



MAGMA HOUSING FINANCE

ANNUAL REPORT 2017-18

MAGMA HOUSING FINANCE LIMITED

Let the dream
of your own home
come true

MAGMA HOUSING FINANCE LIMITED

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

Registered Office:

8 Sant Nagar, East of Kailash, New Delhi - 110065

Phone : +91 11 45728100

Web: <https://www.magmahfc.co.in>

CIN: U65922DL2004PLC125931



CORPORATE INFORMATION

CIN: U65922DL2004PLC125931

BOARD OF DIRECTORS

Mr. Sanjay Chamria

Chairman, Non Executive Director

Mr. Mayank Poddar

Non-Executive Director

Mr. Kailash Baheti

Non-Executive Director

Mr. Sachin Khandelwal (upto 12.06.2017)

Managing Director & Chief Executive Officer

Mr. Manish Jaiswal (w.e.f. 26.06.2017)

Managing Director & Chief Executive Officer

Ms. Mamta Binani

Non-Executive Independent Director

Mr. Ajay Bharat Candade (upto 19.04.2018)

Non-Executive Independent Director

CHIEF FINANCIAL OFFICER

Mr. Gauri Shankar Agarwal

COMPANY SECRETARY

Ms. Priti Saraogi

REGISTERED OFFICE

8 Sant Nagar, East of Kailash New Delhi 110 065

CORPORATE OFFICE

Magma House, 24 Park Street Kolkata 700 016

BANKERS

- Axis Bank Ltd.
- Andhra Bank
- Bank of Baroda
- Bank of India
- Corporation Bank
- ICICI Bank Ltd.
- State Bank of India
- Syndicate Bank
- Vijaya Bank

STATUTORY AUDITORS

WALKER CHANDIOK & CO. LLP

Chartered Accountants

Firm Registration No.: 001076N/N500013

10C Hungerford Street, 5th Floor

Kolkata 700 017

SECRETARIAL AUDITOR

MR & ASSOCIATES

Company Secretaries

46 B. B. Ganguly Street, Kolkata 700 012

REGISTRAR AND SHARE TRANSFER AGENT

NICHE TECHNOLOGIES PRIVATE LIMITED

D-511 Bagree Market, 5th Floor

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

MAS SERVICES LIMITED

T-34, IIInd Floor,

Okhla Industrial Area, Phase II

New Delhi 110 020

Board's Report & Management and Discussion Analysis Report

Dear Shareholders,

Your Directors have pleasure in presenting the 14th (Fourteenth) Annual Report on the Audited Financial Statements of the Company for the year ended 31 March, 2018. The summarized financial results are given below:-

FINANCIAL HIGHLIGHTS

The financial performance of your Company:

(Rs.in Lakh)

Particulars	2017-18	2016-17
Total Income	22165.24	25104.18
Finance Cost	10890.49	14275.64
Operating Expenses	7690.89	5611.08
Depreciation	23.85	19.58
Total Expenses	18605.22	19906.30
Profit/(Loss) before Tax	3560.02	5197.88
Provision for Taxation	1690.61	1797.14
Deferred Tax	(450.58)	26.80
Profit/(Loss) after Tax	2319.99	3373.94
Balance Brought Forward from previous year	9451.57	6757.63
Balance Available for Appropriation	11771.56	10131.57
Transfer to Statutory Reserve	470.00	680.00
Balance carried to Balance Sheet	11301.56	9451.57

INDUSTRY STRUCTURE AND DEVELOPMENTS

Economic overview

Macroeconomic developments this year have been marked by swings. In the first half, India's economy temporarily "decoupled," decelerating as the rest of the world accelerated – even as it remained the second-best performer amongst major countries, with strong macroeconomic fundamentals. The reason lay in the series of actions and developments that buffeted the economy: demonetization, teething difficulties in the new GST, high and rising real interest rates and sharp fall in certain food prices that impacted agricultural incomes. In the second half of the year, the economy witnessed robust signs of revival. Economic growth improved as the shocks began to fade, corrective actions were taken by the Govt., and the synchronous global economic recovery boosted exports. Reflecting the cumulative actions to improve the business climate, India jumped 30 spots on the World Bank's Ease of Doing Business rankings, while similar actions to liberalize the foreign direct investment (FDI) regime helped increase foreign funds flows by 20%. And the cumulative policy record combined with brightening medium-term growth prospects received validation in the form of a sovereign ratings upgrade, the first in 14 years. These solid improvements were tinged with anxieties relating to macro-economic stability. Fiscal deficits, the current account, and inflation were all higher than expected, albeit not threateningly so, reflecting in part higher international oil prices—India's historic macroeconomic vulnerability. These dualities of revival and risk have been reflected in the markets, and in market analysis. For example, bond yields rose sharply, leading to an exceptionally marked steepening of the yield curve—even as stock prices continued to surge. Evidently, markets expect rapid growth, which would warrant the run-up in stock prices, but are also pricing in some macro-balance concerns. Similarly, even the ratings upgrade carried warnings of potential macro-economic challenges.

In 9M FY18, GDP grew by 6.4% as against 7.5% growth in 9M FY'17. Major improvements in Q3 were on account of agriculture, construction, manufacturing sectors. Subdued growth attributed to GST disruptions & continued impact of demonetization. RBI in its Feb'18 Monetary policy, retained GDP growth estimates at 6.7% for FY 18.

Industry overview

The housing finance industry has grown at a buoyant pace in the last few years. The main factors influencing this phase include growing demand from the populace for economic and social development, consistent focus of the government to promote housing and benign regulatory environment encouraging growth in this segment.

Housing sector is currently on a high growth path propelled by government's focus on 'Housing for All by 2022' and its push for affordable housing. Government's own estimate for housing shortage in urban areas is nearly 10 million units. However, growth has moderated in FY17 due to advent of Demonitisation, GST and Real Estate (Regulation and Development) Act, 2016 (RERA). The Housing loan Portfolio rose from Rs.8.7 Lakh Crore in FY14 to Rs. 14.4 Lakh Crore in FY17. Though banks continue to dominate the housing loan segment with nearly 60% of the market share, the share of HFCs has increased from 36% to 40% between FY12 to FY17.

OVERVIEW OF COMPANY'S PERFORMANCE

During the year under review, the Company has recorded an operating Profit before Tax of Rs.3,560.02 lakh and Profit after Tax of Rs. 2,319.99 lakh respectively as against Rs. 5,197.88 lakh and Rs. 3,373.94 lakh in previous financial year, reflecting a decline in operating profit by 31.51% and a decline in Profit after Tax by 31.23% as compared with the previous year.

During the year under review, the Company has disbursed Home Loan amounting to Rs. 20,054.08 lakh, Loan against Properties amounting to Rs. 35,267.27 lakh and Construction Finance Loan amounting to Rs. 777.52 lakh.

OPPORTUNITIES, CHALLENGES AND OUTLOOK

Opportunities

- The focus of Union government Budget 2018-19 on affordable housing and government's commitment of meeting the Housing-for-All-by-2022 target.
- In Union Budget 2018-19, the Government proposed to setup an affordable housing fund under the National Housing Bank (NHB)
- As per union government estimation, 7 million Houses are expected to be built in urban areas in 2018-19 and 5.1 million in rural areas which provide huge opportunity for a growth to HFCs
- Real estate and its allied sectors are the second largest employers in India, next only to agriculture. Most estimates believe that real estate in India will touch the \$180-200 billion mark by 2020 and is expected to grow by 30% over the next decade. The importance of the housing sector can be gauged from the fact that it alone contributes about 5% of the GDP.
- This provides huge opportunity to capitalise on Magma's brand and branch reach to grow affordable housing business in tier 2 and tier 3 locations.
- Cross selling mortgage loan products to Magma Fincorp's huge captive customer base.
- Extensive use of technology through 100% adoption of Tablets for both Sales and Collections to empower business team for quick decision making.

Challenges

- Historically, the delinquencies have been stable for Large HFCs; with the ratio of Gross NPAs at around 0.6% -0.7% for the past four years. However, the NPAs have shown an increasing trend for Mid and Small HFCs and stood in the range of 1.2% to 1.4% as on Mar'17. The delinquencies have been higher in the self-employed category and Non-home Loan category for the HFCs. In terms of delinquencies across geographies, Tamil Nadu and Delhi have higher delinquencies as compared to the industry average. In terms of ticket size, loan amount of less than Rs.10 lakh have shown higher delinquencies.

- New entrants in the segment have increased competition and are also causing stress on loan pricing and LTV. As on December 2017, there were 92 HFCs registered with National Housing Bank (up from 64 in June 2015 and 75 in June 2016). This increased competition also increases the risk of pre-termination resulting into Asset Liability mismatch. At MHF, we have taken extensive efforts to address this challenge and the impact is visible in our “pre-termination” performance.
- Collateral liquidation challenges - delay in getting nod from various authorities for legal recourses execution; this increases the risk and collection cost.
- Macro Environment Event Risk – after-effects of events like Demonetization and GST are still felt in self-employed segment. The stress is visible in increasing trend in GNPA's across all HFCs – especially in LAP and affordable Housing segment. At MHF, we have taken extensive efforts to address this challenges and the impact is visible through our “ED/ID” performance trend.
- Team attrition – primarily due to new entrants in this segment.

Outlook

- Driven by the demand and government incentives, the majority of residential project launches in 2017 were in the affordable and mid-range price segments, with the affordable segment alone accounting for around 45% of the overall residential supply. This increased focus will help segment development.
- PMAY – Interest subsidy for large MIG segment will further boost home loans demand.
- Launch of RERA to support/protect real estate customers and to bring-in transparency and uniform regulation in Real Estate industry shall stimulate the demand over next few quarters.

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

No material changes and commitments have occurred after the close of the year till the date of this Report, which can affect the financial position of the Company.

CHANGES IN THE NATURE OF BUSINESS

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

LOAN BOOK

As at 31 March 2018, the loan book stood at Rs. 1,44,648.65 lakh as against Rs. 1,52,041.17 lakh in the previous year.

DISBURSEMENTS

The Company has done business of around Rs. 56,099 lakh during the year as against Rs. 47,539 lakh in the previous year. Your Company continued to focus mainly on the retail segment which contributed Rs. 55,321 lakh to 5,312 customers, as against Rs. 38,854 lakhs to 3,857 customers last year. The average ticket size remained low consciously to focus on smaller ticket loans in non metros and rural markets at around Rs. 13 lakh in FY 18.

HOLDING COMPANY

The Central Government through the Regional Director, Eastern Region, Ministry of Corporate Affairs (the “Regional Director”), has vide its confirmation order dated 15 January 2018 (the “Effective Date”), approved the Scheme of merger of Magma Fincorp Limited (MFL) and Magma Advisory Services Limited (MASL). Consequently, with effect from 1 April, 2017, being the Appointed Date of the Scheme, the entire business and undertaking(s) of MASL including all the debts, liabilities, duties and obligations and all assets have been transferred to MFL. MASL stands dissolved without winding-up on the effective date. Your Company, which was at the time a step down subsidiary, held through MASL, has become a direct subsidiary of MFL.

DETAILS OF SUBSIDIARY/ASSOCIATES/JOINT-VENTURE COMPANY

Your Company has no Subsidiary/Associates/Joint-Venture Company as at 31 March, 2018.

SHARE CAPITAL

During the year under review, there was no change in the Share Capital of the Company.

DIVIDEND

In view of the planned business growth, your Directors deem it proper to preserve the resources of the Company for its activities and therefore, do not propose any dividend for the financial year ended 31 March, 2018. The Directors also inform that the Company has not declared any interim dividend during the year.

TRANSFER TO RESERVES

The Board, at its Meeting held on 30 April 2018, has transferred Rs. 470.00 lakh to Statutory Reserve. An amount of Rs. 1,849.99 lakh is proposed to be retained in the Statement of Profit and Loss for the financial year 2017-18.

EMPLOYEE STOCK OPTION SCHEME

Your Company had formulated and implemented Magma Housing Finance Limited - Employees Stock Option Plan 2018 (MHFL ESOP 2018) in accordance with the provisions of Companies Act, 2013 (the Act). The Nomination and Remuneration Committee of the Board of Directors of the Company, inter alia, administers and monitors the MHFL ESOP 2018 in accordance with the applicable provisions of the Act. The details of Options granted as on 31 March 2018 along with other particulars as required under Section 62 of the Act read with Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 are set out in the Annexure A to the Board's Report.

PUBLIC DEPOSIT

In accordance with the National Housing Bank Act 1987, the Company is a non-deposit taking Housing Finance Company and had declared that it shall not accept deposit as per the terms and conditions of the registration provided by the National Housing Bank.

RESOURCE MOBILISATION

Your Company takes every effort to tap the appropriate source of funding to minimize the weighted average cost of funds. Your Company has mobilized resources through the following sources:

A. Term Loans

Your Company has borrowed fresh long term loans of Rs. 7,500 lakh from banks during the financial year 2017-18 as compared to Rs. 20,000 lakh during the previous year. The aggregate of term loans outstanding at the end of the financial year 2017-18 stood at Rs. 61,125 lakh as against Rs. 82,344 lakh as at the end of the previous year.

B. Commercial Paper

During the year 2017-18, your Company has raised resources by issuing Commercial Paper and the outstanding amount as on 31 March, 2018 is Rs. 4,914 lakh.

C. Non-Convertible Debentures

Your Company has outstanding balance of Rs. 10,500 lakh through issue of Secured Redeemable Non Convertible Debentures on Private Placement basis as on 31 March 2018. The Non-Convertible Debentures of your Company continue to remain listed on BSE Ltd. and the Company has paid the Listing fees to BSE Ltd. for the financial year 2017-18.

D. Working Capital

During the year, your Company availed working capital facilities from various banks under consortium arrangement in the form of (Cash Credit and WCDL) and the outstanding as on 31 March 2018 is Rs.33,715 lakh.

DETAILS OF UNCLAIMED NON CONVERTIBLE DEBENTURES

There has been no Non-Convertible Debenture which has not been claimed by the Investors or not paid by the Company after the date on which such debentures became due for redemption.

DETAILS OF DEBENTURE TRUSTEE

Name:	Catalyst Trusteeship Limited (Formerly GDA Trusteeship Limited)
Phone No.:	+91 22 4922 0506
Corporate Office:	Office No. 83 – 87, 8th floor, 'Mittal Tower', 'B' Wing, Nariman Point, Mumbai - 400 021
Registered Office:	GDA House, Plot No.85 Bhusari Colony (Right), Puad Road, Pune - 411038
E-mail:	deesha.trivedi@ctltrustee.com
Website:	www.catalysttrustee.com
Contact person:	Ms. Deesha Trivedi – Associate Vice President

CREDIT RATING

During the FY 2017-18, CRISIL, CARE & ICRA reaffirmed its rating for the various borrowing programmes of the Company as follows:

- For Commercial Paper/short term loan programmes of Rs. 40,000 lakh as [CRISIL A1+]" (Pronounced as CRISIL A One plus).
- For Fund Based Long Term Loan Programme of Rs. 1,12,500 lakh as [CARE AA-]" (Pronounced as CARE AA minus).
- For Fund Based Long Term Loan Programme of Rs. 43,214 lakh as [ICRA AA-]" (Pronounced as ICRA AA minus).
- For Non-Convertible Debentures Borrowing Programme of Rs. 24,500 lakh as [CARE AA-]" (Pronounced as CARE AA minus).
- For Non-Convertible Debentures Borrowing Programme of Rs. 5,000 lakh as [ICRA AA-]" (Pronounced as ICRA AA minus).

Further, ICRA Limited has also upgraded its rating outlook on Non-Convertible Debentures and Bank Facilities to Stable from Negative.

BRANCH EXPANSION

During the year under review, your Company operated from 94 offices, comprising of 92 full service branches & 2 customer service representative offices, however Company is sourcing Loan Business from 203 locations out of these 94 offices. Your Company has planned to further strengthen its frontline sales team, with more local branch events and other brand building measures with developers which will generate further awareness amongst the stakeholders.

CAPITAL ADEQUACY

As required under Housing Finance Companies (NHB) Directions, 2010 your Company is presently required to maintain a minimum capital adequacy of 12% on a stand-alone basis. Your Company's capital adequacy ratio stood at 28.8% as at 31 March 2018, which provides an adequate cushion to withstand business risks and is above the minimum requirement of 12% stipulated by the National Housing Bank ("NHB"). In addition, Section 29C of the National Housing Bank Act, 1987, requires a Company to transfer minimum 20% of its net profit to a reserve fund. In accordance with the said provision, your Company has transferred 20.26% of its net profit to the reserve fund in the year under review.

CENTRAL REGISTRY OF SECURITISATION ASSET RECONSTRUCTION AND SECURITY INTEREST OF INDIA (CERSAI)

The Government of India has set up the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) under Section 21 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest

Act, 2002 (SARFAESI) to have a central database of all mortgages created by lending institutions. The object of this registry is to compile and maintain data relating to all transactions secured by mortgages. All Banks & HFCs which fall under the purview of SARFAESI Act are required to register with CERSAI and submit the data in respect of all properties mortgaged in its favour. Accordingly, your Company is registered with CERSAI and has been submitting regular monthly data in respect of its loans.

SECURITISATION AND RECONSTRUCTION OF FINANCIAL ASSETS AND ENFORCEMENT OF SECURITY INTEREST ACT 2002 (SARFAESI Act)

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) has proved to be very useful recovery tool and the Company has been able to successfully initiate recovery action under the SARFAESI Act in case of defaulting borrowers. During the year, your Company initiated action against 608 defaulting borrowers under the SARFAESI Act and recovered Rs. 4298.06 lakhs from borrowers of Non-Performing accounts.

NON-PERFORMING ASSETS AND PROVISIONS FOR CONTINGENCY

Your Company adhered to the Policy on Provisioning for NPAs and Write-off adopted by the Company as per the prudential guidelines for Non Performing Assets (NPA), issued by the National Housing Bank (NHB) under its Directions of 2010, as amended from time to time. As per the prudential norms and policy, the income on such NPAs has not been recognised.

