Company is exposed to the risk of fall in discount rate. A fall in discount rate will eventually increase in the ultimate cost of providing the above benefit thereby increasing the value of the liability.

Liquidity risk: This risk arises from the short term asset and liability cash-flow mismatch thereby causing the company being unable to pay the benefits as they fall due in the short term. Such a situation could be the result of holding large illiquid assets disregarding the results of cash-flow projections and cash outgo inflow mismatch. (Or it could be due to insufficient assets/cash.)

Future salary increase risk: The Scheme cost is very sensitive to the assumed future salary escalation rates for all final salary defined benefit Schemes. If actual future salary escalations are higher than that assumed in the valuation actual Scheme cost and hence the value of the liability will be higher than that estimated.

Regulatory risk: Gratuity Benefit must comply with the requirements of the Payment of Gratuity Act, 1972 (as amended up-to-date). There is a risk of change in the regulations requiring higher gratuity payments (e.g. raising the present ceiling of ₹20,00,000, raising accrual rate from 15/26 etc.)

iii. Other long-term benefits

The Company provides compensated absences benefits to the employees of the Company which can be carried forward to future years. Amount recognised in the Statement of profit and loss for compensated absences is as under-

	Year ended 31 March 2020	Year ended 31 March 2019
Amount recognised in statement of profit and loss		
Compensated absences	**462.85**	**378.45**

Note 42: Leases

The Company has adopted Ind AS 116 effective 01 April 2019, using the modified retrospective method. The Company has applied the Accounting Standard to its leases with the cumulative impact recognised on the date of initial application ie 01 April 2019. Accordingly, previous period information has not been restated. This has resulted in recognizing a right-of-use asset and a corresponding lease liability. The effect of the adoption is not significant to the profit for the period.

A. Lease in the capacity of Lessee

a) Nature : Leases considered here are taken for offices use, guesthouse and godown

b) Particulars	Year ened 31 March 2020
1) Depreciation on right to use assets (gross)	1,576.45
2) Interest expense on lease laibility	694.67
3) Rent paid for leases which are not considered under IND AS 116	109.79

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 42: Leases (Contd.)

b) Particulars	Year ended 31 March 2020
4) Income from Subletting right of use assets	-
5) Total cash outflow for leases	1,859.57
6) Additions to right to use assets	7,762.12
7) Carrying amount of right to use assets	5,571.51
c) Bifurcation of rent paid during the year	
- Principal	1,164.90
- Interest	694.67

B. Lease in the capacity of Lessor

a) Nature : Operating and finanace lease of Vehicles primarily to Corporate clients

b) Company manages the risk associated with any rights it retains in underlying assets as per the terms of the respective lease contracts. There is a dedicated team which manages this portfolio.

c) Future lease payments

At year end, the future lease receivables under finance leases are as follows:

Particulars	Year ended 31 March 2020
1st Year	9,138.60
2nd Year	7,287.45
3rd Year	4,644.15
4th Year	1,997.71
5th Year	381.89
More than 5 Year	-

At year end, the future lease receivables under operating leases are as follows:

Particulars	Year ended 31 March 2020
1st Year	3,477.21
2nd Year	2,535.97
3rd Year	1,494.37
4th Year	512.73
5th Year	160.63
More than 5 Year	-

d) Reconciliation - Finance lease

Particulars	Year ended 31 March 2020
Net investment in lease (carrying amount of Finance lease) (A)	19,285.19
Unearned finance income (B)	4,164.61
Total lease payments (A+B)	23,449.80

Note 43: Earnings per share (EPS)

Particulars	Units	Year ended 31 March 2020	Year ended 31 March 2019
a) (i) Weighted average number of equity shares for basic EPS	Nos	269,394,955	268,324,253
(ii) Effect of potential ordinary equity shares on employee stock options	Nos	630,817	436,049
(iii) Weighted average number of equity shares for diluted EPS	Nos	270,025,772	268,760,302
b) Net profit after tax	₹ in Lacs	2,705.34	30,400.63
c) (i) Net profit for equity shareholders for basic EPS	₹ in Lacs	2,705.34	30,400.63
(ii) Net profit for equity shareholders for diluted EPS	₹ in Lacs	2,705.34	30,400.63
d) (i) Earnings per share (Face value of ₹2/- per share) – basic	₹	1.00	11.33
(ii) Earnings per share (Face value of ₹2/- per share) – diluted	₹	1.00	11.31

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 44: Share-based payments

A Description of share-based payment arrangements

The company instituted the Magma Employee Stock Option Plan (MESOP) in 2008 and Magma Restricted Stock Option Plan 2014 (MRSOP) in 2004, which were approved by the Board of Directors and the shareholders of the Company.

MESOP, 2007

Under MESOP, the Company provided for the creation and issue of 1,000,000 options, that would eventually convert into equity shares of ₹10/- each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of and at the exercise price determined by the Nomination and Remuneration Committee of the Board of Directors. The options generally vest in a graded manner over a five year period and are exercisable within 3 years from the date of vesting. Following the sub-division of one equity share of the face value of ₹10/- each into five equity shares of the face value of ₹2/- each during the financial year ended 31 March 2011, the number of options increased from 1,000,000 to 5,000,000.

During the year, the Nomination and Remuneration Committee of the Board of Directors has granted 11,03,711 options (31 March 2019: 16,05,083 options) under MESOP 2007 to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹2/- each).

MRSOP, 2014

Under MRSOP, the Company provided for the creation and issue of 5,000,000 options, that would eventually convert into equity shares of ₹2/- each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of the Nomination and Remuneration Committee of the Board of Directors and at the exercise price of the face value of ₹2/- each. The options generally will vest in a graded manner and are exercisable within 3 years from the date of vesting.

During the year, the Nomination and Remuneration Committee of the Board of Directors has not granted any options (31 March 2019: 3,00,000 options) under MRSOP 2014 to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹2/- each).

B Measurement of fair values

The fair value of employee share options has been measured using Black-Scholes model. The weighted average fair value of each option of Magma Fincorp Limited was ₹58.93 (31 March 2019: ₹79.02).

The fair value of the options and the inputs used in the measurement of the grant-date fair values of the equity-settled share based payment plans are as follows:

Particulars	Units	31 March 2020	31 March 2019
Fair value at grant date	₹	14.41 - 146.98	43.72 - 146.98
Share price at grant date	₹	39.45 - 151.50	79.80 - 165.30
Exercise price	₹	2.00 - 120.00	2.00 - 120.00
Expected volatility (weighted average volatility)	%	39.83 - 49.99	39.83 - 49.99
Expected life (expected weighted average life)	years	2.38 - 5.21	2.38 - 5.21
Expected dividends	%	0.53 - 2.03	0.48 - 1.02
Risk-free interest rate (based on government bonds)	%	6.80 - 8.06	6.80 - 8.06

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behavior.

During the year, the Nomination and Remuneration Committee of the Board of Directors through Resolution by circulation passed on 19 November 2019 has approved the change in the method of pricing of options. Some unexercised or unvested options granted earlier under the MESOP Plan 2007 have been repriced at market price as on the date of such change, i.e. ₹39.45/- for each option.

The incremental fair value due to modification of the exercise price ranges from ₹10.02 to ₹13.88.

Notes
to the consolidated financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 44: Share-based payments (Contd.)

The fair value of the options and the inputs used in the measurement of the fair values as on the date of modification are as follows:

Particulars	Units	31 March 2020
Fair value	₹	10.02 - 13.88
Share price at grant date	₹	39.45
Exercise price	₹	39.45
Expected volatility (weighted average volatility)	%	43.94 - 46.05
Expected life (expected weighted average life)	years	1.92 - 3.90
Expected dividends	%	2.03
Risk-free interest rate (based on government bonds)	%	5.47 - 5.88

C Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under the share option plans were as follows:

MESOP, 2007

	Year ended 31 March 2020		Year ended 31 March 2019	
	Number of share options	Wtd. Avg. price	Number of share options	Wtd. Avg. price
Outstanding options at the beginning of the year	1,895,310	91.03	660,000	88.64
Add: Granted during the year	1,103,711	35.99	1,605,083	87.58
Less: Exercised during the year	191,076	13.46	37,500	60.00
Less: Lapsed/forfeited during the year	603,857	82.21	332,273	73.10
Outstanding options at the end of the year	**2,204,088**	**72.61**	**1,895,310**	**91.03**
Options vested and exercisable at the end of the year	45,000	37.58	45,000	82.22

The options outstanding at 31 March 2020 have an exercise price in the range of ₹2 to ₹60 (31 March 2019: ₹2 to ₹120) and a weighted average remaining contractual life of 1.5 years (31 March 2019: 1.2 years).

The weighted average share price at the date of exercise for share options exercised in 2018-19 was ₹68.44 (2018-19: ₹110.06).

MRSOP 2014

	Year ended 31 March 2020		Year ended 31 March 2019	
	Number of share options	Wtd. Avg. price	Number of share options	Wtd. Avg. price
Outstanding options at the beginning of the year	600,000	100.00	510,000	59.65
Add: Granted during the year	-	-	300,000	100.00
Less: Exercised during the year	-	-	-	-
Less: Lapsed/forfeited during the year	300,000	100.00	210,000	2.00
Outstanding options at the end of the year	**300,000**	**100.00**	**600,000**	**100.00**
Options vested and exercisable at the end of the year	-	-	-	-

The options outstanding at 31 March 2020 have an exercise price of ₹100 (31 March 2019: ₹100) and a weighted average remaining contractual life of 1.56 years (31 March 2019: 2.09 years).

No share options were exercised during the year FY 19-20 and FY 18-19.

Notes
to the consolidated financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 44: Share-based payments (Contd.)

D Equity shares reserved for issue under options

	No. of options granted	Exercise price (₹)	As at 31 March 2020		As at 31 March 2019	
			No. of options	Amount	No. of options	Amount
Under MESOP 2007:						
Tranche VI	50,000	60.00	20,000	0.40	20,000	0.40
Tranche XIII	225,000	100.00	-	-	225,000	4.50
Tranche XIV	90,000	120.00	-	-	90,000	1.80
Tranche XV	75,000	120.00	-	-	75,000	1.50
Tranche XVI A	726,083	120.00	400,411	8.01	630,310	12.61
Tranche XVI B	322,000	2.00	158,000	3.16	308,000	6.16
Tranche XVII	8,000	2.00	2,800	0.06	4,000	0.08
Tranche XVIII	6,000	2.00	2,400	0.05	6,000	0.12
Tranche XIX	60,000	100.00	60,000	1.20	60,000	1.20
Tranche XX	30,000	120.00	30,000	0.60	30,000	0.60
Tranche XXI	100,000	120.00	100,000	2.00	100,000	2.00
Tranche XXII	44,000	2.00	31,000	0.62	38,000	0.76
Tranche XXIII	9,000	120.00	9,000	0.18	9,000	0.18
Tranche XXIV A	125,000	100.00	125,000	2.50	125,000	2.50
Tranche XXIV B	175,000	100.00	175,000	3.50	175,000	3.50
Tranche XXV	1,001,711	39.45	988,477	19.77	-	-
Tranche XXVI	102,000	2.00	102,000	2.04	-	-
Under MRSOP 2014:						
Tranche I (C)	3,00,000	100.00	3,00,000	6.00	3,00,000	6.00
Tranche I (D)	3,00,000	100.00	3,00,000	6.00	3,00,000	6.00

Share Based Payments by Subsidiary (Magma Housing Finance Limited)

A Description of share-based payment arrangements

The company instituted the Magma Housing Finance Limited - Employee Stock Option Plan (MESOP) in 2018 and Magma Housing Finance - Restricted Stock Option Plan 2018 (MHRSO) in 2018, which were approved by the Board of Directors.

Pursuant to a resolution passed by the members holding Equity shares vide Extra Ordinary General Meeting held on 31.03.2018, the Company has approved the Employee Stock Option Plan-2018 (MHFL ESOP 2018). The members has approved the grant of 3,45,755 options, which can be granted to eligible employees of the Company in 3 tranches. Also during the year, the members of the NRC has approved the grant of 6,90,000 options, to the eligible employees of the Company in 2 tranches. The live options vest in the ratio of 30:30:40 after expiry of first, second, and third year respectively from the date of grant of option. The Options granted under tranche 4 & 5 are not yet due for vesting.

Further, pursuant to a resolution passed by the members holding Equity shares vide Extra Ordinary General Meeting held on 24.10.2018, the Company has approved the Restricted Stock Option Plan-2018 (MHRSO 2018). The members has approved the grant of 29,60,000 options granted to eligible employee of the Company. The options shall vest in three equal instalments every year, after expiry of one year from the date of grant of option. The Options are not yet due for vesting, hence no allotment made during the year.

Particulars	MHFL ESOP 2018	MHRSO 2018
Vesting conditions	The actual vesting of options will depend on continuation to hold the services being provided to the Company at the time of exercise of options and such other conditions as mentioned in the ESOP Scheme.	The vesting conditions are linked to profitability.
Vesting period	30% of the options shall vest on the expiry of one year from the date of the Grant 30% of the options shall vest on the expiry of two year from the date of the Grant 40% of the options shall vest on the expiry of three year from the date of the Grant.	The RSO as granted will vest in 3 tranches i.e. 1,480,000 units to be vested at the end of 3rd year from the date of joining and balance i.e. 1,480,000 units at the end of 5th year from the date of joining. The vesting of the RSO options is subject to achievement of specific targets.

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 44: Share-based payments (Contd.)

B Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under the share option plans were as follows:

MESOP, 2018

Particulars	As at 31 March 2020	As at 31 March 2019
	No. of options	No. of options
Outstanding options at the beginning of the year	294,902	-
Granted during the year	690,000	345,755
Forfeited during the year	-	-
Exercised during the year	-	-
Expired/ lapsed during the year	154,902	50,853
Outstanding options at the end of the year	830,000	294,902
Exercisable at the end of the year	42,000	-

The options outstanding at 31 March 2020 have an exercise price of ₹36.66(Tranche 4 and 5) and ₹24.25 (Tranche 3).(31 March 2019: ₹24.25) and a weighted average remaining contractual life of 1.92 years (31 March 2019: 2 years)

MHRSO, 2018

Particulars	As at 31 March 2020	As at 31 March 2019
	No. of options	No. of options
Outstanding options at the beginning of the year	2,960,000	-
Granted during the year	-	2,960,000
Forfeited during the year	-	-
Exercised during the year	-	-
Expired/ lapsed during the year	-	-
Outstanding options at the end of the year	2,960,000	2,960,000
Exercisable at the end of the year	-	-

The options outstanding at 31 March 2020 have an exercise price of ₹10 (31 March 2019: ₹10) and a weighted average remaining contractual life of 2.57 years (31 March 2019: 2 years)

(i) There are no identified employees who were granted ESOP, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.

(ii) There are is 1 identified employee who was granted RSO, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.

C The fair value of the options granted is determined on the date of the grant using the "Black-Scholes option pricing model"and the inputs used in the measurement of the fair value as on the grant date are as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
Fair market value of option as on the date of grant	16.33 - 31.76	16.33 - 19.72
Exercise price	10.00 - 36.66	10.00 - 24.25
Expected volatility (%) of share price	40.54% - 41.83%	39.85% - 42.69%
Expected forfeiture percentage on each vesting date		
Expected option life (weighted average)	up to 3 years	up to 2 years
Expected dividends yield	-	-
Risk free interest rate (p.a.)	6.32% to 6.44%	6.85% - 7.70%

The expected volatility was determined based on historical volatility data of the listed peer Company's shares for the said period.

Company has recognized expense from option plan of ₹219.28 lacs (March 31, 2019: ₹111.33 lacs) during the year as proportionate cost.

MAGMA
Investing in the smallest dream

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 45: Related parties

(i) Name of related parties and description of relationship:

A	Joint Venture	
	Magma HDI General Insurance Company Limited	
	Jaguar Advisory Services Private Limited	
B	Key Managerial Personnel ('KMP') and their Relatives	Nature of Relationship
	Mr. Mayank Poddar	Chairman Emeritus and Whole Time Director
	Mr. Sanjay Chamria	Vice Chairman and Managing Director
	Mr. Kailash Baheti	Chief Financial Officer
	Mrs. Shabnum Zaman	Company Secretary
C	Directors	
	Mr. Narayan K Seshadri	Chairman and Independent Director
	Mr. Satyabrata Ganguly	Independent Director (upto 24 September 2019)
	Mr. Nabankur Gupta	Independent Director (upto 7 December 2018)
	Ms. Madhumita Dutta-Sen	Director (Upto 15 May 2019)
	Mr. V K Viswanathan	Independent Director
	Mr. Sunil Rewachand Chandiramani	Independent Director (w.e.f 10 December 2019)
	Mrs. Vijayalakshmi R Iyer	Independent Director (w.e.f 31 January 2019)
	Mr. Bontha Prasada Rao	Independent Director (w.e.f 10 December 2019)
D	Private Company / Firm in which KMP / Director or his relative is Member or Director	
	Celica Developers Private Limited	
	Microfirm Capital Private Limited	
	Magma Consumer Finance Private Limited	
	CLP Business LLP	
E	Relatives of Directors / KMP	
	Mayank Poddar H U F	
	Kalpana Poddar	
	Ashita Poddar	
	Harshvardhan Chamria	
	Bimla Devi Baheti	
	Shashi Baheti	
	Apoorva Baheti	
	Ankita Baheti	
	Kailash Baheti HUF	
	Mansi Poddar	
	Shaili Poddar	
	Adarsh Tulshan	
	Sanjay Chamria (HUF)	
	Banwarilal Chamria and Others(HUF)	

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 45: Related parties (Contd.)