As per the prudential norms and policy prescribed by the NHB, the Company has made provision for contingencies on standard loan as well as non-performing housing loans and property loans. The Company has also made additional provision to meet unforeseen contingencies.

As per the prudential norms prescribed by NHB for Standard Loan Assets, HFCs are required to carry a provision of 0.75% on Developer Loans for residential projects, 1% on Developer Loans for commercial projects, 0.25% on Home Loans to individual post 1 August, 2017 and 0.40% on all other loans.

Accordingly, your Company carries a provision of Rs. 550 lakh towards Standard Loan Assets comprising Individual Home Loans and Developer Loans.

The amount of Gross Non-Performing Assets (GNPA) as on 31 March, 2018 is Rs. 7,552.22 lakh, which is equivalent to 5.22% of the loan portfolio of the Company. The total cumulative provision towards GNPA as on 31 March, 2018 is Rs. 2,888.26 lakh. During the year, the Company has written off Rs. 459.72 lakh of loans.

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

Since the Company is not engaged in any manufacturing activity, the particulars relating to Conservation of energy and technology absorption as stipulated in the Companies Act, 2013 are not applicable.

During the period under review, there have been no foreign exchange Inflows and Outflows.

NATIONAL HOUSING BANK (NHB) GUIDELINES

The Company has complied with the provisions of Housing Finance Companies (NHB) Directions, 2010 as prescribed by NHB and has been complying with the various Circulars, Notifications and Guidelines issued by NHB from time to time.

KYC & AML STANDARDS

During the year, the Board reviewed and noted the amendments to the Company's KYC and Prevention of Money Laundering Policy as stipulated by NHB. Your Company has adhered to the compliance requirements in terms of the said policy for monitoring and reporting cash/suspicious transactions. In further compliance to KYC & AML guidelines, your Company has registered itself with Central KYC regulating body and is in the process of initiating upload of the KYC documents to the CKYC website.

The Fair Practices Code framed by NHB seeks to promote good and fair practices by setting minimum standards in dealing with customers, increase transparency so that customers have a better understanding of what services they can reasonably

expect, encourage market forces through competition to achieve higher operating standards, promote fair and cordial relationships with its customers and foster confidence in the housing finance system. During the year, your Company has adhered to the Fair Practices Code as adopted by the Board of Directors of the Company.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the year under review, Mr. Sachin Khandelwal (DIN 00055621), Managing Director and Chief Executive Officer of the Company, stepped down from his position w.e.f. 12 June, 2017. The Board places on record its appreciation for the services rendered by Mr. Khandelwal during his tenure with the Company.

Based on the recommendation of Nomination & Remuneration Committee of the Company, Mr. Manish Jaiswal (DIN 07859441) was appointed as Managing Director and Chief Executive Officer of the Company for a period of 5 years w.e.f. 26 June, 2017 as per the terms specified in the agreement approved by the shareholders at the Annual General Meeting (AGM) held on 3 July 2017. Mr. Jaiswal is not liable to retire by rotation.

Mr. Ajay Candade (DIN 07090569), Non-Executive Independent Director of the Company relinquished his office as the Director of the Company w.e.f. 19 April 2018, due to his preoccupation with other business activities.

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Sanjay Chamria (DIN 00009894), retires at the ensuing AGM, and being eligible offers himself for re-appointment. The Board of Directors of your Company recommends the re-appointment of the said Director at the ensuing AGM.

All the Directors have confirmed that they are not disqualified from being appointed as Directors in terms of Section 164(2) of the Companies Act, 2013.

There was no other change in the Key Managerial Personnel during the year.

STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTORS UNDER SUB-SECTION (6) OF SECTION 149

All the Independent Directors have given declaration to the Company stating that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 for the Financial Year 2018-19.

BOARD MEETINGS

During the financial year 2017-18, the Company has held six (6) Board Meetings, i.e. on 3 May 2017, 27 June 2017, 25 July 2017, 31 October 2017, 22 January 2018 and 31 March, 2018. All Board meetings were convened by giving appropriate notice to address the Company's specific needs and were governed by a structured agenda. All the agenda items were backed by comprehensive information and documents to enable the Board to take informed decisions.

Further, during the FY 2017-18, the Board had also decided some of the matters by way of resolutions passed by circulation considering the business exigencies or urgency of matters.

The Board evaluates all the strategic decisions on a collective consensus basis amongst the Directors. The number of Board meetings attended by the Directors of the Company is provided below:

Sl. No.	Name of the Directors	Number of meetings attended during the year 2017-18
1	Mr. Sanjay Chamria	5/6
2	Mr. Mayank Poddar	5/6
3	Mr. Kailash Baheti	6/6
4	Mr. Sachin Khandelwal ¹	1/1
5	Ms. Mamta Binani	6/6
6	Mr. Ajay Bharat Candade	3/6
7	Mr. Manish Jaiswal ²	4/4

¹Ceased to be a member w.e.f. 12.06.2017

²Inducted as a member w.e.f. 26.06.2017

SEPARATE MEETING OF INDEPENDENT DIRECTORS

During the year under review, a separate meeting of the Independent Directors (IDs) was held on 21 March 2018, in terms of Schedule IV of the Companies Act, 2013, without the presence of Non-Independent Directors and members of the management. At this meeting, the IDs inter alia had:

- reviewed the performance of Non Independent Directors and the Board of Directors as a whole ;
- reviewed the performance of the Chairman of the Company, taking into account the views of the Executive and Non-Executive Directors;
- assessed the quality, quantity and timelines of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

All the Independent Directors were present at the Meeting.

STATEMENT INDICATING THE MANNER IN WHICH FORMAL ANNUAL EVALUATION HAS BEEN MADE BY THE BOARD OF ITS OWN PERFORMANCE AND THAT OF ITS COMMITTEES AND INDIVIDUAL DIRECTORS

Pursuant to the provisions of the Companies Act 2013, the Nomination and Remuneration Committee has laid down the criteria for performance evaluation on the basis of which the Board of Directors (“Board”) has carried out an annual evaluation of its own performance, and that of Board Committees and individual Directors.

The performance of the Board and individual Directors was evaluated by the Board seeking inputs from all the Directors. The performance of the Committees was evaluated by the Board seeking inputs from the Committee Members. The Nomination and Remuneration Committee (“NRC”) reviewed the performance of the individual Directors. A separate meeting of Independent Directors was also held on 21 March 2018 to review the performance of Non-Independent Directors; performance of the Board as a whole and performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non-Executive Directors. The performance of the Board, its Committees and individual Directors taking into consideration of the evaluation done by the NRC and the Independent Directors was then discussed at the Board Meeting held on 31 March, 2018.

The criteria for performance evaluation of the Board included aspects like Board composition and structure; effectiveness of Board processes, information and functioning etc. The criteria for performance evaluation of Committees of the Board included aspects like composition of Committees, effectiveness of Committee meetings etc. The criteria for performance evaluation of the individual Directors included aspects on contribution to the Board and Committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings etc. In addition the Chairperson was also evaluated on the key aspects of his role. The result of review and evaluation of performance of Board, it’s Committees and of individual Directors was found to be satisfactory. The Board expressed its satisfaction with the evaluation process.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

The Executive Director (Managing Director & Chief Executive Officer) is appointed based on terms approved by the Shareholders. The remuneration paid to Managing Director & Chief Executive Officer (MD & CEO) is considered by the Nomination and Remuneration Committee (NRC) taking into account various parameters included in the Remuneration Policy document. The disclosures pertaining to Schedule V Part II Section II (IV) of Companies Act, 2013 are set out in the table below:

Sl. No.	Particulars	Disclosures	
		Category	Amount (in Rs.)
1	All elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc., of all the directors	Basic Salary	3,900,000 p.a.
		Perquisites / Benefits:	
		House Rent Allowance	1,950,000 p.a.
		Special Allowance	3,192,300 p.a.
		Medical Allowance	9,000 p.a.
		Leave Travel Concession	43,200 p.a.
		Provident Fund	Contribution to Provident Fund not exceeding 12% of basic 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
		Leave Encashment	Encashment of unavailed leave as per the rules of the Company
		Annual Performance Bonus	3,000,000 p.a.
	Minimum Remuneration	In the absence of or inadequacy of profits in any financial year of the Company during the tenure MD & CEO shall be entitled to remuneration by way of salary along with perquisites, benefits and other allowances as mentioned above not exceeding such sum as may be prescribed under Schedule V of the Companies Act, 2013 from time to time	
2	Details of fixed component and performance linked incentives along with the performance criteria	Same as above	
3	Service contracts, notice period, severance fees	Appointed for a term of 5 years w.e.f. 26 June 2017 to 25 June 2022 3 months' notice period.	
4	Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable	Mr. Jaiswal shall be entitled to Restricted Stock Options as and when the Scheme in this regard is floated by the Company in accordance with the Act and subject to requisite approvals	

The Non-executive Independent Directors were paid sitting fees of Rs. 40,000/- per meeting of the Board and Rs. 30,000/- per meeting of Audit Committee and Nomination and Remuneration Committee for the year 2017-18. No sitting fees are paid to Non-executive Non Independent Directors.

In terms of the provisions of 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, as amended from time to time 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 Annexure B to the Board's Report.

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, as amended from time to time are set out in the Annexure B to the Board's Report.

AUDIT COMMITTEE

The Audit Committee is constituted in accordance with the provisions of Section 177 of the Companies Act, 2013 and as per the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016.

Terms of reference

The terms of reference of the Audit Committee prepared pursuant to the provisions of Section 177(4) of the Companies Act, 2013 and Directions issued by National Housing Bank was duly approved by the Board of Directors. These include:

- i. Discuss with the Auditors periodically about the adequacy of Internal Control System, the scope of Audit including the observations of the Auditors and review and examination of the financial statements and the Auditors' report thereon before submission to the Board and also ensure compliance of Internal Control systems and may also discuss any related issues with the internal and statutory auditors and the management of the Company.
- ii. Investigate into any matter in relation to the items within the purview of the Terms of Reference of the Audit Committee of Board or referred to it by the Board or Auditor of the Company and for this purpose, shall have full access to information contained in the books, records, facilities, personnel of the Company and power to obtain professional advice from external sources and external professional consultants or from any employee.
- iii. Recommend on any matter relating to financial management
- iv. The going concern assumption
- v. Formulate the scope, functioning, periodicity and methodology for conducting the internal audit.
- vi. Discuss with internal auditors and the management of any significant findings, status of previous audit recommendations and follow up there on.
- vii. Recommend to the Board for appointment, remuneration and terms of appointment of auditors of the Company.
- viii. Ensuring compliance of Anti Money Laundering Policy.
- ix. Overseeing Compliance with accounting standards.
- x. Review and monitor the auditor's independence and performance, and effectiveness of audit process.
- xi. Approve and recommend to the Board the transactions with the related parties of the company including any subsequent modification thereof.
- xii. Scrutinise inter-corporate loans and investments.
- xiii. Examine the valuation of undertakings or assets of the company, wherever it is necessary.
- xiv. Evaluation of internal financial controls and risk management systems.
- xv. Monitor the end use of funds raised through public offers and making appropriate recommendations to the Board to take up steps in this matter.
- xvi. Approve rendering of services by the statutory auditor other than those expressly barred under section 144 of the Companies Act, 2013 and remuneration for the same.
- xvii. Oversee the functioning of the whistle blower/ vigil mechanism, if any.
- xviii. Appoint registered valuers.
- xix. Any other matter as delegated by the Board of Directors of the Company from time to time.
- xx. To ensure information system audit of the internal systems and processes at least once in two years to assess operational risk faced by the HFCs.

Composition and Attendance

During the financial year ended 31 March 2018, four (4) Audit Committee Meetings were held on 3 May 2017, 25 July 2017, 31 October 2017 and 22 January 2018. All the recommendations made by the Audit Committee during the year were accepted by the Board. Following table sets out the composition of the Audit Committee as at 31 March, 2018 and particulars of attendance of members of the Committee at various meetings:

SI No.	Name of the Members	Category	Number of meetings attended during the year 2017-18
1	Mr. Sanjay Chamria	Chairman, Non-executive	4/4
2	Ms. Mamta Binani	Independent, Non- Executive	4/4
3	Mr. Ajay Bharat Candade	Independent, Non- Executive	3/4

NOMINATION & REMUNERATION COMMITTEE

The Nomination & Remuneration Committee (NRC) is constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and as per the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016. The Board of Directors at their meeting held on 25 July, 2017 has adopted a Charter of NRC which has superseded all the existing terms of reference of the NRC. Some of the important clauses of the Charter of the NRC are as follows:

Review of matters by the Committee

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

Approval of matters by the Committee

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

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

1. Recommending the size and an optimum mix of promoter directors, executive, independent and non-independent directors keeping in mind the needs of the Company.

2. Identifying, evaluating and recommending to the Board:
 - a. Persons who are qualified for appointment as Independent and Non-Executive Directors/ Executive Directors/ Whole time Directors/ Managing Directors in accordance with the criteria laid down;
 - b. Appointment of Senior Management Personnel (all the Direct Reportees to the Managing Director) in accordance with the criteria laid down;
 - c. Removal of Directors and Senior Management Personnel.
3. Determining processes for evaluating the skill, knowledge, experience, effectiveness and performance of individual directors as well as the Board as a whole;
4. Recommending Budget for Board related expenses;
5. To devise a policy on remuneration including any compensation related payments of the directors, key managerial personnel and other employees and recommend the same to the Board of Directors of the Company;
6. Based on the Policy as aforesaid, determine remuneration packages for the following:
 - a. Recommend remuneration package of the Directors of the Company, including Commission, Sitting Fees and other expenses payable to Non-Executive Directors of the Company.
 - b. Recommend changes in compensation levels and one time compensation related payments in respect of Managing Director/Whole-time Director/Executive Director.
7. Recommend & Review succession plans for Managing Directors.
8. Evolve a policy for authorizing expenses of the Chairman and Managing Director of the Company;

Composition and Attendance

During the financial year ended 31 March 2018, three (3) NRC Meetings were held on 3 May 2017, 25 July 2017 and 31 March 2018. Following table sets out the composition of the NRC as at 31 March, 2018 and particulars of attendance of members of the Committee at various meetings:

Sl. No.	Name of the Members	Category	Number of meetings attended during the year 2017-18
1	Mr. Kailash Baheti	Chairman, Non-Executive	3/3
2	Ms. Mamta Binani	Independent, Non- Executive	3/3
3	Mr. Ajay Bharat Candade	Independent, Non- Executive	2/3

REMUNERATION POLICY

The Board has, on the recommendation of the Nomination & Remuneration Committee adopted the Remuneration Policy as prescribed under Section 178(3) of the Companies Act, 2013, which inter alia includes policy for selection and appointment of Directors, CEO & Managing Director, Key Managerial Personnel, Senior Management Personnel and their remuneration. Familiarisation Program forms part of the Remuneration Policy. This Policy inter-alia includes:

1. Criteria of selection of directors, senior management personnel and key managerial personnel:

- 1.1 Your Company has currently one Executive Director. Selection of Executive Director/s shall be in line with the selection criteria laid down for independent directors, insofar as those criteria are not inconsistent with the nature of appointment; Nomination and Remuneration Committee (NRC) is responsible for identification, shortlisting and recommending candidature of person for the position of Managing Director to the Board of Directors of the Company;

- 1.2 Independent Directors will be selected on the basis of identification of industry/ subject leaders with strong experience. The advisory area and therefore the role, may be defined for each independent director;
- 1.3 In your Company Senior Management Personnel shall comprises the function and business heads who are directly reporting to MD of the Company and/or VC&MD of Magma Fincorp Limited (Parent Company) as the case may be;
- 1.4 For any Senior Management Personnel recruitment, it is critical to identify the necessity for that role. In order to validate the requirement –
 - i. Job Description (JD) along with profile fitment characteristics from a personality, experience and qualification point of view shall be created;
 - ii. Selection shall happen through referrals from Board members, industry leaders or leading search firms;
 - iii. The recruitment process shall generally involve meetings with MD and/or VC&MD and/or identified members of the Nomination and Remuneration Committee (“NRC”), basis which the candidature will be finalised;
 - iv. On the lines of broad inputs provided by NRC, there shall be a compensation discussion and resulting fitment, based on overall positioning with respect to the market, internal parity and structure of the compensation offer (which includes fixed and variable pay components). Thereafter, the offer shall be rolled out;

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

- 2.1 For each Independent Director, the appointment shall be based on the need identified by the Board;
- 2.2 The role and duties of the Independent Director shall be clearly specified by highlighting the committees they are expected to serve on, as well as the expectations of the Board from them;
- 2.3 At the time of selection, Board shall review the candidature on skill, experience and knowledge to ensure an overall balance in the Board so as to enable the Board to discharge its functions and duties effectively;
- 2.4 Any appointment of the Independent Director shall be approved at the meeting of the shareholders, in accordance with extant laws;
- 2.5 Director’s Independence test shall be conducted as per the conditions specified in the Companies’ Act and the rules thereunder;
- 2.6 The remuneration of the Directors shall be established on the reasonability and sufficiency of level in order to attract, retain and motivate the Directors; and
- 2.7 MD and/or VC & MD as the case may be along with Company Secretary shall be involved in the familiarisation/ induction process for the independent director/s.

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

- 3.1 At present, the Independent Directors are not paid any sitting fees. However, the Independent Directors would be paid sitting fees subject to the limits prescribed under the Companies Act, 2013 read with applicable rules thereof, or any amendments thereto, as may be determined by NRC from time to time, for attending each meeting(s) of the Board and Committees thereof.
- 3.2 Directors shall be reimbursed any travel or other expenses, incurred by them, for attending the board and committee meetings;
- 3.3 The remuneration paid to 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 Companies Act, 2013 and the rules made thereunder;

3.4 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 performance of the Company.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Pursuant to Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility) Rules, 2014 made thereunder, your directors have constituted the Corporate Social Responsibility (CSR) Committee. As on 31 March 2018, the CSR Committee comprises of Mr. Mayank Poddar, Non-Executive Director who serves as the Chairman of the Committee, Mr. Ajay Bharat Candade, Non-Executive Independent Director and Mr. Manish Jaiswal, Managing Director & Chief Executive Officer. During the year, the CSR Plan for the Financial Year 2017-18 was recommended by the Committee by way of resolution passed by circulation.