(ii) Related party transactions during the year and balance receivable from and payable to related parties as at the balance sheet date:

	Name of related party	Nature of transaction	Transaction value for the year ended 31 March 2020	Outstanding amount as at 31 March 2020	Transaction value for the year ended 31 March 2019	Outstanding amount as at 31 March 2019
A)	Joint Venture					
1	Magma HDI General Insurance Company Limited	Investment in equity shares	-	8,267.87	-	8,267.87
		Purchase of equity shares	-	-	2,055.56	-
		Short-term loans and advances given	21,321.02	1,133.35	21,809.25	965.87
		Adjustments of short-term loans and advances given	-	-	493.00	-
		Refund of short-term loans and advances given	21,153.54	-	20,962.50	-
		Claims Received	1.66	-	10.42	-
		Insurance commission income	1,710.10	67.82	1,730.64	125.01
		Insurance premium paid	11.91	-	16.98	-
		Subscription to public issue of NCD	7,500.00	7,500.00	-	-
		Interest accrued but not due on NCD	712.19	712.19	-	-
		**Share Application money paid	2,650.04	2,650.04	-	-
2	Jaguar Advisory Services Private Limited	Investment in equity shares	-	2.20	-	2.20
B)	Private Company in which director is member or director					
1	Celica Developers Private Limited	Security Deposit refund #	163.05	-	-	159.55
		Prepaid rent #	-	-	-	3.33
		Equity dividend paid	235.48	-	235.48	-
		Rent expense	-	-	253.30	-
		Loan Against Property Given	2,490.00	2,395.35	-	-
		Repayment of Loan Against Property	94.65	-	-	-
		Interest income	179.72	-	-	
2	Magma Consumer Finance Pvt. Ltd.	Equity dividend paid	14.56	-	-	-
3	Microfirm Capital Pvt Ltd.	Equity dividend paid	272.13	-	272.13	-
4	CLP Business LLP	Rent Expense	15.22	-	15.22	-
		Security deposit given	-	6.45	-	6.45
C)	Key management personnel					
1	Mr. Mayank Poddar	Director's remuneration	168.40	-	168.40	-
2	Mr. Sanjay Chamria	Director's remuneration ##	224.40	-	224.40	-
		Provision for commission	-	-	270.00	270.00
3	Mr. Kailash Baheti	Salary	213.18	-	221.58	-
		Subscription to public issue of NCD	10.00	10.00	-	-
		Interest accrued but not due on NCD	0.89	0.89	-	-
		Equity dividend paid	0.40	-	-	-
4	Mrs. Shabnum Zaman	Salary	27.55	-	26.95	-
D)	Directors					
1	Mr. Narayan K Seshadri	Sitting fees	18.00	-	20.10	-
		Commission	-	-	65.00	65.00
2	Mr. Nabankur Gupta	Sitting fees	-	-	8.00	-
		Commission	-	-	22.50	22.50
3	Mr. Satya Brata Ganguly	Sitting fees	13.50	-	18.10	-
		Commission	-	-	45.00	45.00

Notes

to the consolidated financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 45: Related parties (Contd.)

	Name of related party	Nature of transaction	Transaction value for the year ended 31 March 2020	Outstanding amount as at 31 March 2020	Transaction value for the year ended 31 March 2019	Outstanding amount as at 31 March 2019
4	Mr. V K Viswanathan	Sitting fees	18.00	-	21.00	-
		Commission	-	-	45.00	45.00
		Equity dividend paid	0.01	-	-	-
5	Mrs. Madhumita Dutta Sen	Sitting fees	1.00	-	4.00	-
6	Mr. Sunil Rewachand Chandiramani	Sitting fees	3.30	-	-	-
7	Mrs. Vijayalakshmi R Iyer	Sitting fees	19.00	-	-	-
E)	**Relatives of Directors**					
1	Mr. Harshvardhan Chamria	Salary	118.05	-	89.32	-
2	Kalpana Poddar	Rent expense	22.38	-	-	-
		Advances given / Prepaid Rent #	9.47	9.38	-	-
		Equity dividend paid	0.44	-	-	-
3	Ashita Poddar	Rent expense	11.19	-	-	-
		Advances given / Prepaid Rent #	4.73	4.69	-	-
		Equity dividend paid	0.13	-	-	-
4	Bimla Devi Baheti	Subscription to public issue of NCD	10.00	10.00	-	-
		Interest accrued but not due on NCD	0.89	0.89	-	-
5	Shashi Baheti	Subscription to public issue of NCD	10.00	10.00	-	-
		Interest accrued but not due on NCD	0.89	0.89	-	-
6	Apoorva Baheti	Subscription to public issue of NCD	10.00	10.00	-	-
		Interest accrued but not due on NCD	0.89	0.89	-	-
7	Ankita Baheti	Subscription to public issue of NCD	10.00	10.00	-	-
		Interest accrued but not due on NCD	0.89	0.89	-	-
8	Mansi Poddar	Equity dividend paid	2.28	-	-	-
9	Shaili Poddar	Equity dividend paid	1.00	-	-	-
10	Adarsh Tulshan	Equity dividend paid	0.04	-	-	-
F)	**HUFs where Director/KMP is Karta/Member of HUF**					
1.	Mayank Poddar H U F	Rent expense	11.19	-	-	-
		Advances given / Prepaid Rent #	4.73	4.69	-	-
2	Kailash Baheti HUF	Subscription to public issue of NCD	10.00	10.00	-	-
		Interest accrued but not due on NCD	0.89	0.89	-	-
3	Sanjay Chamria (HUF)	Subscription to public issue of NCD	25.00	25.00	-	-
		Interest accrued but not due on NCD	2.32	2.32	-	-
4	Banwarilal Chamria and Others(HUF)	Subscription to public issue of NCD	25.00	25.00	-	-
		Interest accrued but not due on NCD	2.32	2.32	-	-

Related parties identified includes related parties as per section 2(76) of the Companies Act, 2013.

Transactions with related parties have been identified on the basis of related party transactions disclosed in financial statement of the respective subsidiary.

* represents expenses recovered towards infrastructural support, operational assistance and other services.

includes the impact of fair val uation of security deposits.

Pursuant to inadequate profits due to additional provision made for Covid - 19, the existing managerial remuneration paid by the Company to its Vice Chairman and Managing Director during the current year is in excess of the limits laid down under Section 197 of the Companies Act, 2013 ('Act') read with Schedule V to the Act by ₹42.87 lacs. The Company is in the process of obtaining approval from its shareholders vide special resolution at the forthcoming annual general meeting for such excess remuneration paid.

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 45: Related parties (Contd.)

(iii) Compensation of key managerial personnel

	Year ended 31 March 2020	Year ended 31 March 2019
Short-term employee benefits	621.95	900.01
Post-employment defined benefit *	11.58	11.32
Share-based payments	-	-
	633.53	911.33

* Excludes provision for encashable leave and gratuity for certain key management personnel as these are determined for the Company as a whole.

Terms and conditions

All transactions with these related parties are priced on an arm's length basis. Outstanding amount as at the end of the year, in respect of loan and advances are unsecured and to be settled in cash and / or adjusted against goods or services.

Note 46: Contingent liabilities and commitments

1) Contingent liabilities and commitments (to the extent not provided for)

a) Contingent liabilities

	As at 31 March 2020	As at 31 March 2019
Claims against the Company not acknowledged as debt		
i) Income tax matters under dispute	122.33	235.76
ii) VAT matters under dispute	522.05	1,129.51
iii) Service tax matters under dispute	473.23	512.01
iv) Legal cases against the Company *	203.65	198.62

* The Company is also involved in other law suits, claims, investigations and proceedings, including collection and repossession related matters, which arise in the ordinary course of business. However, there are no significant claims on such cases. Future cash outflows in respect of the above, if any, is determinable only on receipt of judgement / decisions pending with the relevant authorities.

Guarantees *	750.00	-

* During the year the Company has issued a bank guarantee of ₹750 lacs in order to comply with the conditions for availing loans from NHB.

b) Commitments

	As at 31 March 2020	As at 31 March 2019
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for	222.81	1,033.98
(ii) Undisbursed housing/other loans	13,157.10	12,850.15

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

d) The Group has a process whereby periodically all long term contracts are assessed for material foreseeable losses. As at year end, the Company does not have any long term contracts (including derivative contracts) for which there were material foreseeable losses.

The Group has certain litigations pending with income tax authorities, service tax authorities and other litigations which have arisen in the ordinary course of business. The Company has reviewed all such pending litigations having an impact on the financial position, and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements.

MAGMA
Investing in the smallest dream

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 46: Contingent liabilities and commitments (Contd.)