The said Committee has been entrusted with the responsibility of formulating and recommending to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, monitoring the implementation of the framework of the CSR Policy and recommending the amount to be spent on CSR activities. The CSR Policy is available on the Company's website at www.magmahfc.co.in.

Disclosure of composition of the CSR Committee, contents of the CSR Policy and the Annual Report on our CSR activities is given in Annexure C to the Board's Report.

RISK MANAGEMENT

The Board of your Company with the intent to implement a consistent, efficient and economical approach to identify, evaluate and respond to key risks that may impact business objectives of your Company and to mitigate business risks in order to minimize the frequency and impact of risks, has adopted Risk Management Policy.

The specific objectives of the Risk Management Policy is to respond to the Management needs for enhanced risk information and improved governance, to provide the ability to prioritize, manage and monitor the increasingly complex risks in the business. It will ensure that the company has an explicit, comprehensive process to satisfy the regulators, and other stakeholders, and to ensure companywide implementation, to ensure systematic and uniform assessment of risks related with financing business. It would further enable all desired compliances with appropriate regulatory guidelines, wherever applicable, through the adoption of best practices and to assure business growth with financial stability.

The risk and risk mitigating factors are discussed and deliberated at the Risk Management Committee and subsequently the same is placed at the Board Meeting for review. Further the Board is of opinion that at present there are no material risks that may threaten the functioning of the Company. The Company has also done a benchmarking of the under writing and documentation processes with some other players and implemented all recommended changes to make its processes more robust and industry aligned.

Composition and Attendance

The Company had reconstituted the Risk Management Committee (RMC) as per the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 at its Board Meeting held on 3 May, 2017. During the financial year ended 31 March 2018, four (4) Risk Management Committee Meetings were held on 17 April 2017, 17 July 2017, 24 October 2017 and 17 January 2018. All the recommendations made by the Risk Management Committee during the year were accepted by the Board. Following table sets out the composition of the Risk Management Committee as at 31 March, 2018 and particulars of attendance of members of the Committee at various meetings:

SI No.	Name of the Members	Category	Number of meetings attended during the year 2017-18
1	Mr. Sanjay Chamria ¹	Chairman, Non-Executive	3/3
2	Mr. Sachin Khandelwal ²	Managing Director & Chief Executive Officer	1/1
3	Mr. Kailash Baheti ³	Non- Executive	3/3
4.	Mr. Manish Jasiwal ⁴	Managing Director & Chief Executive Officer	3/3
5.	Mr. Mahender Bagrodia ⁵	Chief Receivable Manager-Parent Company	1/1
6.	Mr. Sunil Gupta ⁶	Chief Compliance Officer	1/1
7.	Mr. Gauri Shankar Agarwal ⁷	Chief Financial Officer	1/1

¹Inducted as a member w.e.f. 03.05.2017

²Ceased to be a member w.e.f. 12.06.2017

³Inducted as a member w.e.f. 03.05.2017

⁴Inducted as a member w.e.f. 27.06.2017

⁵Ceased to be a member w.e.f. 03.05.2017

⁶Ceased to be a member w.e.f. 03.05.2017

⁷Ceased to be a member w.e.f. 03.05.2017

ASSET LIABILITY MANAGEMENT COMMITTEE

The Company had reconstituted the Asset Liability Management Committee (ALCO) as per the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 at its Board Meeting held on 3 May, 2017. Subsequently, the Company at the Board meeting held on 22 January, 2018 re-designated Mr. Manish Jaiswal as the Chairman of the Committee.

Composition and Attendance

During the financial year ended 31 March 2018, four (4) Asset Liability Management Committee Meetings were held on 3 June 2017, 18 September 2017, 29 December 2017 and 30 March 2018. Following table sets out the composition of the Asset Liability Management Committee as at 31 March, 2018 and particulars of attendance of members of the Committee at various meetings:

SI No.	Name of the Members	Category	Number of meetings attended during the year 2017-18
1	Mr. Manish Jasiwal ¹	Chairman, Managing Director & Chief Executive Officer	1/3
2	Mr. Sanjay Chamria ²	Non-Executive	4/4
3	Mr. Kailash Baheti	Non- Executive	3/4
4	Mr. Sachin Khandelwal ³	Managing Director & Chief Executive Officer	0/1
6	Mr. Gauri Shankar Agarwal ⁴	Chief Financial Officer	0/0

¹Inducted as a member w.e.f. 27.06.2017 and re-designated as Chairman w.e.f. 22.01.2018

²Step down as Chairman and re-designated as Member w.e.f. 22.01.2018

³Ceased to be a member w.e.f. 12.06.2017

⁴Ceased to be a member w.e.f. 03.05.2017

MANAGEMENT COMMITTEE

Terms of reference

The Management Committee is authorized by the Board to do all such acts, deeds and things and decide on all such matters as may be delegated to the Committee from time to time. Such authorizations inter-alia includes to decide on matters w.r.t direct assignment deal with various banks from time to time, acceptance of term loans, credit facilities of any type, 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.

Composition and Attendance

During the financial year ended 31 March 2018, eleven (11) Management Committee Meetings were held on 3 May 2017, 27 June 2017, 25 July 2017, 14 August 2017, 16 September 2017, 3 October 2017, 2 November 2017, 5 December 2017, 8 January 2018, 22 January 2018 and 19 March 2018. Following table sets out the composition of the Management Committee as at 31 March, 2018 and particulars of attendance of members of the Committee at various meetings:

SI No.	Name of the Members	Category	Number of meetings attended during the year 2017-18
1	Mr. Mayank Poddar	Chairman, Non- Executive	7/11
2	Mr. Kailash Baheti	Non- Executive	11/11
3	Mr. Sachin Khandelwal ¹	Managing Director & Chief Executive Officer	1/1
4	Mr. Manish Jasiwal ²	Managing Director & Chief Executive Officer	8/10

¹Ceased to be a member w.e.f. 12.06.2017

²Inducted as a member w.e.f. 27.06.2017

REVIEW COMMITTEE

Terms of reference

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

- Review the order passed by the Identification Committee (IC) w.r.t. classification of wilful defaulters;
- Seek necessary information from the IC;
- Give the borrower, opportunity of being heard, where it deems fit;
- Pass the final order, as to whether to classify a borrower as wilful defaulter 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 will report to the Board after each Committee meeting and circulate the minutes of the Committee.

Composition and Attendance

During the financial year ended 31 March 2018, one (1) Review Committee Meeting was held on 3 May 2017. Following table sets out the composition of the Review Committee as at 31 March, 2018 and particulars of attendance of members of the

Committee at various meetings:

SI No.	Name of the Members	Category	Number of meetings attended during the year 2017-18
1	Mr. Sanjay Chamira	Chairman, Non- Executive	1/1
2	Mr. Mayank Poddar	Non- Executive	0/1
3	Mr. Kailash Baheti	Non- Executive	1/1
4	Mr. Sachin Khandelwal ¹	Managing Director & Chief Executive Officer	1/1
5	Mr. Manish Jasiwal ²	Managing Director & Chief Executive Officer	0/0

¹Ceased to be a member w.e.f. 12.06.2017

²Inducted as a member w.e.f. 27.06.2017

VIGIL MECHANISM

In terms of Section 177 of the Act, the Company has adopted the "Breach of Integrity and Whistle Blower (Vigil Mechanism) Policy" as has been adopted by the Parent Company, Magma Fincorp Limited establishing vigil mechanism, to provide a formal mechanism to the Directors and employees to report their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy. The Policy provides for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee. Instances of such suspected or confirmed incident of fraud/misconduct may be reported on fraudcontrol@magma.co.in, the designated email id which is managed by the fraud control team. It is affirmed that no personnel of the Company has been denied access to the Audit Committee.

The said Policy may be referred to, at the website of the Company at its web link, i.e. <https://www.magmahfc.co.in/regulatory-disclosure/secreterial-disclosures.html>

CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All contracts/arrangements/ transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis and the same were also reviewed by the Audit Committee of the Board. During the year the Company had not entered into any contract/arrangement/ transaction with Promoters, Directors, Key Managerial Personnel or other designated persons which could be considered material in accordance with Rule 15 of Companies (Meeting and Powers of Board) Rules, 2014. The nature of related party transactions does not require any disclosure in AOC-2. The particulars of contracts/arrangements/ transactions entered into by the Company with related parties are mentioned separately in the notes to Financial Statement. Further, suitable disclosure as required by the Accounting Standards has been made in the Notes to the Financial Statements.

The Policy on Related Party Transactions is available on the Company's website at its weblink i.e. <https://www.magmahfc.co.in/regulatory-disclosure/secreterial-disclosures.html>

FRAUD REPORTING

Fraud reporting, if any, made in terms of National Housing Bank Guidelines and RBI Guidelines, as may be applicable, are reviewed by the Audit Committee of the Board. Further, there have been no frauds reported by auditors under section 143(12) of the Companies Act, 2013.

INTERNAL CONTROL SYSTEM

Internal Audit

Your Company has an adequate system of internal financial control which is commensurate with the size and nature of business. Detailed procedural manuals are in place to ensure that all the assets are safeguarded, protected against loss and all transactions are authorized, recorded and reported correctly. The internal control systems of the Company are evaluated by internal auditors in accordance with the annual audit plan, as approved by Audit Committee of the Board of Directors. Internal Audit reports are periodically reviewed by the Audit Committee. The Audit Committee regularly reviews the audit findings and actions taken thereon, as well as the adequacy and effectiveness of the internal systems and controls.

Internal Financial Control

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

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

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

Proper systems are in place for prevention and detection of frauds and errors and for ensuring adherence to the Company's policies.

TRANSFER OF AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND

Your Company did not have any funds lying unpaid or unclaimed for a period of seven years. Therefore there were no funds which were required to be transferred to Investor Education and Protection Fund.

PARTICULARS OF LOANS/GUARANTEE/ADVANCES/INVESTMENTS OUTSTANDING DURING THE FINANCIAL YEAR

Since the Company is a housing finance Company, the disclosure regarding particulars of loans given, guarantees given and security provided is exempt under the provisions of Section 186(11) of the Companies Act, 2013. The disclosures relating to particulars of loans/advances/investments outstanding during the financial year as per the Regulation 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are furnished in Note Nos. 13, 14, 17, 30, 32 and 34(r) to the financial statement. The Company has not taken any loans and/or advances from the Parent or Holding Company.

EXTRACT OF ANNUAL RETURN

Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of annual return in MGT-9 for the financial year ended 31 March 2018, is annexed as "Annexure D".

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 134(3)(c) read with 134(5) of the Companies Act 2013, and based on the information provided by the management your Directors state that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed by your Company along with proper explanation relating to material departures, if any;
- the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31 March, 2018 and of the profit of the Company for that period;
- the Director had taken proper and sufficient care 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, if any;
- the Directors had prepared the annual accounts on a going concern basis;
- the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- the directors had devised proper systems to ensure that compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

CORPORATE GOVERNANCE

Your Company has complied with the applicable provisions of the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions 2016 (NHB Directions), issued by National Housing Bank (NHB) vide its notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated 9 February, 2017.

SECRETARIAL STANDARDS

The Company has complied with all applicable Secretarial Standards.

STATUTORY AUDITORS

M/s. Walker Chandio & Co LLP, Chartered Accountants, Statutory Auditors of the Company having Firm's Registration No.: 001076N/N500013, had been appointed for a period of 5 years from the conclusion of the 13th Annual General Meeting (for FY 2016-17) until the conclusion of the 18th Annual General Meeting (for FY 2021-22) of the Company, subject to ratification of their appointment by the Members at every subsequent Annual General Meeting, if required.

Statutory Auditors Observations

The notes on financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors Report does not contain any qualification, reservation or adverse remark or disclaimer on the Company's operations in FY 2017-18.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed M/s. MR & Associates, (Membership No. of the Partner: 4515), a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company for the financial year 2017-18. The Report of the Secretarial Auditor for the financial year ended 31 March 2018 is annexed herewith as "Annexure E".

Secretarial Auditors' Observations

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark or disclaimer in FY 2017-18.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS/COURTS/TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND THE COMPANY'S OPERATIONS IN FUTURE

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.

DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & 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. During the year under review, no case of sexual harassment was reported.

HUMAN RESOURCE DEVELOPMENT

Your Company believes that the competence and commitment of the people are the principle drivers of competitive advantage that enable the enterprise to create and deliver value. In your Company, human resource development is considered vital for effective implementation of business plans. Constant endeavour is being made to offer professional growth opportunities and recognitions, apart from imparting training to employees. During the current year, in-house training programmes were provided to employees inter alia in lending operations, under-writing, channel management, recoveries, KYC, IT system & security and accounts. Employees were also nominated to training programmes conducted by NHB and other institutions.

Your Company's staff strength as at 31 March, 2018 was 490 employees.

APPRECIATION

Your Directors would like to record their appreciation of the hard work and commitment of the Company's personnel and warmly acknowledge the unstinting support and cooperation extended by Bankers and Financial Institutions, Customers, Business Associates and other Stakeholders including its Holding Companies in contributing to the results.

Your Directors also take the opportunity to thank National Housing Bank for their continued assistance and support.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 30.04.2018

Sanjay Chamria
Chairman
(DIN: 00009894)

Annexure A to Board's Report**Statement as at 31 March, 2018 pursuant to Section 62 read with Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014**

Sl. No.	Description	MHFL ESOP 2018
		Details (1st tranche)
1	Number of options granted	147,748
2	Number of options vested	NIL
3	Number of options exercised	NIL
4	The total number of shares arising as a result of exercise of option	NIL
5	Options lapsed	NIL
6	The exercise price	Rs.24.25
7	Variation of terms of options	NIL
8	Money realized by exercise of options	NIL
9	Total number of options in force	147,748
10	Employee wise details of options granted to:	
(i)	Key managerial personnel	NIL
(ii)	Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year	Details in Appendix-I
(iii)	Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	NIL

APPENDIX - I**List of other employees who received a grant in any one year of option amounting to 5% or more of the options granted during that year**

Sl. No.	Name	Options granted
1	Rajesh Matta	60,130
2	Amit Kumar Khan	30,065
3	Pankaj Shah	20,788
4	Ramachandran V K Ayalur	36,765
	TOTAL	147,748

For and on behalf of the Board

Sanjay Chamria
Chairman
DIN: 00009894

Place : Mumbai
Date : 30.04.2018

Annexure B to Board's Report**A. "Details pertaining to remuneration as required under Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment And Remuneration of Managerial Personnel) Rules, 2014 and Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016"**

- i. The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during FY 2017-18, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for FY 2017-18 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under:

Sl No.	Name of Director/KMP and Designation	Remuneration of Director/KMP for FY 2017-18 (Rs. in lakh)	% increase in Remuneration in FY 2017-18	Ratio of remuneration of each Director/ to median remuneration of employees	Comparison of the Remuneration of the KMP against the performance of the Company
1	Sachin Khandelwal ¹ Managing Director & Chief Executive Officer	224.68*	0%	28.49	The increments were linked to market and industry information, on performance of the individual employee as well as company performance which impacted the budget for the increments. In the year under review, average increment is 5.94% The Company PAT has decreased by 31.81%.
2	Manish Jaiswal ² Managing Director & Chief Executive Officer	95.23	0%	21.71	
3	Gauri Shankar Agarwal Chief Financial Officer	106.30	0%	21.65	
4	Priti Saraogi Company Secretary	9.18	8%	2.09	
5	Ajay Bharat Candade Non-Executive Independent Director	-	-	-	
6	Mamta Binani Non-Executive Independent Director	4.80	50%	1.09	
7	Sanjay Chamria Non-Executive Director	-	-	-	
8	Mayank Poddar Non-Executive Director	-	-	-	
9	Kailash Baheti Non-Executive Director	-	-	-	

* includes compensation of Rs. 200 lakhs but excludes leave encashment of Rs. 8.33 lakhs

¹Resigned as Managing Director & Chief Executive Officer w.e.f. 12 June, 2017

²Appointed as Managing Director & Chief Executive Officer w.e.f. 26 June, 2017

Note: 1. For directors the median has been worked based on actual payments and for non-directors the median has been provided based on CTC.