2) Others

a) Commissioner of service tax had issued a show cause notice in respect of the financial years 2002-03 to 2006-07 on 16 October 2007 and the matter was adjudicated vide Order dated 31 March 2009, confirming the service tax liability at ₹464 lacs plus interest and penalty against which ₹404 lacs was paid and charged to the statement of profit and loss in earlier years. Both, the Company and the Department had gone into appeal in CESTAT against the order. Finally, in July 2017, order has been passed by Calcutta High Court where in Company's appeal has been allowed except for ₹93 lacs. Accordingly, the Company has filed application seeking refund of balance amount of ₹311 lacs from Department and is following up the same from the Department. Company has filed a case in Calcutta High Court wherein it has challenged the Show Cause Notice of Department rejecting the refund of ₹311 lacs after 2 years of refund application. Hearing pending before the High Court.

b) Fringe benefit tax had been levied on fringe benefit provided to employees as per Section 115W of the Income Tax Act, 1961. The Company had filed a writ petition before the Hon'ble High Court of Calcutta. The writ petition was dismissed by the Hon'ble High Court of Calcutta. The Company has filed an appeal against the order in the Division Bench of the Hon'ble High Court of Calcutta which has been admitted and next hearing is awaited. However, basis prudence, the Company had made a provision for the same amounting to ₹437.28 lacs as at 31 March 2020 (31 March 2019 ₹397.38 lacs).

c) On February 28, 2019, the Supreme Court of India held that allowances paid by establishments to its employees which meet the test of universality should be considered as 'basic wages' while computing provident fund amounts for employees whose basic wages is less than statutory thresholds. On evaluation of the impact of the aforesaid judgement, the Management is of the view that no material additional liability would arise on account of the same in the current financial year.

d) In respect of a regulatory matter pertaining to the capital raise in the year 2012, the JV company, MHDI has received a show cause notice from the authorities and pursuant to it, the Company and its promoter entity, Celica Developers Pvt Limited have agreed to indemnify an investor in MHDI to protect its proportionate interests in the event of any levy of penalty/fine on MHDI. The Company and Celica are in the process of executing an inter se indemnity agreement for sharing of pay out, if any, arising from the indemnity provided.

   Based on the legal opinion obtained by MHDI, Management is of the view that the chances of any liability arising are remote. Consequently, chances of the inter se indemnity getting invoked are also considered remote.

Note 47: Interest in other entities

a. Subsidiaries

The group's subsidiaries at 31 March 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of the subsidiary company	Place of business/ country of incorporation	Ownership interest held by the group (in %)		Ownership interest held by non-controlling interests (in %)		Principal activities
		As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019	
Magma Housing Finance Limited (MHFL)	India	100.00	100.00	-	-	Housing Finance.

Notes
to the consolidated financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 47: Interest in other entities (Contd.)

b. Interests in joint ventures

The joint ventures listed below have share capital consisting solely of equity shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. The below joint ventures are by the virtue of contractual agreement.

Name of the company	Place of business/ country of incorporation	Relationship	Accounting method	Ownership interest held by the group (in %)		Carrying value		Principal activities
				As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019	
Jaguar Advisory Services Private Limited (JASPL)	India	Joint venture	Equity method	48.89	48.89	5,100.56	4,728.28	Manpower and Advisory Services
Magma HDI General Insurance Company Limited (MHDI)	India	Joint venture	Equity method	27.76	31.92	9,958.17	9,385.22	Insurance Services

Both the joint venture companies are unlisted and hence no quoted price is available. Accordingly fair values for the same are not disclosed.

(i) Summarised financial information for joint ventures

Particulars	Jaguar Advisory Services Private Limited (JASPL)		Magma HDI General Insurance Company Limited (MHDI)	
	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019
Current assets	18.63	18.07	58,218.83	59,351.49
Non-current assets	10,596.80	9,768.93	283,637.76	193,971.57
Current liabilities	0.40	0.27	109,190.59	70,666.24
Non-current liabilities	182.07	115.31	189,038.17	146,483.78
Net assets	**10,432.96**	**9,671.42**	**43,627.83**	**36,173.04**

(ii) Reconciliation to carrying amounts

Particulars	Jaguar Advisory Services Private Limited (JASPL)		Magma HDI General Insurance Company Limited (MHDI)	
	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019
Closing net assets*	10,432.96	9,671.42	38,308.35	28,673.04
Group's share (in ₹ lacs)	5,100.56	4,728.28	10,859.28	8,931.39
Goodwill and other adjustments	-	-	(901.11)	453.83
Carrying amount	**5,100.56**	**4,728.28**	**9,958.17**	**9,385.22**

*Excludes share application money pending allotment.

(iii) Summarised statement of profit and loss

Particulars	Jaguar Advisory Services Private Limited (JASPL)		Magma HDI General Insurance Company Limited (MHDI)	
	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019
Total revenue	19.14	29.10	174,957.59	129,433.48
Other income	0.03	0.03	67.28	105.16
Finance cost	0.02	0.02	-	-
Depreciation and amortization	-	-	1,126.64	560.49
Other operating expense	18.57	28.06	173,330.25	129,819.06
Share of profit of equity-accounted investee	(49.71)	24.77	-	-

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 47: Interest in other entities (Contd.)

Particulars	Jaguar Advisory Services Private Limited (JASPL)		Magma HDI General Insurance Company Limited (MHDI)	
	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019
Income tax expense/(income)	(23.43)	(29.12)	879.08	(969.63)
Profit for the year	**(25.69)**	**54.94**	**(311.10)**	**128.72**
Other comprehensive income/(loss)	787.23	657.14	2,331.61	46.80
Total comprehensive income/(loss)	**761.53**	**712.08**	**2,020.52**	**175.52**

Note 48: Statement containing salient features of the financial statement of subsidiaries, pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014 is given below:

(a) Financial information of subsidiaries for the year ended 31 March 2020:

Particulars	Magma Housing Finance Limited
Share capital	16,582.99
Other equity	31,475.45
Total assets	255,367.38
Total liabilities	207,308.94
Investments	-
Turnover / total income	35,636.65
Profit before taxation	5,428.56
Provision for taxation	1,163.72
Profit after taxation	4,264.84
Dividend (including tax thereon)	-
% of shareholding	100%

(b) Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to joint ventures as at 31 March 2020:

Name of joint ventures		Jaguar Advisory Services Private Limited	Magma HDI General Insurance Company Limited
1 Shares of joint ventures held by the Company on the year end			
No. of shares	Nos.	11,000.00	39,898,281.00
Amount of investment in joint ventures	₹ in lacs	5,100.56	9,958.17
Extend of holding	%	48.89%	27.76%
2 Description of how there is significant influence		Holding more than 20% of the paid up capital	Holding more than 20% of the paid up capital
3 Net worth attributable to shareholding as per latest audited balance sheet	₹ in lacs	5,098.36	1,690.30
4 Profit for the year			
i. Considered in consolidation	₹ in lacs	(12.55)	(88.17)
ii. Not considered in consolidation	₹ in lacs	(13.14)	(222.93)

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 48: Statement containing salient features of the financial statement of subsidiaries, pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014 is given below: (Contd.)

(c) Additional information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013

Name of the entity in the group	Net assets, i.e., total assets minus total liabilities		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % of total comprehensive income	Amount
Parent								
Magma Fincorp Limited	91.53	251,531.25	(37.00)	(1,001.08)	743.78	(617.26)	(61.71)	(1,618.34)
Subsidiary								
-Indian								
Magma Housing Finance Limited (MHFL)	17.49	48,058.44	157.65	4,264.84	616.56	(511.68)	143.12	3,753.16
Joint Ventures(as per the equity method)								
-Indian								
Magma HDI General Insurance Company Limited (MHDI) *	0.62	1,690.30	(3.26)	(88.17)	(796.63)	661.12	21.85	572.95
Jaguar Advisory Services Private Limited (JASPL)	1.86	5,098.36	(0.46)	(12.55)	(463.71)	384.83	14.20	372.28
Total Eliminations/ Consolidation Adjustments	(11.49)	(31,578.47)	(16.92)	(457.70)	-	-	(17.45)	(457.70)
	100.00	**274,799.88**	**100.00**	**2,705.34**	**100.00**	**(82.99)**	**100.00**	**2,622.35**

* Weighted average holding percentage has been used.

Note 49: Transfers of financial assets

In the ordinary course of business, the Company enters into transactions that result in the transfer of financial assets. In accordance with the accounting policy set out in Note 2, the transferred financial assets continue to be recognised or derecognised as per the conditions specified in Ind AS.

The Company transfers financial assets that are not derecognised in their entirety are primarily through securitisation transactions, in which loans to customers are transferred to securitisation special purpose vehicles.

A. Transferred financial assets that are not derecognised in their entirety

Securitisation

Certain loans to customers are sold by the Company to securitisation special purpose vehicles, which in turn issue Pass Through Certificates ('PTC') to investors collateralised by the purchased assets. In securitisation transactions entered, the Company transfers loans to an unconsolidated securitisation vehicle, however it retains credit risk (principally by providing credit enhancement). The Company retains substantial risks and rewards of such loan transferred and accordingly, does not derecognise the loans transferred in its entirety and recognises an associated liability for the consideration received.