2. The Non-Executive Directors are not paid any sitting fees and Mr. Candade has waived off his sitting fees.
 - ii. The median remuneration of employees of the Company during the financial year was Rs.4.39 lakh.
 - iii. In the financial year, there was an increase of 5.93% in the median remuneration of employees.
 - iv. There were 490 employees on the rolls of Company as on 31 March 2018.
 - v. Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2017-18 was 5.94% whereas the increase in the managerial remuneration for the same financial year was 7.14%.
 - 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

Place : Mumbai
Date : 30.04.2018

Sanjay Chamria
Chairman
DIN:00009894

B. Information as per Section 197(12) of the Companies Act, 2013 read with Rules 5(2) and 5(3) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016 referred to in the Boards' Report for the year ended March 31, 2018 and forming part thereof

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

Name	Age (years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (in Rs. lakhs)	Particulars of last employment, last post, employer
Sachin Khandelwal [#]	51	BE – Mechanical / MMS (Marketing) – Sydenham Institute of Management	Managing Director & Chief Executive Officer (Executive Vice President)	11 February 2013	26	224.68*	MD & CEO – Home Finance / ICICI Home Finance
Gauri Shankar Agarwal	50	B.Com (H), Chartered Accountant	Chief Financial Officer (Senior Vice President)	01 July 2014	26	106.30	SREI Infrastructure Finance Limited - Sr VP & Head Resource Mobilisation
Manish Jaiswal	48	Bachelor of Engineering and Fast Track General Management Program from IIM, Bangalore	Managing Director & Chief Executive Officer (President)	26 June 2017	26	95.23	CRISIL Limited - Head of Business (SME Ratings)
Ajay Veer Singh	46	MBA/PGDBM - Full Time	Associate Vice President	01 April 2013	18	56.16	India Infoline Housing Finance - Zonal Sales Manager
Ramachandran Venkata Krishnan Ayalur	47	MBA/PGDBM - Full Time	Senior Vice President	03 December 2012	22	53.37	ING Vysya Bank - National Sales Manager & AVP
Amit Kumar Khan	42	Chartered Accountant (INTER)	Vice President	01 November 2012	18	47.21	DHFL - Regional Head
Yashpal Badial	35	MBA/PGDPM & HR, Masters in Labour Laws & Labour Welfare	Associate Vice President	06 February 2017	12	37.31	Future Generali India - Associate Vice President
Pankaj Shah	40	Bachelor Of Commerce	Associate Vice President	02 April 2013	18	34.88	DCB Bank - AVP & Regional Credit manager
Nidhi Rai	40	MFC, Finance	Associate Vice President	06 February 2013	14	33.24	Axis Bank, Assistant Vice President
Rajesh Matta	42	MBA/PGDBM - Full Time	Senior Vice President	12 December 2017	19	32.89	ING/ Kotak Bank - National Credit Manager - SME & Agri SME

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

Name	Age (years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (in Rs. lakhs)	Particulars of last employment, last post, employer
Gauri Shankar Agarwal	50	B.Com (H), Chartered Accountant	Chief Financial Officer (Senior Vice President)	01 July 2014	26	106.30	SREI Infrastructure Finance Limited - Sr VP & Head Resource Mobilisation

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

Name	Age (years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (in Rs. lakhs)	Particulars of last employment, last post, employer
Sachin Khandelwal	51	BE – Mechanical / MMS (Marketing) – Sydenham Institute of Management	Managing Director & Chief Executive Officer (Executive Vice President)	11 FEBRUARY 2013	26	224.68*	MD & CEO – Home Finance / ICICI Home Finance
Manish Jaiswal	48	Bachelor of Engineering and Fast Track General Management Program from IIM, Bangalore	Managing Director & Chief Executive Officer (President)	26 JUNE 2017	26	95.23	CRISIL Limited - Head of Business (SME Ratings)

*includes additional compensation of Rs. 200 lakhs but excludes LTA & leave encashment of Rs. 8.48 lakhs

*Ceased to be MD & CEO w.e.f. 12.06.2017

Notes:

- Gross remuneration comprises salary, medical reimbursement, leave travel concession, housing, Company's contribution to provident fund, pension and gratuity fund, monetary value of other perquisites as per the Income Tax Act and Rules, leave encashment and bonus.
- All appointments were made in accordance with the terms and conditions as per Company Rules.
- 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.
- None of the above employee is related to any Director of the Company.
- There was change in the Managing Director and Chief Executive Officer of the Company during the year. Hence, employees of the Company who were in receipt of remuneration in the year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the Managing director or Whole-time director or Manager have also been mentioned.

For and on behalf of the Board

Sanjay Chamria
Chairman
DIN: 00009894

Place : Mumbai
Date : 30.04.2018

Annexure C to Board's Report**ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES**

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

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

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

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

Web-link of the CSR Policy:

The CSR Policy adopted by the Company may be referred to, at the web-link <https://www.magmahfc.co.in/regulatory-disclosure/secreterial-disclosures.html>

2. The Composition of the CSR Committee

SI No.	Name of the Directors	Category
1	Mr. Mayank Poddar	Non-Executive
2	Mr. Sachin Khandelwal ¹	Executive
3	Mr. Ajay Bharat Candade	Independent, Non-Executive
4	Mr. Manish Jaiswal ²	Executive

¹Ceased to be a member w.e.f. 12.06.2017

²Inducted as a member w.e.f. 27.06.2017

3. Average net profit of the company for last three years.

Average net profit of the Company for last three years is Rs. 3460.53 lakh.

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

The Company is required to spend Rs. 69.21 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 Rs.119.19 lakh which included amount brought forward from the previous year's i.e. Rs.49.98 lakh.

b. Amount unspent, if any:

During the year the Company has spent a sum of Rs.6.51 lakh and the balance unspent amount of Rs.112.68 lakh is carried forward for the next financial year.

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

(Rs. in lakh)

1	2	3	4	5	6	7	8
Sl. No.	CSR project or activity identified	Sector in which the project is covered	Location of project (State & district)	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs	Cumulative Expenditure up to the reporting period	Amount spent: Direct or through implementing agency
1	Magma Swayam	Health Care and Education	-	10.00	3.60	3.60	Both
2	M-Care Mobile Clinic	Health Care and Education		1.50	0.10	0.10	Magma Foundation
3	Mid Day Meal	Education	Delhi	2.81	2.81	2.81	ISKCON Food Relief Foundation
	TOTAL			14.31	6.51	6.51	

6. Key CSR activities

Mid Day Meal programme

Mid Day Meal is a strategic program, instituted by Government of India, to liberate the underprivileged children from scourge of hunger and malnutrition. ISKCON Food Relief Foundation (IFRF) is the biggest implementer of this program under the brand name 'Annamrita' in select schools in Delhi, Maharashtra, Rajasthan, Andhra Pradesh, Madhya Pradesh, Uttaranchal, Haryana, Jharkhand, Assam and West Bengal. The 'Annamrita' program is based on the belief that one meal a day brings thousands of children to school. Magma pledged support for "Annamrita" for 750 students from Govt. schools located at Delhi for a period of 10 months in a year. The idea was to provide hygienically cooked, balanced, nutritious, wholesome food for children in municipal and government aided schools in Delhi.

Magma Swayam – Corporate Volunteering Program

Behind the successful implementation of the CSR programs, stand the employees of Magma with their vast skills and knowledge. Magma runs Swayam, a volunteering program that encourages employees to be catalyst for social benefits. Magma encourages employees to contribute their time and expertise in a variety of forms to support social initiatives.

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 through Magma Foundation, implementing agency.

Magma Foundation

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

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

The Company has been conceptualizing and implementing CSR programmes that are impactful and sustainable, through a collaborative approach. The process of identifying activities and various tie ups delayed the expenses towards the minimum allocation of the CSR spend towards the year end and hence the Company could not spend full amount of envisaged CSR expenditure. The Company would strive to fulfill its commitment by spending the amount carried forward in the financial year FY 19.

8. Responsibility statement of the CSR Committee:

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

For **Magma Housing Finance Limited**

Manish Jaiswal

(Managing Director and Chief Executive Officer)
DIN: 07859441

Place : Mumbai

Date : 30.04.2018

Mayank Poddar

(Chairman CSR Committee)
DIN: 00009409

Annexure D to Board's Report

FORM NO. MGT-9

Extract of Annual Return as on the financial year ended on 31 March, 2018

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

I. REGISTRATION AND OTHER DETAILS:

CIN	U65922DL2004PLC125931
Registration Date	21 April, 2004
Name of the Company	Magma Housing Finance Limited [Formerly, Magma Housing Finance (A Public Company with Unlimited Liability)] [Refer Note]
Category of the Company/ Sub Category of the Company	Company limited by Shares/Non-Government Company
Address of the Registered office and contact details	8, Sant Nagar, East of Kailash, New Delhi – 110 065 Telephone No. 011 45728100
Whether listed company Yes / No	Yes (Debt Securities Listed)
Name, Address and Contact details of Registrar and Transfer Agent, if any	1. Mas Services Limited (For Equity and Debt securities) Address: T-34, IIInd Floor, Okhla Industrial Area, Phase II, New Delhi - 110 020 Telephone No. 011 26387281 SEBI Registration No. INR000000049 2. Niche Technologies Private Limited (For Debt securities) Address: D – 511, Bagree Market, 71, B.R.B Basu Road, 5 th Floor, Kolkata - 700 001 Telephone No. 033 2235-7270/7271 SEBI Registration No. INR000003290

Note: The Company has been converted from an unlimited liability Company to Company limited by Shares and consequent change of name of the Company.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

Sl. No.	Name and Description of main products /services	NIC Code of the Product/service	% to total turnover of the Company
1	Other Credit Granting	64920	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Magma Fincorp Limited Magma House, 24, Park Street, Kolkata – 700 016 (Refer note1)	L51504WB1978PLC031813	Holding	100%	2(46)
2	Magma Advisory Services Limited (MASL) Magma House, 24, Park Street, Kolkata – 700 016 (Refer note1)	U74999WB2012PLC181922	Holding	100%	2(46)

Note 1: Pursuant to scheme of arrangement between Magma Fincorp Limited (MFL) and Magma Advisory Services Limited (MASL) w.e.f. 22.01.2018, MASL ceased to be a subsidiary of MFL and subsequently, the Company became a direct subsidiary to MFL.

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

i. Category-wise Share Holding

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 Share	
A. Promoters									
(1) Indian									
a) Individual/ HUF	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Central Govt.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) State Govt. (s)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
d) Bodies Corp.	148102450	-	148102450	100	148102450	-	148102450	100	-
e) Banks / FI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
f) Any Other	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (A) (1):-	148102450	-	148102450	100	148102450	-	148102450	100	-
(2) Foreign									
a) NRIs Individuals	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Other – Individuals	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) Bodies Corp.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
d) Banks / FI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
e) Any Other	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total(A) (2):-	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total Shareholding of Promoter (A) = (A) (1)+(A)(2)	148102450	-	148102450	100	148102450	-	148102450	100	-

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 Share	
B. Public Shareholding									
Institutions									
a) Mutual Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Banks / FI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) Central Govt.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
d) State Govt.(s)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
e) Venture Capital	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
f) Insurance Companies	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
g) FIs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
h) Foreign Venture Capital Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Others (specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (B)(1):-	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2. Non- Institutions									
a) Bodies Corp.									
i) Indian	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
ii) Overseas	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	-	50	50	0.0	-	50	50	0.0	
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) Others (specify)									
(i) NRI/ OCB	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(ii) Trust	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(iii) Clearing Member	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (B)(2):-	-	50	50	0.0	-	50	50	0.0	
Total Public Shareholding (B)=(B)(1)+(B)(2)	-	50	50	0.0	-	50	50	0.0	NIL
C. Shares held by Custodian for GDRs & ADRs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Grand Total (A+B+C)	148102450	50	148102500	100	148102450	50	148102500	100	NIL

ii. Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company (approx.)	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company (approx.)	% of Shares Pledged / encumbered to total shares	
1	Magma Advisory Services Limited	148102450	100.00	0	-	-	-	100
2	Magma Fincorp Limited	-	-	-	148102450	100.00	0	100
Total		148102450	100.00	0	148102450	100.00	0	

iii. Change in Promoters' Shareholding (please specify, if there is no change)

Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the company (approx.)	No. of Shares	% of total shares of the company (approx.)
At the beginning of the year- Magma Advisory Services Limited	148102450	100	148102450	100
Date wise Increase /Decrease in Promoters Share holding during the year specifying the reasons for increase /decrease (e.g. allotment/transfer/ bonus/sweat equity etc.): Transfer to Magma Fincorp Limited w.e.f. 22.01.2018 pursuant to scheme of amalgamation	148102450	100	NIL	NIL
At the end of the year	NIL	NIL	NIL	NIL
At the beginning of the year	NIL	NIL	NIL	NIL
Date wise Increase /Decrease in Promoters Share holding during the year specifying the reasons for increase /decrease (e.g. allotment/transfer/ bonus/sweat equity etc.): Transferred from Magma Advisory Services Limited w.e.f. 22.01.2018 pursuant to scheme of amalgamation	148102450	100	148102450	100
At the end of the year (Magma Fincorp Limited)	148102450	100	148102450	100

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 (approx.)	No. of shares	% of total shares of the Company (approx.)
1	Anil Kumar Gupta	10	0.00	0	0.00
2	Sunil Gupta	10	0.00	0	0.00
3	Jaideep Sharma	0	0.00	10	0.00
4	Krishna Bahety	0	0.00	10	0.00
5	Raj Kumar Kapoor	5	0.00	5	0.00
6	Sanjiv Jha	0	0.00	5	0.00

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 (approx.)	No. of Shares	% of total shares of the company (approx.)
1	Mr. Sanjay Chamria, Non Executive Director				
	At the beginning of the year	10	0.00	10	0.00
	Date wise Increase / Decrease in Share Holding during the Year specifying the reasons for increase/decrease (e.g. allotment / transfer / bonus / Sweat equity etc.	-	-	-	-
	At the end of the year	10	0.00	10	0.00
2	Mr. Mayank Poddar, Non Executive Director				
	At the beginning of the year	10	0.00	10	0.00
	Date wise Increase / Decrease in Share Holding during the Year specifying the reasons for increase/decrease (e. g. allotment / transfer / bonus / Sweat equity etc.	-	-	-	-
	At the end of the year	10	0.00	10	0.00
3	Mr. Sachin Khandelwal, Executive Director (upto 12.06.2017)				
	At the beginning of the year	5	0.00	5	0.00
	Date wise Increase-/ Decrease in Share Holding during the Year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / Sweat equity etc.: Transferred on 27.06.2017 to Mr. Sanjiv Jha	0	0.00	5	0.00
	At the end of the year	0	0.00	0	0.00

None of the Other Directors other than those mentioned above hold shares in the Company and none of the KMP hold shares in the Company.

V. INDEBTEDNESS

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

(Rs. in Lakh)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	1,16,226.73	9,890.44	-	1,26,117.17
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	955.17	-	-	955.17
Total (i+ii+iii)	1,17,181.91	9,890.44	-	127,072.35
Change in Indebtedness during the financial year				
Addition	17,831.69	44,833.46	-	62,665.15
Reduction	(28,718.56)	(49,809.48)	-	(78,528.04)
Net Change	(10,886.87)	(4,976.02)	-	(15,862.89)
Indebtedness at the end of the financial year				
i) Principal Amount	1,05,339.86	4,914.41	-	1,10,254.27
ii) Interest due but not paid	422.41	-	-	422.41
iii) Interest accrued but not due	2,113.06	-	-	2,113.06
Total (i+ii+iii)	1,07,875.33	4,914.41	-	1,12,789.74

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A - Remuneration to Managing Director, Whole Time Directors and/or Manager

Sl. No.	Particular of Remuneration	Name of MD/ WTD/ Manager		Total Amount (Rs. in Lakh)
		Mr. Sachin Khandelwal (Managing Director & Chief Executive Officer) (upto 12.06.2017)	Mr. Manish Jaiswal (Managing Director & Chief Executive Officer) (w.e.f. 26.06.2017)	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	218.33	29.25	247.58
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.14	-	0.14
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961	13.00	38.57	51.57

Sl. No.	Particular of Remuneration	Name of MD/ WTD/ Manager		Total Amount (Rs. in Lakh)
		Mr. Sachin Khandelwal (Managing Director & Chief Executive Officer) (upto 12.06.2017)	Mr. Manish Jaiswal (Managing Director & Chief Executive Officer) (w.e.f. 26.06.2017)	
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission - as % of profit - others, specif	-	-	-
5	Others, please specify	1.68	27.42	29.10
	Total (A)	233.16*	95.23	328.39
	Ceiling as per the Act	Rs.184 lakh (As per Section II(A) of Part II of Schedule V of the Companies Act, 2013)		

Note: *includes additional compensation of Rs. 200 lakhs and LTA & leave encashment of Rs. 8.48 lakhs

B – Remuneration of other Directors

1. Independent Directors

Sl. No.	Particular of Remuneration	Name of Directors		Total Amount (Rs. in Lakh)
		Ajay Bharat Candade	Mamta Binani	
1	Fee for attending board / committee meetings	N.A.	4.80	4.80
2	Commission	N.A.	N.A.	N.A.
3	Others, please specify	N.A.	N.A.	N.A.
	Total (B)(1)			4.80

2. Other Non-Executive Directors:

Sl. No.	Particular of Remuneration	Name of Directors			Total Amount (Rs. in Lakh)
		Sanjay Chamria	Kailash Baheti	Mayank Poddar	
1	Fee for attending board / committee meetings	N.A.	N.A.	N.A.	N.A.
2	Commission	N.A.	N.A.	N.A.	N.A.
3	Others, please specify	N.A.	N.A.	N.A.	N.A.
	Total (B)(2)				N.A.
	Total (B)= (B)(1)+ (B)(2)				4.80
	Total Managerial Remuneration				
	Overall Ceiling as per the Act	N.A. (since the Company does not pay any commission to Non-Executive Directors)			

C - Remuneration to Key Managerial Personnel Other Than MD/Manager/WTD

Sl. No.	Particular of Remuneration	Key Managerial Personnel		Total Amount (Rs. in Lakh)
		Mr. Gauri Shankar Agarwal (Chief Financial Officer)	Ms. Priti Saraogi (Company Secretary)	
1	Gross salary			
a)	Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	61.26	3.95	65.21
b)	Value of perquisites u/s 17(2) Income Tax Act, 1961	0.46	0.15	0.61
c)	Profits in lieu of salary under section 17(3) Income Tax Act, 1961	36.86	4.43	41.29
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5	Others, please specify	7.72	0.64	8.36
	Total (C)	106.30	9.18	115.48

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
A. Company					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment	N.A.	N.A.	N.A.	N.A.	N.A.
Compounding	N.A.	N.A.	N.A.	N.A.	N.A.
B. Directors					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment	N.A.	N.A.	N.A.	N.A.	N.A.
Compounding	N.A.	N.A.	N.A.	N.A.	N.A.
C. Other Officers in default					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment	N.A.	N.A.	N.A.	N.A.	N.A.
Compounding	N.A.	N.A.	N.A.	N.A.	N.A.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 30.04.2018**Sanjay Chamria**
Chairman
(DIN: 00009894)

Annexure E to Board's Report

SECRETARIAL AUDIT REPORT

Form No. MR - 3

FOR THE YEAR ENDED 31st MARCH, 2018

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

To,
The Board of Directors,
MAGMA HOUSING FINANCE LIMITED
[A Company Limited by Shares w.e.f. 07.04.2017]
[Formerly Magma Housing Finance (A Public Company with Unlimited liability)]
8, Sant Nagar East of Kailash
New Delhi- 110065

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **MAGMA HOUSING FINANCE LIMITED [Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]** (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.

Based on our verification of the Company, 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 year ended on 31st March, 2018 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 Year 31st March, 2018 according to the provisions of:

- i) The Companies Act, 2013 (the Act), amendments thereof and the rules made thereunder;
- ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Not Applicable to the Company during the Audit Period);
 - (b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not Applicable to the Company during the Audit Period);
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not Applicable to the Company during the Audit Period);
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not Applicable to the Company during the Audit Period);
- (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable regulations /guidelines/circulars as may be issued by SEBI from time to time, to the extent applicable.

We further report that having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, the Company has complied with the following laws applicable specifically to the Company:

- (a) National Housing Bank Laws and Directions and guidelines, directions and instructions issued by NHB through notifications and circulars relating thereon, as on year ended on 31st March, 2018.
- (b) Prevention of Money Laundering Act, 2002 and the Prevention of Money Laundering (Amendment) Act, 2012.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India and to the extent amended and notified from time to time.
- (ii) The Debt Listing Agreements entered into by the Company with BSE Ltd.

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

We further report that,

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.

Adequate notice is given to all directors to schedule the Board Meetings, agendas and detailed notes on agendas 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.

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 audit period the Company had;

- (i) Obtained approval of shareholders by way of Special resolution passed at Extra Ordinary General Meeting of the Company held on 13.11.2017 for its alteration of Articles of Association.
- (ii) Obtained approval of shareholders by way of Special resolution passed at Extra Ordinary General Meeting of the Company held on 22.03.2018 for issuance of Non – Convertible Debt Securities pursuant to Sections 42, 71 and 180(1) (c) of the Companies Act 2013, upto an overall ceiling of Rs.600 crore on Private Placement basis and in accordance with

NHB Debenture Directions for F.Y. 2018-19.

(iii) Obtained approval of shareholders by way of Special resolution passed at Extra Ordinary General Meeting of the Company held on 31.03.2018 for approval of Magma Housing Finance Limited- Employee Stock Option Plan 2018, making provision of money for purchase of its own shares by the Trust/Trustees for the benefit of employees and grant of employee stock options to the employees of the Company and its holding Company. The Company had sought approval for Shifting of Registered office of the Company from National Capital Territory of Delhi to the State of West Bengal and consequential alteration in the Memorandum of Association of the Company.

This Report is to be read with our letter of even date which is annexed **"ANNEXURE - I"** and forms an Integral Part of this Report.

For **MR & Associates**
Company Secretaries

M R Goenka
Partner
FCS No.:4515
C P No.:2551

Place : Kolkata
Date : 16.04.2018

"ANNEXURE – I"

(TO THE SECRETARIAL AUDIT REPORT FOR THE YEAR ENDED 31ST MARCH, 2018)

To,
The Board of Directors,
MAGMA HOUSING FINANCE LIMITED

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

1. Maintenance of Secretarial Records 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 where 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 and standards is the responsibilities of the management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **MR & Associates**
Company Secretaries

M R Goenka
Partner
FCS No.:4515
C P No.:2551

Place : Kolkata
Date : 16.04.2018

Independent Auditor's Report

To the Members of Magma Housing Finance Limited [Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

Report on the Financial Statements

1. We have audited the accompanying financial statements of Magma Housing Finance Limited [Formerly Magma Housing Finance (A Public Company with Unlimited Liability)], ("the Company"), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards of Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2018, and its profit and its cash flows for the year ended on that date.

Other matter

9. The financial statements of the Company as at and for the year ended 31 March 2017 was audited by another auditor whose report dated 03 May 2017, expressed an unqualified opinion on those financial statements. The balances as at 31 March 2017 as per the audited financial statements, regrouped and/ or reclassified wherever necessary, have been considered as opening balances for the purpose of these financial statements.

Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
11. Further to our comments in Annexure 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 purpose 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 financial statements dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
 - e. on the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164(2) of the Act;
 - f. we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 30 April 2018 as per Annexure B expresses our unmodified opinion on adequacy and operative effectiveness of internal controls over financial reporting; and
 - g. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company, as detailed in Note 37 to the financial statements, has disclosed the impact of pending litigations on its financial position;
 - ii. the Company did not have any long-term contracts including derivatives contract for which there were any material foreseeable losses;
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and
 - iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016 which are not relevant to these financial statements. Hence, reporting under this clause is not applicable.

For Walker Chandiok & Co LLP

Chartered Accountants

Firm Registration No.: 001076N/N500013

per **Manish Gujral**

Partner

Membership No.: 105117

Place: Mumbai

Date: 30 April 2018

Annexure to the Independent Auditor's Report of even date to the members of Magma Housing Finance Limited [Formerly Magma Housing Finance (A Public Company with Unlimited Liability)], on the financial statements for the year ended 31 March 2018

Annexure A

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) The title deeds of all the immovable properties (which are included under the head 'fixed assets') are held in the name of the Company.
- (ii) The Company is a housing finance company, primarily engaged in the business of lending for housing loans and does not hold any inventories. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.
- (iii) The Company has granted loan to one company covered in the register maintained under Section 189 of the Act; and with respect to the same:
 - (a) in our opinion the terms and conditions of grant of such loans are not, prima facie, prejudicial to the Company's interest.
 - (b) the schedule of repayment of principal and payment of interest has been stipulated and the repayment/receipts of the principal amount and the interest are regular; and
 - (c) there are no overdue amounts in respect of loan granted to such company.
- (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 security covered under section 185 of the Act. In our opinion, the Company has not undertaken any transaction in respect of investments, guarantees and security covered under section 186 of the Act. Further, in our opinion, the Company has complied with the provisions of section 186 of the Act in respect of loans given.
- (v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.
- (vii)(a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, except for delays ranging from 10 days to 178 days with respect to deposit of professional tax with appropriate authorities due to pending registration. This was subsequently regularized during the year ended 31 March 2018 after the registration was obtained, except for two branches. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

Annexure to the Independent Auditor's Report of even date to the members of Magma Housing Finance Limited [Formerly Magma Housing Finance (A Public Company with Unlimited Liability)], on the financial statements for the year ended 31 March 2018

Annexure A (Contd)

- (b) The dues outstanding in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (lacs)	Amount paid under protest (lacs)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994	Service tax	40.36	12.00	2005-06 to 2008-09	CESTAT, Chennai
The Income-tax Act, 1961	Income tax	11.81	Nil	AY 2009-2010	Deputy Commissioner of Income Tax
The Income-tax Act, 1961	Income tax	2.36	Nil	AY 2010-2011	Deputy Commissioner of Income Tax

- (viii) The Company has not defaulted in repayment of loans or borrowings to any bank or any dues to debenture-holders during the year. The Company has no loans or borrowings payable to any financial institution or government.
- (ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the Company has applied the term loans for the purposes for which these were raised.
- (x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees or by the Company have been noticed or reported during the course of our audit.
- (xi) Managerial remuneration has been paid/provided by the Company in accordance with the requisite approvals mandated by the provisions of section 197 of the Act read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (xiii) In our opinion all transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable accounting standards.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.
- (xv) In our opinion, the Company has not entered into any non-cash transactions with directors or persons connected with them, covered under Section 192 of the Act.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For Walker Chandio & Co LLP

Chartered Accountants

Firm Registration No.: 001076N/N500013

per **Manish Gujral**

Partner

Membership No.: 105117

Place: Mumbai

Date: 30 April 2018

Annexure to the Independent Auditor's Report of even date to the members of Magma Housing Finance Limited [Formerly Magma Housing Finance (A Public Company with Unlimited Liability)], on the financial statements for the year ended 31 March 2018

Annexure B

Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the financial statements of Magma Housing Finance Limited [Formerly Magma Housing Finance (A Public Company with Unlimited Liability)] ("the Company") as of and for the year ended 31 March 2018, we have audited the internal financial controls over financial reporting (IFCoFR) of the company of as that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's 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 Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. 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 IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For Walker Chandiok & Co LLP

Chartered Accountants

Firm Registration No.: 001076N/N500013

per **Manish Gujral**

Partner

Membership No.: 105117

Place: Mumbai

Date: 30 April 2018

Auditor's Report

To
 The Board of Directors
Magma Housing Finance Limited
 [Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]
 8, Sant Nagar, East of Kailash
New Delhi – 110 065

[Ref: Report to the Board of Directors Pursuant to the Master Circular – Housing Finance Companies – Auditors' Report (NHB) Directions, 2016, ('the Auditor's Report Directions') issued by the National Housing Bank ('the NHB') for the year ended 31st March 2018]

Dear Sirs,

1. We have audited the balance sheet of Magma Housing Finance Limited (Formerly Magma Housing Finance (A Public Company with Unlimited Liability) ("The company") as at 31 March 2018, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and have issued an unqualified opinion vide our report dated 30 April 2018. These financial statements are the responsibility of the Company's Management. Our responsibility was to express an opinion on these financial statements based on our audit. Our audit was conducted in the manner specified under the section "Auditor's Responsibility" of the said audit report.
2. As required by the Auditor's Report Directions, amended from time to time, based on our audit referred to in paragraph 1 above and based on the information and explanations given to us which to the best of our knowledge and belief were necessary for this purpose, we report hereunder on the matters specified in paragraph 3 and 4 of the Auditor's Report Direction :
 - a. The Company is engaged in the business of providing finance for housing and has obtained a certificate of registration from the NHB dated 25 October 2004. The Company has obtained a revised certificate of registration dated 12 July 2017 pursuant to its name change to Magma Housing Finance Limited;
 - b. The Company is meeting the required net owned fund requirement as prescribed under section 29A of the National Housing Bank Act, 1987 ("the NHB Act");
 - c. The Company has complied with the provisions of section 29C of the NHB Act with respect to statutory reserves;
 - d. The Board of Directors of the Company have passed a resolution by circulation on 3 April 2017, for non-acceptance of any public deposits during the year ended 31 March 2018;
 - e. The Company has not accepted any public deposits during the year ended 31 March 2018;
 - f. The total borrowings of the Company are within the limits prescribed under paragraph 3(2) of the Housing Finance Companies (NHB) Directions, 2010;
 - g. In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the prudential norms relating to income recognition, accounting standards, asset classification, loan-to-value ratio, provisioning requirements, disclosure in balance sheet, investment in real estate, exposure to capital market and engagement of brokers and concentration of credit/investments as specified in the Housing Finance Companies (NHB) Directions, 2010, in all material respects to the extent applicable to it;
 - h. The capital adequacy ratio as at 31 March 2018 as disclosed in the return submitted to National Housing Bank on 11 May 2018 was correctly determined in all material respects based on the audited financial statements of the Company. Further, such ratio is in compliance with the minimum capital to risk weighted asset ratio as prescribed by the NHB;

- i. The Company has furnished to the NHB the Schedule – II return within the stipulated period;
 - j. The Company has furnished to the NHB the Schedule – III return on Statutory Liquid Assets within the stipulated period;
 - k. In case of opening of new branches/offices or in the case of closure of existing branches/offices, the company has complied with the requirements of the Housing Finance Companies (NHB) Directions, 2010.
 - l. The Company has complied with the provisions contained in paragraph 38 and 38A of the Housing Finance Companies (NHB) Directions, 2010.
3. This report is issued solely for reporting on the matters specified in paragraphs 3 and 4 of the Auditor’s Report Directions, and is no intended to be used circulated , quoted , or otherwise referred to fo any other purpose .

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm Registration No: 001076N/N500013

per **Manish Gujral**

Partner

Membership No.: 105117

Place : Mumbai

Date : 21 May 2018

Balance Sheet

MAGMA HOUSING FINANCE LIMITED

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(₹ in lacs)

	Note No.	As at 31 March 2018	As at 31 March 2017
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	14,810.25	14,810.25
Reserves and surplus	4	15,011.56	12,691.57
		29,821.81	27,501.82
Non-current liabilities			
Long-term borrowings	5	44,952.34	66,504.46
Deferred tax liabilities (net)	6	-	406.31
Long-term provisions	7	3,458.81	1,770.73
		48,411.15	68,681.50
Current liabilities			
Short-term borrowings	8	41,129.10	38,273.44
Trade payables	9		
- Due to micro, small and medium enterprises		-	-
- Due to others		348.38	142.95
Other current liabilities	10	29,868.65	26,107.68
Short-term provisions	11	310.74	162.71
		71,656.87	64,686.78
Total		149,889.83	160,870.10
ASSETS			
Non-current assets			
Property, plant and equipment - Tangible assets	12(A)	44.82	47.21
Intangible assets	12(B)	76.92	92.17
Non-current investments	13	1,047.02	1,225.46
Deferred tax assets (net)	6	44.27	-
Long-term loans and advances	14		
- Housing and property loans		136,899.10	138,922.06
- Others		143.37	3,753.06
Other non-current assets	15	738.54	790.17
		138,994.04	144,830.13
Current assets			
Cash and cash equivalents	16	889.78	768.87
Short-term loans and advances	17		
- Housing and property loans		7,749.55	13,119.11
- Others		564.82	343.90
Other current assets	18	1,691.64	1,808.09
		10,895.79	16,039.97
Total		149,889.83	160,870.10

Notes 1 to 41 forms an integral part of these financial statements.

This is the Balance Sheet referred to in our report of event date

For and on behalf of the Board of Directors

For **Walker Chandiok & Co. LLP**
Chartered Accountants

Manish Jaiswal
Managing Director & Chief Executive Officer

Sanjay Chamria
Chairman

Manish Gujral
Partner
Mumbai, 30 April 2018

Gauri Shankar Agarwal
Chief Financial Officer

Priti Saraogi
Company Secretary
Mumbai, 30 April 2018

Statement of Profit and Loss**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(₹ in lacs)

	Note No.	Year ended 31 March 2018	Year ended 31 March 2017
REVENUE			
Revenue from operations	19	21,942.40	24,861.11
Other income	20	222.84	243.07
Total revenue		22,165.24	25,104.18
EXPENSE			
Employee benefits expense	21	3,375.58	2,741.98
Finance costs	22	10,890.49	14,275.64
Depreciation and amortisation expense	23	23.85	19.58
Provisions and bad debts written-off	24	2,119.24	775.35
Other expenses	25	2,196.06	2,093.75
Total expense		18,605.22	19,906.30
Profit before tax		3,560.02	5,197.88
Tax expense:			
Current tax - current year		1,693.00	1,602.61
- earlier year		(2.39)	194.53
Net current tax		1,690.61	1,797.14
Deferred tax charge/(credit)		(450.58)	26.80
Profit after tax		2,319.99	3,373.94
Earnings per equity share	29		
(Nominal value of ₹ 10/- each, fully paid up):			
Basic and diluted (in ₹)		1.57	2.28

Notes 1 to 41 forms an integral part of these financial statements.

This is the statements of profit & Loss referred to in our report of event date.

For and on behalf of the Board of Directors

For **Walker Chandiok & Co. LLP**
Chartered Accountants

Manish Jaiswal
Managing Director & Chief Executive Officer

Sanjay Chamria
Chairman

Manish Gujral
Partner
Mumbai, 30 April 2018

Gauri Shankar Agarwal
Chief Financial Officer

Priti Saraogi
Company Secretary
Mumbai, 30 April 2018

Cash Flow Statement

MAGMA HOUSING FINANCE LIMITED

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(₹ in lacs)

		Year ended 31 March 2018		Year ended 31 March 2017	
A.	CASH FLOW FROM OPERATING ACTIVITIES				
	Profit before tax		3,560.02		5,197.88
	Adjustments for :				
	Depreciation and amortisation expense	23.85		19.58	
	Interest expense	9,873.16		13,033.11	
	General provision against standard assets	(90.00)		(130.00)	
	Provision for non-performing assets	1,749.52		398.48	
	Bad debts written-off	459.72		686.91	
	Loss / (Gain) on sale of non-performing asset	-		(180.04)	
	Loss on sale of property, plant and equipment	-		6.30	
	Discount on commercial papers	690.51	12,706.76	965.28	14,799.62
	Operating cash flow before working capital changes		16,266.78		19,997.50
	Adjustments for :				
	Decrease in loans and advances	10,207.68		26,114.62	
	Decrease in other assets	168.08		193.05	
	Increase / (decrease) in trade payables	205.43		(115.14)	
	Decrease in provisions	(21.54)		(38.99)	
	Increase / (decrease) in other current liabilities	(652.89)	9,906.76	737.94	26,891.48
	Net cash generated from operations		26,173.54		46,888.98
	Taxes paid (net)	(1,377.15)	(1,377.15)	(1,729.17)	(1,729.17)
	Net cash generated from operating activities (A)		24,796.39		45,159.81
B.	CASH FLOW FROM INVESTING ACTIVITIES				
	Purchase of property, plant and equipment (including capital work-in-progress)	(7.65)		(42.74)	
	Investments in security receipts	-		(1,225.46)	
	Redemption of security receipts	178.44		-	
	Sale of property, plant and equipment	-		0.11	
	Net cash generated from / (used in) investing activities (B)		170.79		(1,268.09)
C.	CASH FLOW FROM FINANCING ACTIVITIES				
	Proceeds from / (repayment of) long-term borrowings (net)	(18,718.56)		(357.97)	
	Proceeds from / (repayment of) short-term borrowings (net)	2,165.15		(31,576.29)	
	Interest paid	(8,292.86)		(12,774.58)	
	Net cash used in financing activities (C)		(24,846.27)		(44,708.84)
	Net (decrease) / increase in cash and cash equivalents (A+B+C)		120.91		(817.12)
	Cash and cash equivalents as at the beginning of the year		768.87		1,585.99
	Cash and cash equivalents as at the end of the year		889.78		768.87
	CASH AND CASH EQUIVALENTS (Note 16)				
	Cash in hand		0.40		0.40
	Balances with banks				
	In current accounts		889.38		768.47
			889.78		768.87

This is the statement of cash flow statement referred to in our report of event date

For and on behalf of the Board of Directors

For **Walker Chandio & Co. LLP**
Chartered Accountants**Manish Jaiswal**
Managing Director & Chief Executive Officer**Sanjay Chamria**
Chairman**Manish Gujral**
Partner
Mumbai, 30 April 2018**Gauri Shankar Agarwal**
Chief Financial Officer**Priti Saraogi**
Company Secretary
Mumbai, 30 April 2018

Notes to the financial statements

MAGMA HOUSING FINANCE LIMITED

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

Note: 1

COMPANY OVERVIEW:

Magma Housing Finance Limited, [Formerly Magma Housing Finance (A Public Company with Unlimited Liability)] (“MHF”, or “the Company”) was incorporated on 21 April 2004 under the provisions of Companies Act, 1956, to carry on the business of housing finance in India. The Company was registered as a non-deposit taking housing finance company with the National Housing Bank (“NHB”) in October 2004. The Company commenced business operations in November 2004. On 11 February 2013, 100% shares of the Company were acquired by Magma Advisory Services Limited. Magma Advisory Services Limited was subsequently merged with Magma Fincorp Limited with effect from 1 April 2017, consequent to which the Company became a wholly owned subsidiary of Magma Fincorp Limited.