The following table sets out the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

Notes
to the consolidated financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 49: Transfers of financial assets (Contd.)

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
	Loans to customers	Loans to customers
As at 31 March 2020		
Assets		
Securitisation	48,717.80	334,542.77
Carrying amount of assets	**48,717.80**	**334,542.77**
Associated liabilities		
Loans from PTC Investors	48,683.93	314,115.21
Carrying amount of associated liabilities	**48,683.93**	**314,115.21**
For those liabilities that have recourse only to the transferred financial assets		
Assets		
Securitisation	48,579.26	332,392.81
Fair value of assets	**48,579.26**	**332,392.81**
Associated liabilities		
Loans from PTC Investors	50,029.24	317,933.50
Fair value of associated liabilities	**50,029.24**	**317,933.50**
As at 31 March 2019		
Assets		
Securitisation	4,734.56	346,404.73
Carrying amount of assets	**4,734.56**	**346,404.73**
Associated liabilities		
Loans from PTC Investors	4,935.67	344,888.69
Carrying amount of associated liabilities	**4,935.67**	**344,888.69**
For those liabilities that have recourse only to the transferred financial assets		
Assets		
Securitisation	4,726.60	350,413.44
Fair value of assets	**4,726.60**	**350,413.44**
Associated liabilities		
Loans from PTC Investors	4,935.67	342,697.52
Fair value of associated liabilities	**4,935.67**	**342,697.52**

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 50: Financial instruments - fair value and risk management

A. Financial instruments by category

The following table shows the carrying amounts and fair values of financial assets and financial liabilities.

Particulars	As at 31 March 2020			
	Others	FVTPL	FVTOCI	Amortised cost
Financial assets:				
Cash and cash equivalents	-	-	-	20,596.15
Bank balance other than cash and cash equivalents	-	-	-	50,232.02
Receivables	-	-	-	991.41
Loans	-	-	450,145.62	904,499.78
Other investments	-	0.99	-	0.16
Investments in joint venture	15,058.73	-	-	-
Other financial assets	-	3,804.79	-	28,620.85
	15,058.73	**3,805.78**	**450,145.62**	**1,004,940.37**
Financial liabilities:				
Derivative financial instruments	-	-	-	-
Trade payables	-	-	-	2,505.68
Debt securities	-	-	-	70,407.73
Borrowings (other than debt securities)	-	-	-	1,042,705.58
Subordinated liabilities	-	-	-	85,623.66
Lease Liability	-	-	-	5,983.06
Other financial liabilities	-	-	-	32,304.87
	-	**-**	**-**	**1,239,530.58**

Particulars	As at 31 March 2019			
	Others	FVTPL	FVTOCI	Amortised cost
Financial assets:				
Cash and cash equivalents	-	-	-	57,098.21
Bank balance other than cash and cash equivalents	-	-	-	38,586.29
Receivables	-	-		1,096.98
Loans	-	-	298,386.38	1,202,276.91
Other investments	-	0.99	-	0.16
Investments in joint venture	14,113.50	-	-	-
Other financial assets	-	5,845.79	-	12,765.78
	14,113.50	**5,846.78**	**298,386.38**	**1,311,824.33**
Financial liabilities:				
Derivative financial instruments	-	-	-	-
Trade payables	-	-	-	36,966.00
Debt securities	-	-	-	49,250.44
Borrowings (other than debt securities)	-	-	-	1,162,730.49
Subordinated liabilities	-	-	-	101,330.04
Other financial liabilities	-	-	-	44,664.46
	-	**-**	**-**	**1,394,941.43**

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 50: Financial instruments - fair value and risk management (Contd.)

B. Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are:

(a) recognised and measured at fair value and

(b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table

Financial assets and liabilities measured at fair value - recurring fair value measurements

As at 31 March 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans	-	-	450,145.62	450,145.62
Other investments	-	0.99	-	0.99
Other financial assets	-	3,804.79	-	3,804.79
	-	**3,805.78**	**450,145.62**	**453,951.40**
Financial liabilities:				
Derivative financial instruments	-	-	-	-
	-	-	-	-

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at 31 March 2020	Amortised cost	Fair Value	Level 1	Level 2	Level 3	Total
Financial assets:						
Bank balance other than cash and cash equivalents	50,232.02	50,299.72	-	50,299.72	-	50,299.72
Loans	904,499.78	900,414.61	-	-	900,414.61	900,414.61
Other investments	0.16	0.16	-	0.16	-	0.16
Other financial assets	28,620.85	28,620.85	-	28,620.85	-	28,620.85
	983,352.81	**979,335.34**	-	**78,920.73**	**900,414.61**	**979,335.34**
Financial liabilities:						
Debt securities	70,407.73	73,666.99	-	73,666.99	-	73,666.99
Borrowings (other than debt securities)	1,042,705.58	1,048,378.62	-	1,048,378.62	-	1,048,378.62
Subordinated liabilities	85,623.66	86,273.79	-	86,273.79	-	86,273.79
Lease liability	5,983.06	5,983.06	-	5,983.06	-	5,983.06
Other financial liabilities	32,304.87	32,304.87	-	32,304.87	-	32,304.87
	1,237,024.90	**1,246,607.33**	-	**1,246,607.33**	-	**1,246,607.33**

Financial assets and liabilities measured at fair value - recurring fair value measurements

As at 31 March 2019	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans	-	-	298,386.38	298,386.38
Other investments	-	0.99	-	0.99
Other financial assets	-	5,845.79	-	5,845.79
	-	**5,846.78**	**298,386.38**	**304,233.16**
Financial liabilities:				
Derivative financial instruments	-	-	-	-
	-	-	-	-

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 50: Financial instruments - fair value and risk management (Contd.)

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at 31 March 2019	Amortised cost	Fair Value	Level 1	Level 2	Level 3	Total
Financial assets:						
Bank balance other than cash and cash equivalents	38,586.29	38,588.00	-	38,588.00	-	38,588.00
Loans	1,202,276.91	1,216,256.70	-	-	1,216,256.70	1,216,256.70
Other investments	0.16	0.16	-	0.16	-	0.16
Other financial assets	12,765.78	12,765.78	-	12,765.78	-	12,765.78
	1,253,629.14	**1,267,610.64**	-	**51,353.94**	**1,216,256.70**	**1,267,610.64**
Financial liabilities:						
Debt securities	49,250.44	49,017.08	-	49,017.08	-	49,017.08
Borrowings (other than debt securities)	1,162,730.49	1,160,846.69	-	1,160,846.69	-	1,160,846.69
Subordinated liabilities	101,330.04	102,596.71	-	102,596.71	-	102,596.71
Other financial liabilities	44,664.46	44,664.46	-	44,664.46	-	44,664.46
	1,357,975.43	**1,357,124.94**	-	**1,357,124.94**	-	**1,357,124.94**

Financial instruments valued at carrying value

The respective carrying values of certain on-balance sheet financial instruments approximate their fair value. These financial instruments include cash in hand, balances with other banks, receivables, trade payables and certain other financial assets and liabilities, with maturities less than a year from the balance sheet date. Carrying values were assumed to approximate fair values for these financial instruments as they are short-term in nature and their recorded amounts approximate fair values or are receivable or payable on demand.

C. Valuation framework

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximize the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. If all significant inputs required to fair value an instrument are observable the instrument is included in level 2.

Level 3 : If one or more of the significant inputs is not based in observable market data, the instruments is included in level 3. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. The Bank develops Level 3 inputs based on the best information available in the circumstances.

MAGMA
Investing in the smallest dream

Note 50: Financial instruments - fair value and risk management (Contd.)

Financial instruments measured at fair value and fair value of financial instruments carried at amortised cost

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value and sensitivity
Financial assets and liabilities measured at amortised cost	Discounted cash flows: The valuation model considers the present value of expected receipt/payment discounted using appropriate discounting rates	Not applicable	Not applicable
Financial assets and liabilities measured at FVOCI	Discounted cash flows: The valuation model considers the present value of expected receipt/payment discounted using appropriate discounting rates.	The discount rate is the average lending rate at which the loans are disbursed.	There is an inverse correlation. Higher the discount rate i.e. average lending rate for the disbursed loans, lower the fair value of the assets.
Financial assets measured at FVTPL	Comparable company method (CCM) considering Price/Sales ('P/S') multiple and NAV based method.	Not applicable	Not applicable
Investment	Comparable company method (CCM) considering Price/Sales ('P/S') multiple and NAV based method.	Not applicable	Not applicable
Derivative instruments	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates that reflects the credit risk of various parties.	Not applicable	Not applicable

D. Movement in Level 3 financial instruments measured at fair value

Particulars	As at 1 April 2019	Purchase / origination	Sales / run-off	Transfer into Level 3	Interest income	Other Comprehensive Income	As at 31 March 2020
Financial instruments at FVOCI*	313,876.77	234,278.77	291,443.91	142,958.91	67,273.87	(1,105.76)	465,838.65

Particulars	As at 1 April 2018	Purchase / origination	Sales / run-off	Transfer into Level 3	Interest income	Other Comprehensive Income	As at 31 March 2019
Financial instruments at FVOCI*	137,893.12	153,769.89	220,668.77	199,068.59	44,543.79	(729.85)	313,876.77

* The above numbers are gross carrying amount. Refer Note 51

Note 51: Financial risk management

The Company assumes credit risk, market risk, compliance risk, operational risk and reputational risk in the normal course of it business. This exposes the company to a substantial level of inherent financial risk.

i Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

Efficient and timely management of risks involved in the Company's activities is critical for the financial soundness and profitability of the Company. Risk management involves the identifying, measuring, monitoring and managing of risks on a regular basis. The objective of risk management is to increase shareholders' value and achieve a return on equity that is commensurate with the risks assumed. To achieve this objective, the Company employs leading risk management practices and recruits skilled and experienced people.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are

Notes

to the consolidated financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 51: Financial risk management (Contd.)

reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

ii Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's asset on finance;

The carrying amounts of financial assets represent the maximum credit risk exposure.