Note: 2

SIGNIFICANT ACCOUNTING POLICIES:

(i) Basis of preparation

- (a) These financial statements have been prepared in compliance with Generally Accepted Accounting Principles in India (‘Indian GAAP’) to comply with the mandatory Accounting Standards prescribed under Section 133 of the Companies Act, 2013 (“the Act”) read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), the provisions of the Act (to the extent notified and applicable) and the directions prescribed in the Housing Finance Companies (NHB) Directions, 2010 (as amended) (“the NHB guidelines”) issued by the National Housing Bank. The financial statements have been prepared under the historical cost convention and on accrual basis, unless otherwise stated.
- (b) All assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in Schedule III to the Act. Based on the nature of the services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current or non-current classification of assets and liabilities.
- (c) The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

(ii) Use of estimates and judgements

The preparation of financial statements in conformity with the Indian GAAP requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Examples of such estimates include provision for doubtful loans and advances, future obligations under employee retirement benefit plans, income taxes, classification of assets and liabilities into current and non-current and the useful lives of fixed assets, etc. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

(iii) Housing and property loans

- (a) Housing and property loans include housing loans and loan against property and also amounts paid for acquiring loan portfolio from other Banks / Non-Banking Finance Companies (NBFCs) / Housing Finance Companies (HFCs).
- (b) Housing and property loans represents amounts receivable under loan agreements and insurance premium funded, if any, and are valued at net investment amount including instalments due. The balances are net of amounts securitized/assigned

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE LIMITED

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(iv) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the collectability is reasonably assured.

(a) Interest on loans is recognised by applying the Internal Rate of Return (IRR) implicit in the agreement, on diminishing balance of the financed amount over the period of the agreement so as to provide a constant periodic rate of return on the net cash investment outstanding on the contracts. Interest income is recognised as it accrues on a time proportion basis taking into account the amount outstanding and the rate applicable, except in the case of non-performing assets (NPA) where it is recognised upon realisation.

(b) Income on direct assignment / securitisation :

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

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

The Company recognises gain / excess interest spread on direct assignment / securitisation transactions in line with Reserve Bank of India Master Directions – Non Banking Finance Companies – 2016. Accordingly, direct assignment / securitisation transactions effected post issuance of the said guidelines are accounted as under:

- (i) Gain / income realised on direct assignment / securitisation of loan receivables arising under premium structure is recognised over the tenure of securities issued by Special Purpose Vehicle (SPV) / agreements. Loss, if any, is recognised upfront.
 - (ii) EIS under par structure of securitisation / direct assignment of loan receivables is recognised only when redeemed in cash, over the tenure of the securities issued by SPV / agreements. Loss, if any, is recognised upfront.
- (c) Overdue interest is treated to accrue on realization, due to uncertainty of realization and is accounted for accordingly.
- (d) Interest on fixed deposits is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable on the fixed deposit.
- (e) Management Fees on processing of loans as per the agreement are recognised upfront when a binding obligation for granting loan has been entered into.
- (f) The sale of non-performing assets is accounted for as per guidelines prescribed by Reserve Bank of India. On Sale, the assets are derecognized from the books. If the sale proceeds are lower than the net book value (NBV) (i.e., book value less provisions held), the shortfall is charged to the Statement of Profit and Loss in the year of sale. In case of sale other than in cash, if the sale proceeds are higher than the NBV, the excess provision is written back in the year the amounts are received, as required by the Reserve Bank of India.
- (g) Income on Security Receipts (SRs) are recognized only after the full redemption of the entire principal amount of SRs.

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE LIMITED

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(v) Loan origination cost

Upfront expense pertaining to loan origination is amortised over the tenure of the underlying contracts.

(vi) Provisions for loan portfolio

Loans are classified as per the NHB guidelines into standard and non-performing assets. Further, non-performing assets are classified into sub-standard, doubtful and loss assets based on criteria stipulated as per the NHB guidelines. Provisions and write-offs are carried out in accordance with the requirements of the NHB guidelines. These provisioning norms are considered minimum and higher provision is made based on the perceived credit risk wherever necessary.

All loan contracts with overdues for more than 51 months as well as those which, as per the management are not likely to be recovered are considered as loss assets and written-off as bad debts. Recoveries made from written-off contracts are included in 'other income'.

(vii) Property, plant and equipment – Tangible assets

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

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date are disclosed as Capital Advances under Long term loans and advances. The cost of property, plant and equipment not ready for their intended use at each balance sheet date is disclosed as capital work-in-progress.

Intangible assets

Intangible assets are recognised where it is probable that the future economic benefit attributable to the assets will flow to the Company and its cost can be reliably measured. Intangible assets are stated at cost of acquisition less accumulated amortization.

(viii) Depreciation and amortization

Depreciation on property, plant and equipment is provided systematically using straight line method over its useful life as prescribed in Schedule II to the Act. Depreciation is calculated on a pro-rata basis from the date of installation till date the assets are sold or disposed. Written down value of all assets acquired prior to 1 April 2014 are being depreciated over their remaining useful life as prescribed in Schedule II of the Act.

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

Individual assets costing less than ₹ 5,000/- are depreciated in full in the year of acquisition.

Intangible assets are amortised over their estimated useful lives, not exceeding six years, on a straight-line basis, commencing from the date the asset is available to the Company for its use.

(ix) Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if 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.

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(x) Investments

- (a) Investments are classified as non-current or current based on intention of management at the time of purchase.
- (b) Non-current investments are investments intended to be held for a period of more than a year. Non-current investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments.
- (c) Current investments are investments intended to be held for a period of less than a year. Current investments are carried at the lower of cost and fair value determined on an individual investment basis.
- (d) Any reduction in the carrying amount and any reversals of such reduction are charged or credited to the statement of profit and loss.
- (e) Profit or loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.
- (f) Investment in Security Receipts (SRs) is recognised at lower of: (i) Net Book Value (NBV) (i.e., book value less provisions held) of the SRs; or (ii) estimated Redemption value of SRs at the end of each reporting period, as prescribed by Reserve Bank of India. In cases where the SRs issued by the SC/ ARC are limited to the actual realisation of the underlying financial assets, the Net Asset Value, obtained from the SC/ ARC, is reckoned for valuation of such investments. The security receipts outstanding and not redeemed as at the end of the resolution period are treated as loss assets and are fully provided for.

(xi) Employee benefits*(a) Provident fund*

Contributions paid / payable to the recognised provident fund, which is a defined contribution scheme, are charged to the statement of profit and loss.

(b) Gratuity

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Accrued Benefit Method (same as Projected Unit Credit Method), which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the balance sheet date.

Actuarial gains and losses are recognised immediately in the statement of profit and loss.

(c) Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. Expense on non-accumulating compensated absences is recognised in the period in which the absences occur.

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE LIMITED

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(xii) Taxes on income

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income tax expense is recognised in the statement of profit and loss.

(a) Current tax

Current tax is measured at the amount expected to be paid to the taxation authorities, using the applicable tax rates and tax laws.

(b) Deferred tax

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

(c) Minimum alternative tax

Minimum alternative tax ('MAT') under the provisions of the Income-tax Act, 1961 ('IT Act') is recognised as current tax in the statement of profit and loss. The credit available under the IT Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

(xiii) Contingent liabilities and contingent assets

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis.

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

(xiv) Borrowing costs

Interest on borrowing are recognised on a time proportion basis taking into account the amount outstanding and the rate applicable on the borrowing. Discount on commercial paper is amortised over the tenor of the commercial paper.

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

Upfront expense pertaining to loan origination is amortised over the tenure of the underlying contracts. Brokerage and other ancillary expenditure directly attributable to a borrowing is amortised over the tenure of the respective borrowing. Unamortised borrowing costs remaining, if any, is fully expensed off as and when the related borrowing is prepaid / cancelled.

(xv) Operating leases

Lease payments for assets taken on an operating lease are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term.

(xvi) Earnings per share

The basic earnings per share ('EPS') is computed by dividing the net profit after tax attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax attributable to the equity shareholders for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). In computing dilutive earnings per share, only potential equity shares that are dilutive and that reduce profit / loss per share are included.

(xvii) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash-in-transit and deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

(xviii) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of non-cash nature, any deferrals, or accruals of past or future operating cash receipts or payments and item of expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

(xix) Securitisation/Assignment of Loan Portfolio

Derecognition of loans assigned/securitized in the books of the Company, recognition of gain/loss arising on securitization/assignment and accounting for credit enhancements provided by the Company is based on the guidelines issued by Reserve Bank of India.

Derecognition of loans assigned/securitized in the books of the Company is based on the principle of surrender of control over the loans resulting in a "true sale" of loans.

(xx) Transactions in foreign currency

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction. Foreign currency monetary items are reported using the year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items or on reporting monetary items of Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(₹ in lacs)

	As at 31 March 2018	As at 31 March 2017
Note: 3		
SHARE CAPITAL		
Authorised		
200,000,000 (2017: 200,000,000) Equity shares of ₹ 10/- each	20,000.00	20,000.00
	20,000.00	20,000.00
Issued, subscribed and paid-up		
Equity share capital		
148,102,500 (2017: 148,102,500) Equity shares of ₹ 10/- each, fully paid up.	14,810.25	14,810.25
	14,810.25	14,810.25

A. Reconciliation of the number of equity shares outstanding and the amount of share capital:

	As at 31 March 2018		As at 31 March 2017	
	No. of shares	Amount	No. of shares	Amount
Opening balance	148,102,500	14,810.25	148,102,500	14,810.25
Equity shares issued during the year	-	-	-	-
Closing balance	148,102,500	14,810.25	148,102,500	14,810.25

B. Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10/- each. Each shareholder of the Company is entitled to one vote per share.

The dividend as and when proposed by the Board of Directors will be subject to the approval of the shareholders to be obtained in the Annual General Meeting, which shall be paid in Indian rupees.

In the event of liquidation of the Company, the equity shareholders of the Company are entitled to receive the remaining assets of the Company after discharging all liabilities of the Company in proportion to the number of equity shares held by the equity shareholders.

Dividend on shares are recorded as a liability on the date of approval by the shareholders at the ensuing Annual General Meeting.

C. Shares held by Holding Company and details of shareholder holding more than 5% equity shares is set below:

	As at 31 March 2018		As at 31 March 2017	
	No. of shares	% of holding	No. of shares	% of holding
Magma Fincorp Limited	148,102,450	100.00	-	-
Magma Advisory Services Limited	-	-	148,102,450	100.0

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

D. The Central Government has passed a Confirmation Order dated 15 January 2018 pursuant to the provisions of Section 233 of the Companies Act, 2013 approving the merger of Magma Advisory Services Limited ('MASL') with Magma Fincorp Limited ('MFL') with effect from 01 April 2017, being the Appointed date as provided in the Scheme. By virtue of the said merger, Magma Housing Finance Limited ('the Company') a wholly owned subsidiary of MASL and step down subsidiary of the MFL has become a direct wholly owned subsidiary of MFL. Accordingly, the shares of the Company has been transferred to MFL.

E. Shares issued for consideration other than cash:

The Company has not issued bonus shares or shares for consideration other than cash during the five year period immediately preceding the reporting date.

(₹ in lacs)

	As at 31 March 2018	As at 31 March 2017
Note: 4		
RESERVES AND SURPLUS		
Statutory reserve (Note 36) (As per section 29C of the National Housing Bank Act, 1987) *		
Opening balance	3,240.00	2,560.00
Add: Transfer from surplus in the statement of profit and loss	470.00	680.00
	3,710.00	3,240.00
Surplus in the statement of profit and loss		
Opening balance	9,451.57	6,757.63
Profit for the year	2,319.99	3,373.94
Amount available for appropriations	11,771.56	10,131.57
Appropriations		
Transfer to statutory reserve	470.00	680.00
Net surplus in the statement of profit and loss	11,301.56	9,451.57
	15,011.56	12,691.57

* Statutory reserve represents the Reserve Fund created under section 29C of the National Housing Bank Act, 1987. Under section 29C, 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 utilised for the purposes as specified by the National Housing Bank from time to time.

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(₹ in lacs)

	Security as per	As at 31 March 2018	As at 31 March 2017
Note: 5			
LONG-TERM BORROWINGS (Secured)			
Debentures			
Redeemable Non-Convertible debentures	(a)	6,500.00	10,500.00
		6,500.00	10,500.00
Term loans			
from banks	(b)	38,452.34	56,004.46
		38,452.34	56,004.46
		44,952.34	66,504.46

Nature of security

- (a) Debentures are secured by first charge ranking pari-passu with each other on the Company's book debts and loan instalments receivables along with mortgage created over the Immovable Property situated at Barasat, Dist - 24 Parganas (N).
- (b) All Term loans from banks (except for two term loans which are secured by way of exclusive charge over receivables arising out of assets financed against the said term loan) are secured by way of first charge ranking pari-passu over the entire current assets, both present & future, including the entire book debts, loan installments, receivables and underlying assets arising out of finance (except those assets exclusively financed by other loans) of the company.

Details of long term borrowings**(A) Secured redeemable non-convertible debentures****Repayment Terms: On maturity, at par**

Number of Debentures	Face Value (₹ in lacs)	Month of Allotment	Month of Redemption	As at 31 March 2018		As at 31 March 2017	
				Non-Current	Current maturities*	Non-Current	Current maturities*
100	10	Mar-16	Mar-23	1,000.00	-	1,000.00	-
200	10	Mar-15	Mar-22	2,000.00	-	2,000.00	-
350	10	Mar-15	Mar-20	3,500.00	-	3,500.00	-
400	10	Feb-15	Apr-18	-	4,000.00	4,000.00	-
				6,500.00	4,000.00	10,500.00	-

The above debentures carry interest rates ranging from 10% p.a. to 10.33% p.a. (2017: from 10.00% p.a. to 10.33% p.a.)

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE LIMITED

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(B) Term loans from banks

Terms of repayment

(₹ in lacs)

Repayment Terms	Interest Terms	Repayment commencing from	No. of Instalments not due	As at 31 March 2018		As at 31 March 2017	
				Non-Current	Current maturities*	Non-Current	Current maturities*
Quarterly	Floating	Jun-18	28	4,285.73	714.29	5,000.00	-
Quarterly	Floating	Sep-17	25	3,750.00	714.29	4,285.71	714.29
Quarterly	Floating	Jun-19	16	7,500.00	-	-	-
Quarterly	Floating	Jun-17	12	5,000.00	2,500.00	7,500.00	2,500.00
Quarterly	Floating	Mar-17	11	8,750.00	5,000.00	13,750.00	5,000.00
Quarterly	Floating	Aug-17	9	2,083.33	1,666.67	3,750.00	1,250.00
Quarterly	Floating	Jun-17	8	5,000.00	4,994.28	13,333.33	6,666.67
Quarterly	Floating	Sep-16	5	833.33	3,333.33	4,166.67	3,333.33
Half-Yearly	Floating	Jun-16	4	1,249.95	1,250.00	2,500.00	1,250.00
Quarterly	Floating	Feb-17	0	-	-	1,718.75	625.00
				38,452.34	20,172.85	56,004.46	21,339.29

The above term loans carry interest rates ranging from 8.90% p.a. to 9.40% p.a. (2017: from 9.30% p.a. to 10.10% p.a.)

*Current maturities of long-term borrowings amounting to ₹ 24,172.85 lacs (2017: ₹ 21,339.29 lacs) has been shown separately under the head 'Other current liabilities' (Note 10).

	As at 31 March 2018	As at 31 March 2017
Note: 6		
DEFERRED TAX ASSETS/LIABILITIES (NET)		
Deferred tax assets		
Contingent provision against standard assets	192.19	221.49
Provision for non-performing assets	1,009.27	394.09
Others	62.13	75.84
	1,263.59	691.42
Deferred tax liabilities		
Unamortised expense	333.87	352.99
Statutory reserve	860.45	725.29
Others	25.00	19.45
	1,219.32	1,097.73
Deferred tax assets/liabilities (net)	44.27	(406.31)

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(₹ in lacs)

	As at 31 March 2018	As at 31 March 2017
Note: 7		
LONG-TERM PROVISIONS		
Provision for employee benefits		
Provision for compensated absences	50.55	72.00
Other provisions		
Contingent provision against standard assets	520.00	560.00
Provision for non-performing assets		
- Housing loans	1,359.87	615.17
- Other loans against property	1,528.39	523.56
	3,458.81	1,770.73

	As at 31 March 2018	As at 31 March 2017
Note: 8		
SHORT-TERM BORROWINGS		
Loan from banks		
Secured		
Term loans (refer note (a) below)	2,500.00	5,000.00
Cash credit facilities (refer note (b) below)	8,714.69	8,383.00
Working capital demand loans (refer note (b) below)	25,000.00	15,000.00
	36,214.69	28,383.00
Commercial papers		
Unsecured		
Face value	5,000.00	10,000.00
Less: Unmatured discounting charges	85.59	109.56
	4,914.41	9,890.44
	41,129.10	38,273.44

***Nature of security**

- (a) Term loans from banks are secured by way of first charge ranking pari-passu over the entire current assets, both present & future, including the entire book debts, loan installments, receivables and underlying assets arising out of finance (except those assets exclusively financed by other loans) of the company.
- (b) Cash credit facilities and working capital demand loans from banks are secured by way of first charge ranking pari-passu over the entire current assets, both present & future, including the entire book debts, loan installments, receivables and underlying assets arising out of finance (except those assets exclusively financed by other loans) of the company.

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

Details of cash credit facilities and working capital demand loans

The cash credit facilities are repayable on demand and carries interest rate at 8.95% p.a. to 10.50% p.a.(2017: from 9.50% p.a. to 10.50% p.a.) As per the prevalent practice, cash credit facilities are renewed on a year to year basis and therefore, are revolving in nature.

Working capital demand loans are repayable on demand and carry interest rates ranging from 8.15% p.a. to 8.30% p.a.(2017: from 8.15% p.a. to 8.70% p.a.)

Terms of repayment of term loans

(₹ in lacs)

Repayment Terms	Interest Terms	Rate of Interest	As at 31 March 2018	As at 31 March 2017
Half-yearly	Floating	9.85%	2,500.00	5,000.00
			2,500.00	5,000.00

Details of unsecured commercial papers

Number of units	Face Value (₹ in lacs)	Repayment Terms	As at 31 March 2018	As at 31 March 2017
1,000	5	at Par	4,914.41	-
2,000	5	at Par	-	9,890.44
			4,914.41	9,890.44

The above commercial papers carry interest rate ranging from 7.90% p.a. to 8.50% p.a. with maturity in 3 months.(from 7.79% p.a. to 7.80% p.a. with maturity ranging from 1 to 3 months.)

	As at 31 March 2018	As at 31 March 2017
Note: 9		
TRADE PAYABLES		
Due to micro, small and medium enterprises*	-	-
Due to others	348.38	142.95
	348.38	142.95

* The Company has no dues to micro, small and medium enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006, as at 31 March 2018 and 31 March 2017. This information is required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006, and has been determined to the extent such parties have been identified on the basis of information available with the Company and has been relied upon by the auditors.

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(₹ in lacs)

	As at 31 March 2018	As at 31 March 2017
Note: 10		
OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings (refer Note 5)	24,172.85	21,339.29
Interest accrued but not due on borrowings	2,113.06	955.17
Interest accrued and due on borrowings	422.41	-
Advances from customers	757.21	1,281.85
Statutory dues	98.66	67.39
Pending remittance on assignment transactions	1,534.37	1,937.36
Other payables	770.09	526.62
	29,868.65	26,107.68

	As at 31 March 2018	As at 31 March 2017
Note: 11		
SHORT-TERM PROVISIONS		
Provision for employee benefits		
Provision for compensated absences	0.74	0.83
Other provisions		
Contingent Provisions against Standard Assets	30.00	80.00
Provision for taxation (net)	280.00	81.88
	310.74	162.71

Note: 12 (A)**PROPERTY, PLANT AND EQUIPMENT TANGIBLE ASSETS**

Description of assets	Gross block				Depreciation and amortisation				Net block
	As at 01 April 2017	Addi- tions	Dele- tions	As at 31 March 2018	As at 01 April 2017	For the year	Deletions	As at 31 March 2018	As at 31 March 2018
Building	21.46	-	-	21.46	1.38	0.36	-	1.74	19.72
Furniture and fixtures	11.62	1.63	-	13.25	3.51	0.96	-	4.47	8.78
Office equipments	7.23	0.22	-	7.45	2.26	0.98	-	3.24	4.21
Leasehold improvements	17.03	-	-	17.03	2.98	1.94	-	4.92	12.11
Total (A)	57.34	1.85	-	59.19	10.13	4.24	-	14.37	44.82

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE LIMITED

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(₹ in lacs)

Description of assets	Gross block				Depreciation and amortisation				Net block
	As at 01 April 2016	Additions	Deletions	As at 31 March 2017	As at 01 April 2016	For the year	Deletions	As at 31 March 2017	As at 31 March 2017
Building	21.46	-	-	21.46	1.02	0.36	-	1.38	20.08
Furniture and fixtures	11.13	3.21	2.72	11.62	3.47	1.12	1.08	3.51	8.11
Office equipments	8.17	1.25	2.19	7.23	2.07	0.88	0.69	2.26	4.97
Leasehold improvements	12.97	8.42	4.36	17.03	2.15	1.92	1.09	2.98	14.05
Total (A)	53.73	12.88	9.27	57.34	8.71	4.28	2.86	10.13	47.21

Note 12 (B)

INTANGIBLE ASSETS

Description of assets	Gross block				Depreciation and amortisation				Net block
	As at 01 April 2017	Additions	Deletions	As at 31 March 2018	As at 01 April 2017	For the year	Deletions	As at 31 March 2018	As at 31 March 2018
Computer softwares	116.17	4.36	-	120.53	24.00	19.61	-	43.61	76.92
Total (B)	116.17	4.36	-	120.53	24.00	19.61	-	43.61	76.92

Description of assets	Gross block				Depreciation and amortisation				Net block
	As at 01 April 2016	Additions	Deletions	As at 31 March 2017	As at 01 April 2016	For the year	Deletions	As at 31 March 2017	As at 31 March 2017
Computer softwares	79.49	36.68	-	116.17	8.70	15.30	-	24.00	92.17
Total (B)	79.49	36.68	-	116.17	8.70	15.30	-	24.00	92.17

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(₹ in lacs)

	As at 31 March 2018	As at 31 March 2017
Note: 13		
NON-CURRENT INVESTMENTS (Non-trade)		
Others		
In security receipts*	1,047.02	1,225.46
	1,047.02	1,225.46

* valued at lower of net book value or redeemable value.

	As at 31 March 2018	As at 31 March 2017
Note: 14		
LONG-TERM LOANS AND ADVANCES		
Housing and property loans		
Secured*		
considered good**		
Housing loans	71,098.80	75,043.85
Other loans against properties	64,313.16	63,518.11
considered doubtful		
Housing loans	518.57	175.05
Other loans against properties	968.57	185.05
	136,899.10	138,922.06
Others		
Unsecured, considered good		
Capital advances	1.61	0.17
Advance tax and tax deducted at source (net)	118.30	233.63
Loan and advances to related parties (Note 30)	-	3,500.00
Security deposits	22.33	15.41
Loans to staff	1.13	3.85
	143.37	3,753.06
	137,042.47	142,675.12

* Secured by underlying assets financed.

** Housing and property loans includes sub-standard assets of ₹ 6,065.08 lacs (2017: ₹ 6,529.43 lacs) and is net of amounts assigned aggregating to ₹ 34,272.49 lacs as at 31 March 2018 (2017: ₹ 27,441.33 lacs).

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE LIMITED

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(₹ in lacs)

	As at 31 March 2018	As at 31 March 2017
Note: 15		
OTHER NON-CURRENT ASSETS		
Others		
Unamortised borrowing costs	86.46	122.36
Unamortised loan origination costs	633.95	658.35
Gratuity (excess of plan assets over obligation)	18.13	9.46
	738.54	790.17

	As at 31 March 2018	As at 31 March 2017
Note: 16		
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents		
Cash in hand	0.40	0.40
Balances with banks		
In current accounts	889.38	768.47
	889.78	768.87

	As at 31 March 2018	As at 31 March 2017
Note: 17		
SHORT-TERM LOANS AND ADVANCES		
Housing and property loans		
Secured, considered good*		
Housing loans	4,206.00	9,813.46
Other loans against properties	3,543.55	3,305.65
	7,749.55	13,119.11
Others		
Other loans and advances		
Loans to staff	16.45	29.83
Advances recoverable in cash or in kind or for value to be received	275.62	109.21
Balance with Statutory / Government authorities	227.16	158.49
Prepaid expenses	45.59	46.37
	564.82	343.90
	8,314.37	13,463.01

* Secured by underlying assets financed.

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(₹ in lacs)

	As at 31 March 2018	As at 31 March 2017
Note: 18		
OTHER CURRENT ASSETS		
Others		
Accrued interest / financial charges	1,455.87	1,567.28
Unamortised borrowing costs	137.03	126.19
Unamortised loan origination costs	97.99	103.21
Others	0.75	11.41
	1,691.64	1,808.09

	Year ended 31 March 2018	Year ended 31 March 2017
Note: 19		
REVENUE FROM OPERATIONS		
Interest income		
On housing and property loans*	20,303.25	23,445.29
On loans, margins and etc.	398.96	358.94
	20,702.21	23,804.23
Other financial income		
Management fees	734.72	645.32
Collection and support services	47.30	30.35
Foreclosure charges	430.97	357.53
Others	27.20	23.68
	1,240.19	1,056.88
	21,942.40	24,861.11

	Year ended 31 March 2018	Year ended 31 March 2017
Note: 20		
OTHER INCOME		
Bad debts recovered	97.83	78.20
Miscellaneous income	125.01	164.87
	222.84	243.07

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE LIMITED

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(₹ in lacs)

	Year ended 31 March 2018	Year ended 31 March 2017
Note: 21		
EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	3,162.10	2,591.89
Contribution to provident and other funds	138.27	114.21
Staff welfare expenses	75.21	35.88
	3,375.58	2,741.98

	Year ended 31 March 2018	Year ended 31 March 2017
Note: 22		
FINANCE COSTS		
Interest expense		
On debentures	1,162.71	1,213.71
On term loans	6,802.00	8,339.42
On cash credit and working capital facilities	1,908.39	3,479.83
On others	0.06	0.15
Discount on commercial papers	690.51	965.28
Other borrowing costs	326.82	277.25
	10,890.49	14,275.64

	Year ended 31 March 2018	Year ended 31 March 2017
Note: 23		
DEPRECIATION AND AMORTISATION EXPENSE		
Tangible assets	4.24	4.28
Intangible assets	19.61	15.30
	23.85	19.58

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(₹ in lacs)

	Year ended 31 March 2018	Year ended 31 March 2017
Note: 24		
PROVISIONS AND BAD DEBTS WRITTEN-OFF		
Bad debts written-off	459.72	686.91
Gain on sale of non-performing asset [Net of reversal of provision of ₹ Nil (2017: ₹ 722.75 lacs)]	-	180.04
Provision for non-performing assets	1,749.52	398.48
Contingent Provision against Standard Assets	(90.00)	(130.00)
	2,119.24	775.35

	Year ended 31 March 2018	Year ended 31 March 2017
Note: 25		
OTHER EXPENSES*		
Rent	202.53	148.55
Brokerage and commission	279.66	337.61
Rates and taxes	2.08	1.70
Travelling and conveyance	250.69	322.18
Office maintenance	82.29	62.00
Repairs and maintenance		
- machinery	98.90	117.13
- others	0.29	0.19
Payment to directors		
- sitting fees	5.30	3.45
Professional fees	442.66	325.15
Legal charges	77.08	57.15
Outsourced manpower costs	393.74	310.50
Printing and stationery	51.28	42.48
Communication	58.52	69.06
Electricity charges	55.11	43.75
Advertisement and publicity expenses	44.40	34.20
Corporate social responsibility expenditure (Note 38)	6.51	9.66
Loss on sale of fixed assets	-	6.30
Miscellaneous expenses	145.02	202.69
	2,196.06	2,093.75

*includes expenses allocated from related parties (Note 30)

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

Note: 26**Employee benefits****Gratuity benefit plan**

The scheme is funded with LIC. The following tables set out the status of the gratuity plan as required under AS 15 (revised) Employee benefits.

(a) Reconciliation of opening and closing balances of the present value of defined benefit obligation

(₹ in lacs)

	Year ended 31 March 2018	Year ended 31 March 2017
Opening defined benefit obligation	85.53	76.66
Current service cost	23.11	24.12
Interest cost	5.07	5.94
Actuarial losses /(gains)	(5.89)	(18.72)
Benefits paid	(32.10)	(2.47)
Closing defined benefit obligation	75.72	85.53

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

	Year ended 31 March 2018	Year ended 31 March 2017
Opening fair value of the plan assets	94.99	39.83
Actual return on plan assets	6.58	5.11
Contributions by employer	24.38	52.52
Benefits paid	(32.10)	(2.47)
Closing fair value of the plan assets	93.85	94.99

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

	As at 31 March 2018	As at 31 March 2017
Defined benefit obligation	75.72	85.53
Fair value of plan assets	93.85	94.99
Net asset / (liability)	18.13	9.46

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

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

(₹ in lacs)

	Year ended 31 March 2018	Year ended 31 March 2017
Current service cost	23.11	24.12
Interest on defined benefit obligation	5.07	5.94
Net actuarial losses / (gains) recognised	(5.83)	(18.72)
Expected return on plan assets	(6.64)	(5.11)
Net expense included in "Employee benefits expense"	15.71	6.23

(e) Summary of actuarial assumptions

	Year ended 31 March 2018	Year ended 31 March 2017
Discount rate	7.72%	7.29%
Salary escalation rate	5.00%	5.00%
Withdrawal rate	4.20%	4.20%

(f) Discount rate: The discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of the obligations.

(g) Expected rate of return on plan assets: This is based on the expectation of the average long-term rate of return expected on investments of the fund during the estimated term of the obligations.

(h) Salary escalation rate: The estimates of future salary increase has been considered taking into account the inflation, seniority, promotion and other relevant factors.

(i) Amounts for the current year and previous years are as follows:

	Year ended 31 March 2018	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2015	Year ended 31 March 2014
Present value of defined benefit obligation	75.72	85.53	76.66	41.25	16.54
Fair value of plan assets	93.85	94.99	39.83	39.23	36.20
Funded status [surplus/(deficit)]	18.13	9.46	(36.83)	(2.02)	19.66
Experience (gain)/loss adjustment on plan liabilities	(1.14)	(25.37)	5.60	(2.56)	-
Experience gain/(loss) adjustment on plan assets	(0.06)	-	-	(0.27)	-
Experience (gain)/loss adjustment on plan liabilities due to change in assumption	(4.75)	6.65	0.36	7.06	-

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE LIMITED

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

Note 27 Lease transactions in the capacity of Lessee

Lease rental expense under non-cancellable operating lease during the year ended 31 March 2018 and 31 March 2017 amounted to ₹ 29.56 lacs and ₹ 11.02 lacs respectively. Future minimum lease payments under non cancellable operating lease is as below:

	(₹ in lacs)	
	Year ended 31 March 2018	Year ended 31 March 2017
Not later than one year	34.09	18.84
Later than one year but not later than five years	21.12	24.33
Later than five years	-	-

Additionally, the Company uses the office facilities under cancellable operating leases. The rental expense under cancellable operating lease during the year ended 31 March 2018 and 31 March 2017 was ₹ 9.98 lacs and ₹ 10.52 lacs respectively.

28 Segment reporting

The Company is engaged in providing financial services to the customers in India. Considering the nature of risks and rewards of its services and its internal organisation and management structure, the Company has only one reportable business segment i.e. financial services and only one reportable geographical segment i.e. India.

29 Earnings per share (EPS)

Calculation of Earning per share (Basic and diluted) as required by Accounting Standard 20:

	Units	Year ended 31 March 2018	Year ended 31 March 2017
Basic and Diluted			
(a) Weighted average number of Equity shares (Face value of ₹ 10/- per share) for Basic and Diluted EPS	Nos.	148,102,500	148,102,500
(b) Net profit after tax	₹ in Lacs	2,319.99	3,373.94
(c) Earning per share (Face value of ₹ 10/- per share) – Basic and Diluted	₹	1.57	2.28

30 Related party disclosures

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

(a)	Names of the Related parties where control exists	Nature of Relationship
	i. Magma Fincorp Limited	Holding Company (w.e.f 1 April 2017)
		Ultimate Holding Company (upto 31 March 2017)
	ii. Magma Advisory Services Limited	Holding Company (upto 31 March 2017)
	iii. Magma ITL Finance Limited	Fellow Subsidiary Company
	iv. Sanjay Chamria	Chairman
	v. Sachin Khandelwal	Managing Director (upto 12 June 2017)

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

vi. Manish Jaiswal	Managing Director (w.e.f 26 June 2017)
vii. Kailash Baheti	Director
viii. Mamta Binani	Non Executive Director
ix. Ajay Bharat Candade	Non Executive Director

(b) Others - With whom transactions have been taken place during the year

Names of other Related parties	Nature of Relationship
i. CLP Business LLP	Firm in which director is a partner
ii. Gauri Shankar Agarwal	Chief Financial Officer
iii. Priti Saraogi	Company Secretary
iv. Anita Agarwal	Relative of Key Managerial Personnel

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE LIMITED

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

Note:

Significant transactions / balances with related parties

(₹ in lacs)

Name of related party and Nature of relationship		Nature of transaction	Transaction value for the year ended 31 March 2018	Outstanding amount as at 31 March 2018	Transaction value for the year ended 31 March 2017	Outstanding amount as at 31 March 2017
(a)	Holding Company					
(i)	Magma Fincorp Limited	Cost allocation	947.32	-	787.35	-
		Equity share holding	-	14,810.25	-	-
(ii)	Magma Advisory Services Limited	Equity share holding	-	-	-	14,810.25
(b)	Fellow Subsidiary Company					
(i)	Magma ITL Finance Limited	Long-term loans and advances given	-	-	2,500.00	3,500.00
		Interest income	3,500.00	-	2,000.00	-
			398.62	-	357.95	-
(c)	Key management personnel					
(i)	Sachin Khandelwal	Directors' remuneration	224.68	-	124.29	-
(ii)	Manish Jaiswal	Directors' remuneration	95.23	-	-	-
(iii)	Gauri Shankar Agarwal	Salary	106.30	-	98.96	-
		Loan given	33.75	35.27	5.00	4.01
		Repayment of loan received	2.49	-	1.95	-
		Installment Received in advance	0.24	0.24	-	-
		Interest income	0.17	-	0.13	-
(iv)	Priti Saraogi	Salary	9.18	-	8.38	-
(d)	Relatives of Key management personnel					
(i)	Anita Agarwal	Car hire charges paid	1.65	-	6.60	-
(e)	Non executive Directors					
(i)	Mamta Binani	Sitting Fees	4.80	-	3.20	-
(f)	Firm in which director is a partner					
(i)	CLP Business LLP	Security deposit given	6.45	6.45	-	-
		Rent expense	11.42	-	-	-

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

Note 31 Payments to auditors (included in professional fees)

	Year Ended 31 March 2018	Year Ended 31 March 2017
Audit fees	15.00	17.50
Limited review	3.00	4.50
Other services	0.00	1.10
Reimbursement of expenses	1.06	3.74
Total	19.06	26.84

32 Disclosure regarding classification of provisions made and loans pursuant to the Prudential Norms contained in the Housing Finance Companies (NHB) Directions, 2010 as amended.