A) Credit risk management

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- a breach of contract such as a default or past due event;
- when a borrower becomes 3 months overdue in its contractual payments;

The risk management committee has established a credit policy under which each new customer is analyzed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, background verification, financial statements, income tax returns, credit agency information, industry information, etc (as applicable).

B) Probability of default (PD)

Days past due (DPD) analysis is the primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by type of product or borrower as well as by DPD.

The Company employs statistical models to analyze the data collected and generate estimates of the PD of exposures and how these are expected to change as a result of passage of time.

Expected loss has been calculated as an unbiased and probability-weighted amount for multiple scenarios. The probability of default was calculated for 3 scenarios: upside (0%), downside (32%) and base (68%). These weightage has been decided on best practices and expert's judgement. Weight of downside has been increased from 16% to 32% and that of upside reduced from 16% to 0% to make additional provision on account of Covid 19 scenario.

C) Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 3 months overdue on its contractual payments.

The Company considers probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Following indicators are incorporated:

- DPD analysis as on each reporting date
- significant increase in credit risk on other financial instruments of same borrower
- significant changes in value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements.

D) Exposure at default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation;

To calculate the ECL for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12 month ECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments. The Company determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios.

E) Loss given default (LGD)

Loss given default (LGD) represents estimated financial loss the company is likely to suffer in respect of default account and it is used to calculate provision requirement

Notes

to the consolidated financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 51: Financial risk management (Contd.)

on EAD along with PD. The Company uses collection details on previously defaulted cases for calculating LGD including estimated direct cost of collection from default cases. Appropriate discounting rates are applied to calculate present value of future estimated collection net of direct collection cost. LGD thus calculated is used for all stages, i.e. Stage 1, Stage 2 and Stage 3.

F) Discounting

ECL is computed by estimating timing of expected credit shortfalls associated with defaults and discounting them using effective interest rate.

G) Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 1 month overdue, the credit risk is deemed to have increased significantly since initial recognition.

The Company has applied a three-stage approach to measure expected credit losses (ECL) on loans and other credit exposures accounted for at amortised cost and FVOCI. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Assets migrate through following three stages based on the changes in credit quality since initial recognition:

(a) Stage 1: 12- months ECL: For exposures where there is no significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12- months is recognized.

(b) Stage 2: Lifetime ECL, not credit-impaired: For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL is recognized.

(c) Stage 3: Lifetime ECL, credit-impaired: Financial assets are assessed as credit impaired upon occurrence of one or more events that have a detrimental impact on the estimated future cash flows of that asset. For financial assets that have become credit-impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortised cost.

H) Expected credit loss on Loans

The Company assesses whether the credit risk on a financial asset has increased significantly on collective basis. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type, product type, collateral type, and other relevant factors.

The Company considers defaulted assets as those which are contractually 3 months overdue, other than those assets where there is empirical evidence to the contrary. Financial assets which are contractually 1 month overdue are classified under Stage 2 - life time ECL, not credit impaired, barring those where there is empirical evidence to the contrary. An asset migrates down the ECL stage based on the change in the risk of a default occurring since initial recognition. If in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loan loss provision stage reverses to 12-months ECL from lifetime ECL.

The Company measures the amount of ECL on a financial instrument in a way that reflects an unbiased and probability-weighted amount. The Company considers its historical loss experience and adjusts the same for current observable data. The key inputs into the measurement of ECL are the probability of default, loss given default and exposure at default. These parameters are derived from the Company's internally developed statistical models and other historical data. In addition, the Company uses reasonable and supportable information on future economic conditions including macroeconomic factors. Since incorporating these forward looking information increases the judgment as to how the changes in these macroeconomic factor will affect ECL, the methodology and assumptions are reviewed regularly.

Forward looking information

In its ECL models, the Company relies on a broad range of forward looking information as macro economic inputs. As required by Ind AS 109, Macro Economic (ME) overlays are required to be factored in ECL Models and accordingly, Company have used agricultural produce and retail inflation as the relevant ME variable. Overtime, new ME variable may emerge to have a better correlation and may replace ME being used now.

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 51: Financial risk management (Contd.)

Policy on write off of loan assets

Financial assets are fully provided for or written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities under the Company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised as income in statement of profit or loss.

I) Covid - 19

COVID-19 and consequent lockdown has caused severe slowdown in economies and adversely impacted the capacity utilization and viability of various industry sectors. The Company's business has also been adversely impacted both in terms of disbursals as well as collections since the last week of March 2020. The lending has gradually resumed since second half of May 2020, and collections are gradually returning to normal, though it may take more time for returning to normal level. The impact of lockdown on Company's business and consequently financial results remain uncertain and dependent on lifting of lockdown, steps taken by the Government and Regulatory authorities to mitigate the economic impact, and the time taken for return of economic activities to normal levels.

The Company's Capital Adequacy and Liquidity position remains stable and shall continue to be an area of focus.

In accordance with the Reserve Bank of India guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Company offered moratorium up to 3 months on payment of all installments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers as per the Company's policy. For all loans where moratorium is availed by the customers, the Company has kept ageing of such loans and their asset classification at standstill during the moratorium period. The standstill on ageing has been considered for consideration of staging for ECL purposes.

The Company is yet to assess the impact of extension of the second moratorium announced by the Reserve Bank of India on 22 May 2020.

The Company has made additional provision during the quarter and year ended 31 March 20 aggregating to ₹11,660.45 lacs towards potential impact of COVID-19 pandemic resulting in consequent reduction of PBT by ₹11,660.45 lacs and PAT by ₹8,725.75 lacs for the quarter and year ended 31 March 2020. These additional provisions are on the basis of management judgement of expected losses on its loan portfolio. Any potential excess/ shortfall based on actual experience will be adjusted in the relevant period in future.

Further, the underlying forecasts and assumptions applied by the Company in determination of ECL provision (including additional provision) are subject to uncertainties which are often outside the control of the Company and accordingly, actual results may differ from these estimates.

The following table provides information about the exposure to credit risk and expected credit loss for assets on finance.

Loans measured at amortised cost (Including trade advance, excluding staff loans and EIS receivables)

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit -impaired
As at 31 March 2020				
Current (not past due)	675,052.73	1.01%	6,826.65	No
Upto 1 month overdue	88,228.93	4.50%	3,973.21	No
More than 1 month and upto 2 months overdue	66,039.24	8.61%	5,683.18	No
More than 2 month and upto 3 months overdue	49,574.27	12.43%	6,163.30	No
More than 3 months overdue	73,369.87	32.76%	24,038.06	Yes
	952,265.04	**4.90%**	**46,684.40**	

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit -impaired
As at 31 March 2019				
Current (not past due)	979,432.02	0.70%	6,811.64	No
Upto 1 month overdue	79,494.48	3.85%	3,059.78	No
More than 1 month and upto 2 months overdue	81,453.07	7.38%	6,009.90	No
More than 2 month and upto 3 months overdue	44,589.84	11.75%	5,237.23	No
More than 3 months overdue	59,564.44	33.74%	20,099.38	Yes
	1,244,533.85	**3.31%**	**41,217.93**	

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 51: Financial risk management (Contd.)