	As at 31 March 2018				As at 31 March 2017			
	Standard assets	Sub-standard assets	Doubtful assets	Total assets	Standard assets	Sub-standard assets	Doubtful assets	Total assets
Balances outstanding								
Housing loans								
- Individuals	70,351.51	2,618.72	518.57	73,488.80	75,257.57	2,495.33	175.05	77,927.95
- Corporate	1,475.75	858.82	-	2,334.57	6,176.35	928.07	-	7,104.42
Other loans against property	65,269.17	2,587.54	968.57	68,825.28	63,717.72	3,106.03	185.05	67,008.80
Total	137,096.43	6,065.08	1,487.14	144,648.65	145,151.64	6,529.43	360.10	152,041.17
Provisions								
Opening provision	640.00	1,018.25	120.48	1,778.73	770.00	738.24	724.77	2,233.01
Provision made/ (written back) during the year*	(90.00)	1,065.01	684.52	1,659.53	(130.00)	280.01	(604.29)	(454.28)
Closing provision	550.00	2,083.26	805.00	3,438.26	640.00	1,018.25	120.48	1,778.73

* Provision made/ (written back) during the year includes reversal of ₹ Nil (2017: ₹ 722.75 lacs) for sale of NPA (Note 24).

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE LIMITED

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

Note 33 Additional disclosures for the Housing Finance Companies pursuant to NHB circular no. NHB/ND/DRS/ Pol-No. 35/2010-11 dated 11 October 2010:**(a) Capital to Risk Assets Ratio (CRAR)**

(₹ in lacs)

	As at 31 March 2018	As at 31 March 2017
(i) CRAR (%)	28.8	23.2
(ii) CRAR -Tier I Capital (%)	28.3	22.6
(iii) CRAR -Tier II Capital (%)	0.5	0.6
(iv) Amount of subordinated debt raised as Tier- II Capital	-	-
(v) Amount raised by issue of Perpetual Debt Instruments	-	-

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

	As at 31 March 2018	As at 31 March 2017
(i) Direct exposure- (net of provisions for non performing assets)		
1 Residential mortgages		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;		
(a) Housing loans up to ₹ 15 lacs	32,437.23	28,475.66
(b) Housing loans greater than ₹ 15 lacs	40,097.99	46,390.52
(c) Others	55,937.39	53,563.03
Total	128,472.61	128,429.21
2 Commercial real estate*		
"Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	1,369.82	9,384.42
3 Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
(a) Residential,	-	-
(b) Commercial real estate	1,047.02	1,225.46
(ii) Indirect Exposure		
1 Fund based exposures		
(a) on National Housing Bank (NHB)	-	-
(b) on Housing Finance Companies (HFCs)	-	-
2 Non-fund based exposures		
(a) on National Housing Bank (NHB)	-	-
(b) on Housing Finance Companies (HFCs)	-	-
* Commercial Real estate - Residential housing		

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

Note 34 Disclosure required in terms of the Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 of NHB as on 9th February 2017.**(a) Investments**

(₹ in lacs)

Particulars	As at 31 March 2018	As at 31 March 2017
1 Value of Investments		
(i) Gross Value of Investments		
(a) In India	1,047.02	1,225.46
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	1,047.02	1,225.46
(b) Outside India	-	-
2 Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off / write-back of excess provisions during the year	-	-
(iv) Closing balance	-	-

(b) Derivatives

The Company does not have any exposure to derivatives as at 31 March 2018 and 31 March 2017 including forward rate agreement / interest rate swap, exchange traded interest rate (IR) derivatives.

(c) Disclosures relating to securitisation

The Company does not have any assets securitised to SPV as at 31 March 2018 and 31 March 2017.

(d) Details of Financial Assets sold to Securitisation / Reconstruction Companies

Particulars	As at 31 March 2018	As at 31 March 2017
(i) No of Accounts	-	291.00
(ii) Aggregate value (net of provisions) of accounts sold to SC / RC	-	2,502.67
(iii) Aggregate consideration	-	2,682.71
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain / (loss) over net book value	-	180.04

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(e) Details of the net book value of investments in security receipts:

(₹ in lacs)

Particulars	As at 31 March 2018	As at 31 March 2017
(i) Backed by NPAs sold by the Company as underlying	-	1,225.46
(ii) Backed by NPAs sold by other banks/ financial institutions/ non-banking financial companies as underlying	-	-

(f) Details of Assignment transactions undertaken by HFCs

Particulars	As at 31 March 2018	As at 31 March 2017
(i) No of Accounts	1,627	1,002
(ii) Aggregate value (net of provisions) of accounts assigned	18,116.38	20,095.21
(iii) Aggregate Consideration	18,116.38	20,095.21
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain / loss over net book value	-	-

(g) Details of non-performing financial assets purchased:

The Company did not purchase any non-performing financial assets during the year ended 31 March 2018 and 31 March 2017.

(h) Details of Non-performing Financial Assets sold:

The Company did not sell any non-performing financial assets to other than securitisation/reconstruction company during the year ended 31 March 2018 and 31 March 2017.

(i) Exposure to capital market

The Company does not have any exposure to capital market as at the financial year ended 31 March 2018 and 31 March 2017.

(j) Details of financing of parent company products

The Company has not financed any products of parent company in the financial year ended 31 March 2018 and 31 March 2017.

(k) Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the HFC

The Company has not exceeded the prudential exposure limits during the financial year ended 31 March 2018 and 31 March 2017.

(l) Unsecured advances

The Company has not given any advances against intangible securities such as charge over the rights, licenses, authority, etc. in the financial year ended 31 March 2018 and 31 March 2017.

(m) Registration obtained from other financial sector regulators

The Company has not obtained any registration from other financial sector regulators other than NHB.

(n) Disclosure of Penalties imposed by NHB and other regulators

No penalties has been imposed by NHB and other regulators on the Company.

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(o) Details of ratings assigned by credit rating agencies and migration of ratings during the year

Facilities	Date of rating assigned*	Rating assigned	Previous Rating assigned
(i) Long term bank facilities	3-Jul-17	CARE AA-	CARE AA-
	19-Jul-17	ICRA AA-	ICRA AA-
(ii) Secured NCD	3-Jul-17	CARE AA-	CARE AA-
	19-Jul-17	ICRA AA-	ICRA AA-
(iii) Commercial papers	20-Feb-18	CRISIL A1+	CRISIL A1+

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

(p) Remuneration of Directors

(₹ in lacs)

Name of the non-executive directors	Nature of transaction	Year ended 31 March 2018	Year ended 31 March 2017
(i) Mamta Binani	Director sitting fee	4.80	3.20

(q) Provisions and contingencies

Break up of 'Provisions and contingencies' shown under the head expenditure in profit and loss Account	Year ended 31 March 2018	Year ended 31 March 2017
Under "Employee Benefit Expenses"		
(i) Provision for compensated absences	30.05	33.14
Under "Provisions and bad debts written-off"		
(ii) Provision towards non-performing assets (NPAs)	1,749.52	398.48
(iii) Provision for standard assets	(90.00)	(130.00)
Under "Tax expenses"		
(iv) Provision made towards Income tax(includes deferred tax)	1,240.03	1,823.94

(r) Provisions and contingencies

Break up of Loan and Advances and Provisions thereon	As at 31 March 2018		As at 31 March 2017	
	Housing	Non Housing	Housing	Non Housing
Standard Assets				
(i) Total outstanding amount	71,827.26	65,269.17	81,433.92	63,717.72
(ii) Provision made	290.00	260.00	390.00	250.00
Sub-Standard Assets				
(i) Total outstanding amount	3,477.54	2,587.54	3,423.40	3,106.03
(ii) Provision made	1,505.01	578.25	553.15	465.10
Doubtful Assets-Category-I				
(i) Total outstanding amount	472.57	891.47	161.65	103.71
(ii) Provision made	254.49	473.59	56.66	25.93

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE LIMITED

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

Doubtful Assets-Category-II

(i) Total outstanding amount	46.00	77.10	13.40	81.34
(ii) Provision made	18.40	58.52	5.36	32.53

Doubtful Assets-Category-III

(i) Total outstanding amount	-	-	-	-
(ii) Provision made	-	-	-	-

Loss Asset

(i) Total outstanding amount	-	-	-	-
(ii) Provision made	-	-	-	-

Total

(i) Total outstanding amount	75,823.37	68,825.28	85,032.37	67,008.80
(ii) Provision made	2,067.90	1,370.36	1,005.17	773.56

(s) Concentration of Public Deposits, Advances, Exposures and NPAs.**(i) Concentration of Public Deposits (for Public Deposit taking/holding HFCs)**

The Company has not taken any public deposits during the financial year ended 31 March 2018 and 31 March 2017.

(ii) Concentration of Loans and Advances

(₹ in lacs)

Particulars	As at 31 March 2018	As at 31 March 2017
Total Loans and Advances to twenty largest borrowers	5,493.76	9,651.89
Percentage of Loans and Advances to twenty largest borrowers to Total Advances of the HFC	3.80%	6.35%

(iii) Concentration of all Exposures (including off-balance sheet exposure)

Particulars	As at 31 March 2018	As at 31 March 2017
Total Exposure to twenty largest borrowers / customers	5,493.76	9,651.89
Percentage of Exposures to twenty largest borrowers / customers to total Exposure of the HFC on borrowers / customers	3.80%	6.35%

(iv) Concentration of NPAs

Particulars	As at 31 March 2018	As at 31 March 2017
Total Exposure to top ten NPA accounts	1,622.60	1,871.13

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(v) Sector-wise NPAs*% of NPAs to Total Advances in that sector*

(₹ in lacs)

Sector	As at 31 March 2018	As at 31 March 2017
(A) Housing Loan		
1 Individuals	4.27%	3.59%
2 Builders/Project Loans	48.04%	2.93%
3 Corporates	0.00%	56.12%
4 Others (specify)	-	-
(B) Non-Housing Loan		
1 Individuals	5.21%	4.88%
2 Builders/Project Loans	-	-
3 Corporates	4.21%	5.34%
4 Others (specify)	-	-

(t) Movement of NPAs

Sl. No.	Particulars	Year ended 31 March 2018	Year ended 31 March 2017
i)	Net NPAs to Net Advances (%)	3.29%	3.81%
	Movement of NPAs (Gross)		
	a) Opening balance	6,889.53	6,954.15
ii)	b) Additions during the year	5,112.66	5,355.66
	c) Reductions during the year	4,449.98	5,420.28
	d) Closing balance	7,552.21	6,889.53
	Movement of Net NPAs		
	a) Opening balance	5,750.80	5,491.14
iii)	b) Additions during the year	3,379.22	4,554.82
	c) Reductions during the year	4,466.06	4,295.16
	d) Closing balance	4,663.96	5,750.80
	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a) Opening balance	1,138.73	1,463.01
iv)	b) Provisions made during the year	1,733.44	800.84
	c) Write-off / (write-back) of excess provisions	(16.08)	1,125.12
	d) Closing balance	2,888.25	1,138.73

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(u) Customer Complaints

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
No. of complaints pending at the beginning of the year	1	3
No. of complaints received during the year	14	9
No. of complaints redressed during the year	15	11
No. of complaints pending at the end of the year	-	1

Note: 35**Asset Liability Management:****Maturity pattern of certain items of assets and liabilities as at 31 March 2018**

(₹ in crores)

	Upto 30/31 days (1 month)	Over 1 Months 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 Year to 7 Year	Over 7 Year to 10 Year	Over 10 Years	Total
Liabilities											
Borrowings from banks *	2.99	5.59	50.70	64.03	121.48	330.02	111.90	71.95	77.89	111.84	948.40
Market borrowings **	40.00	-	49.14	-	-	35.00	30.00	-	-	-	154.14
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-
Assets											
Advances	33.27	6.37	6.05	18.69	35.68	151.97	197.73	210.31	335.79	482.02	1,477.88
Investments	-	-	-	-	-	-	10.47	-	-	-	10.47
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-

* Includes Cash credit facilities and working capital demand loans from banks which are usually for a period of 1 year. As per the prevalent practice, these facilities are renewed on a year to year basis and therefore, are revolving in nature. Accordingly, repayments of cash credit facilities and working capital demand loans from banks aggregating ₹ 337.15 crores has been distributed over the same period as the maturity pattern of housing and property loans financed.

** Includes secured redeemable non-convertible debentures.

Disclosure required in terms of the Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 of NHB as on 9th February 2017.

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE LIMITED

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

Note: 36

Additional disclosures for the Housing Finance Companies pursuant to NHB circular no. NHB(ND)/ DRS/Pol. Circular.61/ 2013-14 dated April 7, 2014:

(₹ in lacs)

Particular		As at 31 March 2018	As at 31 March 2017	
Balance at the beginning of the year				
a)	Statutory reserve u/s 29C of the National Housing Bank Act ("NHB Act"), 1987	1,144.27	311.37	
b)	Amount of Special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory reserve u/s 29C of the NHB Act, 1987	2,095.73	2,248.63	
Total		3,240.00	2,560.00	
Additions/Appropriation/Withdrawal during the year				
Add:	a)	Amount transferred u/s 29C of the NHB Act, 1987	103.36	832.90
	b)	Amount of Special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory reserve u/s 29C of the NHB Act, 1987*	366.64	(152.90)
Less:	a)	Amount appropriated from the Statutory reserve u/s 29C of the NHB Act, 1987	-	-
	b)	Amount withdrawn from the Special reserve u/s 36(1)(viii) Income Tax Act, 1961 which has been taken into account for the purpose of provision u/s 29C of the NHB Act, 1987	-	-
Balance at the end of the year				
	a)	Statutory reserve u/s 29C of the NHB Act, 1987	1,247.63	1,144.27
	b)	Amount of Special reserve u/s 36(1)(vii) of Income Tax Act, 1961 taken into account for the purposes of Statutory reserve u/s 29C of the NHB Act, 1987	2,462.37	2,095.73
Total		3,710.00	3,240.00	

* Amount is net of reversal of statutory reserve not claimed u/s 36(1)(viii) of Income Tax Act, 1961 in previous year.

37

Contingent liabilities and commitments (to the extent not provided for)**(a) Contingent liabilities**

		As at 31 March 2018	As at 31 March 2017
Claims against the Company not acknowledged as debt			
(i)	Service tax matters under dispute	40.36	40.36

(b) Commitments

		As at 31 March 2018	As at 31 March 2017
(i)	Estimated amount of contracts remaining to be executed on capital account and not provided for	0.75	0.17
(ii)	Undisbursed housing / other loans	1,257.86	3,747.15

Notes to the financial statements (continued)**MAGMA HOUSING FINANCE LIMITED**

[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(c) The Company has a process whereby periodically all long-term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision required under any law/accounting standard/NHB regulation for material foreseeable losses on such long term contracts has been made in the books of account.

The Company 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. Refer note 37(a) for further details.

Note: 38**Corporate Social Responsibility**

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.

- Gross amount required to be spent by the company during the year is ₹ 69.21 lacs.
- Amount spent during the year on CSR activities is ₹ 6.51 lacs.

(₹ in lacs)

SI . No.	Particulars	In Cash	Yet to be paid in Cash	Total
(i)	Construction/ acquisition of any asset	-	-	-
(ii)	On purposes other than (i) above	6.51	-	6.51

39 Disclosures relating to fraud

During the year ended 31 March 2018, 4 cases (2017: 6 cases) of frauds have been detected and reported. The un-recovered amount aggregating to ₹ 132.40 lacs (2017: ₹ 119.01 lacs) have been fully provided for / written-off.

40 Additional notes

- The Company has made no imports of any kind and therefore, C.I.F. value of imports of goods are ₹ Nil (2017: ₹ Nil).
- The Company has not earned any income in foreign currency (2017: ₹ Nil).
- The Company has not incurred any expenditure (2017: ₹ Nil).

41 Previous year's figures have been regrouped/ rearranged wherever necessary, to conform to current year's presentation.

This is the summary of significant accounting policies and other explanatory information referred to in our report of event date

For and on behalf of the Board of Directors

For **Walker Chandio & Co. LLP**
Chartered Accountants

Manish Jaiswal
Managing Director & Chief Executive Officer

Sanjay Chamria
Chairman

Manish Gujral
Partner
Mumbai, 30 April 2018

Gauri Shankar Agarwal
Chief Financial Officer

Priti Saraogi
Company Secretary
Mumbai, 30 April 2018