Loans at fair value through OCI

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit -impaired
As at 31 March 2020				
Current (not past due)	409,127.94	0.43%	1,767.35	No
Upto 1 month overdue	17,897.10	3.34%	597.25	No
More than 1 month and upto 2 months overdue	9,015.82	12.10%	1,091.27	No
More than 2 month and upto 3 months overdue	11,808.95	24.49%	2,892.10	No
More than 3 months overdue	17,988.84	51.95%	9,345.06	Yes
	465,838.65	**3.37%**	**15,693.03**	

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit -impaired
As at 31 March 2019				
Current (not past due)	266,006.35	1.43%	3,793.53	No
Upto 1 month overdue	8,997.89	7.83%	704.77	No
More than 1 month and upto 2 months overdue	7,927.73	17.11%	1,356.36	No
More than 2 month and upto 3 months overdue	15,822.64	14.45%	2,287.12	No
More than 3 months overdue	15,122.16	48.59%	7,348.61	Yes
	313,876.77	**4.94%**	**15,490.39**	

Expected credit loss on trade receivables and other financial assets

Trade receivables primarily includes receivables against sale of power, support services and operating lease. These receivables are of short term nature and there has been no impairment allowance on the same. Credit risk on excess interest spread receivable is low as it primarily falls in Stage 1. Other financial asset are measured at FVTPL and hence the credit risk is already factored in the fair value.

Cash and cash equivalents and other bank balances

The Company holds cash and cash equivalents and bank balance of ₹70,828.17 lacs as at 31 March 2020 (31 March 2019: ₹95,684.50 lacs. The cash and cash equivalents are held with bank and financial institution counterparties with acceptable credit ratings.

Derivatives

The derivatives are entered into with bank and financial institution counterparties with acceptable credit ratings.

Notes
to the consolidated financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 51: Financial risk management (Contd.)

An analysis of changes in gross carrying amount and corresponding ECL allowances is as follows :

(i) Movements in the gross carrying amount in respect of loans, i.e. asset on finance

Loans measured at amortised cost (Including trade advance, excluding staff loans and EIS receivables)

Reconciliation of gross carrying amount	Stage 1	Stage 2	Stage 3
Gross carrying amount on 1 April 2018	1,051,140.41	155,217.30	116,499.88
Transfer to Stage 1	30,888.50	(28,532.45)	(2,356.05)
Transfer to Stage 2	(90,582.06)	94,207.28	(3,625.23)
Transfer to Stage 3	(18,752.06)	(30,131.37)	48,883.43
Transfer from Amortised cost to Fair value through OCI	(188,302.88)	(3,960.09)	(6,805.62)
New financial assets originated or purchased	672,520.51	18,264.83	2,819.21
Financial assets that have been derecognised / repaid	(394,443.37)	(75,922.21)	(67,929.61)
Write offs	(3,542.56)	(3,100.40)	(27,921.54)
Gross carrying amount on 31 March 2019	**1,058,926.49**	**126,042.89**	**59,564.47**
Transfer to Stage 1	14,868.05	(14,046.91)	(821.14)
Transfer to Stage 2	(93,378.11)	94,927.95	(1,549.84)
Transfer to Stage 3	(29,466.55)	(31,287.26)	60,753.81
Transfer from Amortised cost to Fair value through OCI	(136,605.10)	(5,090.18)	(1,263.63)
New financial assets originated or purchased	335,689.47	11,121.90	5,571.35
Financial assets that have been derecognised / repaid	(381,220.78)	(61,616.98)	(25,845.11)
Write offs	(5,531.81)	(4,437.90)	(23,040.04)
Gross carrying amount on 31 March 2020	**763,281.66**	**115,613.51**	**73,369.87**

Loans at fair value through OCI

Reconciliation of gross carrying amount	Stage 1	Stage 2	Stage 3
Gross carrying amount on 1 April 2018	108,358.64	19,734.13	9,800.35
Transfer to Stage 1	5,120.93	(4,489.37)	(631.56)
Transfer to Stage 2	(6,375.33)	7,091.65	(716.33)
Transfer to Stage 3	(6,563.88)	(2,171.44)	8,735.32
Transfer from Amortised cost to Fair value through OCI	188,302.88	3,960.09	6,805.62
New financial assets originated or purchased	146,054.78	7,178.12	536.99
Financial assets that have been derecognised / repaid	(158,893.50)	(7,071.75)	(6,390.50)
Write offs	(1,000.26)	(481.06)	(3,017.75)
Gross carrying amount on 31 March 2019	**275,004.26**	**23,750.37**	**15,122.14**
Transfer to Stage 1	5,384.27	(4,696.43)	(687.85)
Transfer to Stage 2	(10,714.40)	11,425.83	(711.42)
Transfer to Stage 3	(8,738.80)	(4,651.74)	13,390.54
Transfer from Amortised cost to Fair value through OCI	136,605.10	5,090.18	1,263.63
New financial assets originated or purchased	231,224.06	2,627.18	427.53
Financial assets that have been derecognised / repaid	(200,563.79)	(11,729.39)	(2,457.97)
Write offs	(1,167.87)	(991.27)	(8,365.51)
Gross carrying amount on 31 March 2020	**427,032.83**	**20,824.73**	**17,981.09**

ii) Movements in the allowance for impairment in respect of loans, i.e. asset on finance

The movement in the allowance for impairment in respect of asset on finance is as follows:

Loans measured at amortised cost (Including trade advance, excluding staff loans and EIS receivables)

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses	
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired
Loss allowance on 1 April 2018	16,067.78	19,796.56	60,743.12
Transfer to Stage 1	4,006.80	(3,204.52)	(802.29)
Transfer to Stage 2	(2,381.82)	3,684.23	(1,302.40)

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 51: Financial risk management (Contd.)

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses	
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired
Transfer to Stage 3	(627.21)	(4,494.30)	5,121.52
Transfer from Amortised cost to Fair value through OCI	(4,291.76)	(1,829.66)	(5,059.17)
New financial assets originated or purchased	5,681.72	1,512.01	887.61
Financial assets that have been derecognised / repaid	(8,239.33)	(2,180.96)	(18,088.64)
Write offs	(345.41)	(2,036.22)	(21,399.73)
Loss allowance on 31 March 2019	**9,870.77**	**11,247.14**	**20,100.02**
Transfer to Stage 1	1,432.33	(1,165.22)	(267.11)
Transfer to Stage 2	(1,558.77)	2,053.72	(494.95)
Transfer to Stage 3	(532.69)	(3,015.27)	3,547.96
Transfer from Amortised cost to Fair value through OCI	(342.01)	(369.11)	(458.38)
New financial assets originated or purchased	4,037.11	1,000.19	1,253.83
Financial assets that have been derecognised / repaid	(1,777.17)	3,288.44	10,860.35
Write offs	(329.70)	(1,193.41)	(10,503.65)
Loss allowance on 31 March 2020	**10,799.86**	**11,846.48**	**24,038.06**

Loans at fair value through OCI

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses	
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired
Loss allowance on 1 April 2018	797.44	2,083.21	3,061.27
Transfer to Stage 1	631.85	(446.51)	(185.34)
Transfer to Stage 2	78.90	82.98	(161.89)
Transfer to Stage 3	(316.44)	(173.87)	490.31
Transfer from Amortised cost to Fair value through OCI	4,291.76	1,829.66	5,059.17
New financial assets originated or purchased	2,207.36	975.00	279.77
Financial assets that have been derecognised/repaid	(2,862.06)	(79.61)	1,750.78
Write offs	(330.54)	(627.38)	(2,945.43)
Loss allowance on 31 March 2019	**4,498.27**	**3,643.48**	**7,348.64**
Transfer to Stage 1	447.07	(309.96)	(137.10)
Transfer to Stage 2	(552.76)	703.65	(150.88)
Transfer to Stage 3	(925.62)	(1,704.12)	2,629.74
Transfer from Amortised cost to Fair value through OCI	342.01	369.10	458.38
New financial assets originated or purchased	1,069.55	1,411.24	232.97
Financial assets that have been derecognised/repaid	(2,270.93)	433.28	4,481.07
Write offs	(242.99)	(563.29)	(5,517.75)
Loss allowance on 31 March 2020	**2,364.60**	**3,983.37**	**9,345.06**

J) Concentration risk

Pursuant to the guidelines of the RBI, credit exposure of banks to an individual borrower must not exceed 15% of owned fund and 25% of owned fund of the Company to any single group of borrower. The Company is in compliance with these guidelines.

In addition, the Company views the concentration of risk on the basis of below product category.

Loans to customers (carrying value)	As at 31 March 2020	As at 31 March 2019
Asset backed Finance (ABF)	947,187.14	1,094,979.65

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 51: Financial risk management (Contd.)

Loan against property (LAP)	314,020.39	252,880.20
Small and medium enterprise (SME)	154,560.07	208,438.68
Total	**1,415,767.60**	**1,556,298.53**

Loans to customers (%)	As at 31 March 2020	As at 31 March 2019
Asset backed Finance (ABF)	66.90%	70.36%
Loan against property (LAP)	22.18%	16.25%
Small and medium enterprise (SME)	10.92%	13.39%
Total	**100.00%**	**100.00%**

Fair value of collateral relating to credit impaired financial assets

Particulars	As at 31 March 2020	As at 31 March 2019
Collateral value of underlying assets	127,232.00	91,527.72
Gross carrying amount	91,358.71	72,662.68
Loss allowance	33,383.13	26,557.49

iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions in a timely manner, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

The Company has obtained fund and non-fund based working capital lines from various banks, Further, the Company has access to funds from debt markets through commercial paper, non-convertible debentures and other debt instruments including term loans. Cash Credit / WCDL limits are renewed on annual basis and are therefore revolving in nature. The Company also manages liquidity by raising funds through Securitisation / assignment transactions.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial labilities (including interest portion) at the reporting date.

As at 31 March 2020	Contractual cash flows					
	Carrying amount	Gross nominal outflow	0-12 months	1-3 years	3-5 years	More than 5 years
Non - derivative financial liabilities						
Trade payables	2,505.68	2,505.68	2,505.68	-	-	-
Debt securities	70,407.73	95,539.95	9,137.93	35,090.63	50,617.44	693.95
Borrowings (other than debt securities)	1,042,705.58	1,199,507.49	648,812.17	389,387.31	91,945.52	69,362.49
Subordinated liability	85,623.66	125,653.55	12,426.46	51,757.59	22,185.45	39,284.05
Lease liability	5,983.06	7,920.83	1,766.10	2,742.48	1,817.49	1,594.76
Other financial liability	32,304.87	32,304.87	32,304.87	-	-	-
Derivative financial liabilities	-	-	-	-	-	-

As at 31 March 2019	Contractual cash flows					
	Carrying amount	Gross nominal outflow	0-12 months	1-3 years	3-5 years	More than 5 years
Non - derivative financial liabilities						
Trade payables	36,966.00	36,966.00	36,966.00	-	-	-
Debt securities	49,250.44	62,014.56	16,906.76	31,757.80	7,900.00	5,450.00
Borrowings (other than debt securities)	1,162,730.49	1,284,679.72	850,600.89	362,355.00	71,723.37	0.46
Subordinated liability	101,330.04	153,246.97	27,770.31	45,372.90	49,424.85	30,678.91
Other financial liability	44,664.46	44,664.46	44,664.46	-	-	-
Derivative financial liabilities	-	-	-	-	-	-

Notes
to the consolidated financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 51: Financial risk management (Contd.)

iv) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company – primarily ₹. In cases where the borrowings is denominated in foreign currency, the Company uses derivatives to manage market risks.

v) Interest rate risk

Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rates. Any movement in the reference rates could have an impact on the Company's cash flows as well as costs.

The Company is subject to variable interest rates on some of its interest bearing financial assets/ liabilities. The Company also uses a mix of interest rate sensitive financial instruments to manage the liquidity and fund requirements for its day to day operations like short-term loans.

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management is as follows:

Particulars	As at 31 March 2020	As at 31 March 2019
Fixed rate instruments		
Financial assets	1,167,128.93	1,405,201.53
Financial liabilities	811,249.11	956,103.29
Variable rate instruments		
Financial assets	306,821.57	224,969.46
Financial liabilities	428,281.47	438,838.14

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 bps in interest rate at the reporting date would have increased or decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Particulars	Profit or loss	
	100 bps increase	100 bps decrease
As at 31 March 2020		
Variable rate instruments	(1,214.60)	1,214.60
As at 31 March 2019		
Variable rate instruments	(2,138.69)	2,138.69

The model assumes that interest rate changes are instantaneous parallel shifts in the yield curve. Although some assets and liabilities may have similar maturities or periods to re-pricing, these may not react correspondingly to changes in market interest rates. Also, the interest rates on some types of assets and liabilities may fluctuate with changes in market interest rates, while interest rates on other types of assets may change with a lag.

The risk estimates provided assume a parallel shift of 100 bps interest rate across all yield curves. This calculation also assumes that the change occurs at the balance sheet date and has been calculated based on risk exposures outstanding as at that date. The period-end balances are not necessarily representative of the average debt outstanding during the period. This analysis assumes that all other variables remain constant.

Notes
to the consolidated financial statements (Continued)
(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 51: Financial risk management (Contd.)

vi) Legal and operational risk

Legal risk

Legal risk is the risk relating to losses due to legal or regulatory action that invalidates or otherwise precludes performance by the end user or its counterparty under the terms of the contract or related netting agreements.

The Company has developed preventive controls and formalised procedures to identify legal risks so that potential losses arising from non-adherence to laws and regulations, negative publicity, etc. are significantly reduced.

As at 31 March 2020, there were legal cases pending against the Company aggregating ₹203.65 lacs (31 March 2019: ₹198.62 lacs). Based on the opinion of the Company's legal advisors, the management believes that no substantial liability is likely to arise from these cases.

Operational risk

Operational risk framework is designed to cover all functions and verticals towards identifying the key risks in the underlying processes.

The framework, at its core, has the following elements :

1. Documented Operational Risk Management Policy.
2. Well defined Governance Structure.
3. Use of Identification and Monitoring tools such as Loss Data Capture, Risk and Control Self Assessment, Key Risk Indicators.
4. Standardized reporting templates, reporting structure and frequency.
5. Regular workshops and training for enhancing awareness and risk culture.

The Company has adopted the internationally accepted 3-lines of defense approach to operational risk management.

First line - Each function/vertical undergoes transaction testing to evaluate internal compliance and thereby lay down processes for further improvement. Thus, the approach is "bottom-up", ensuring acceptance of findings and faster adoption of corrective actions, if any, to ensure mitigation of perceived risks.

Second line – Independent risk management vertical supports the first line in developing risk mitigation strategies and provides oversight through regular monitoring. All key risks are presented to the Risk Management Committee on a quarterly basis.

Third line – Internal Audit conducts periodic risk-based audits of all functions and process to provide an independent assurance to the Audit Committee.

Note 52: Change in liabilities arising from financing activities

Particulars	As at 1 April 2019	Loan Taken	Loan Paid	Non Cash Changes*	As at 31 March 2020
Debt securities	49,250.44	55,141.45	(33,197.36)	(786.80)	70,407.73
Borrowings (other than debt securities)	1,162,730.49	447,107.66	(566,873.37)	(259.20)	1,042,705.58
Subordinated liabilities	101,330.04	-	(16,000.00)	293.62	85,623.66
Total Liabilities from financing activities	**1,313,310.97**	**502,249.11**	**(616,070.73)**	**(752.38)**	**1,198,736.97**

Particulars	As at 1 April 2018	Loan Taken	Loan Paid	Non Cash Changes*	As at 31 March 2019
Debt securities	34,688.13	23,500.00	(9,000.00)	62.31	49,250.44
Borrowings (other than debt securities)	1,075,753.25	393,610.38	(304,465.45)	(2,167.69)	1,162,730.49
Subordinated liabilities	102,223.97	20,000.00	(21,030.00)	136.07	101,330.04
Total Liabilities from financing activities	**1,212,665.35**	**437,110.38**	**(334,495.45)**	**(1,969.31)**	**1,313,310.97**

* Represents adjustments on account of EIR and other adjustments.

Notes

to the consolidated financial statements (Continued)

(All amounts are in ₹ lacs except share data and unless otherwise stated)

Note 53: Revenue from contracts with customers

		As at 31 March 2020	As at 31 March 2019
(a)	**Below table provides disaggregation of the Company's revenue from contracts with customers:**		
	Type of service		
	Fees and commission income	8,650.27	9,274.06
	Other income	3,874.01	3,106.41
	Total	**12,524.28**	**12,380.47**
	Geographical markets		
	India	12,524.28	12,380.47
	Outside India (Country wise, if significant)	-	-
	Total	**12,524.28**	**12,380.47**
	Timing of recognition of revenue		
	Performance obligation satisfied at a point in time	12,524.28	12,380.47
	Performance obligation satisfied over period of time	-	-
	Total	**12,524.28**	**12,380.47**
(b)	**Trade receivables**	851.39	1,082.04
		851.39	**1,082.04**

No revenue from transactions with a single customer amounted to 10% or more of the Company's total revenue for the year ended 31 March 2020 and 31 March 2019.

Note 54: Operating segments

The Executive Committee (Excom) of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, "Operating Segments." The Company's operating segments are established in the manner consistent with the components of the Company that are evaluated regularly by the CODM. The Company is engaged primarily in the business of financing and there are no separate reportable segments as per Ind AS 108.

Note 55:

Previous year's figures including those in brackets have been re-grouped / rearranged wherever necessary.

As per our report of even date attached

For and on behalf of the Board of Directors
Magma Fincorp Limited

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

Kailash Baheti
Chief Financial Officer

Narayan K Seshadri
Chairman
(DIN : 00053563)

Manoj Kumar Vijai
Partner
Membership No.: 046882

Shabnum Zaman
Company Secretary

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Place : Mumbai
Date : 18 June 2020

Place : Kolkata
Date : 18 June 2020

Place : Mumbai
Date : 18 June 2020

Business and Industry Related Terms

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

NOTES

MAGMA
Investing in the smallest dream

MAGMA FINCORP LIMITED
www.magma.co.in

A TRISYS PRODUCT | info@trisyscom.com