



MAGMA HOUSING FINANCE

ANNUAL REPORT 2016-17

MAGMA HOUSING FINANCE LIMITED



*Own the House
that you always wanted to!*

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
Managing Director & Chief Executive Officer

Ms. Mamta Binani
Non-Executive Independent Director

Mr. Ajay Bharat Candade
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
- Corporation Bank
- Syndicate Bank
- Bank of Maharashtra
- State Bank of India
- Bank of Baroda
- ICICI Bank Ltd
- Vijaya Bank
- Bank of India

STATUTORY AUDITORS

B S R & Co. LLP

Chartered Accountants
Firm Registration No.: 10124W / W-100022
Maruthi Info – Tech Centre, 11-12 / 1 Inner Ring Road
Koramangala, Bangalore – 560071

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, IInd Floor,
Okhla Industrial Area, Phasell,
New Delhi - 110 020

Board's Report & Management and Discussion Analysis Report

Dear Shareholders,

Your Directors have pleasure in presenting the 13th (Thirteenth) Annual Report on the Audited Financial Statements of the Company for the year ended 31 March, 2017. The summarized financial results are given below:-

FINANCIAL HIGHLIGHTS

The financial performance of your Company:

	(₹ in Lacs)	
Particulars	2016-17	2015-16
Total Income	25104.18	24,242.48
Finance Cost	14275.64	14,195.83
Operating Expenses	5611.08	6,501.09
Depreciation	19.58	12.10
Total Expenses	19906.30	20,709.02
Profit / (Loss) before Tax	5197.88	3,533.46
Provision for Taxation	1797.14	1,267.90
Deferred Tax	26.80	(14.99)
Profit / (Loss) after Tax	3373.94	2,280.55
Balance Brought Forward from previous year	6757.63	5,377.08
Balance Available for Appropriation	10131.57	7,657.63
Transfer to Statutory Reserve	680.00	900.00
Balance carried to Balance Sheet	9451.57	6,757.63

INDUSTRY STRUCTURE AND DEVELOPMENTS

Economic overview

Demonetization and passage of Goods and Services Tax (GST) Bill are the two landmark events for Fiscal FY16-17. Demonetization had a short term negative impact on overall economy including the real estate and mortgage financing sector. However, improvement in availability of the currency, economy has largely reverted back to the normal. Implementation of GST in Fiscal FY17-18, though expected to be significant long term structural positive measure, however could impact the economy especially the informal segment negatively in short term.

Though the GDP growth for FY16-17 slowed down to 7.1%, as per Reserve Bank of India (RBI), Indian economy growth is expected to improve to 7.2% in FY17-18. Expectation of benign inflation trajectory, lower interest rate environment and forecast of normal monsoons would be key drivers for the growth in FY18. Fiscal consolidation, improvement in current account deficit also augurs wells for a better economy in coming years.

Industry overview

The total housing credit outstanding in India as on September 30, 2016 was around ₹ 13.3 trillion compared with ₹ 12.4 trillion as on March 31, 2016, indicating a y-o-y growth of 18% (19% in FY2016). However, following the Government of India's (GoI) demonetisation of high denomination currency in November 2016, the growth in home loans in FY2017 is likely to be lower at 16-18% from earlier industry expectations of 18-20%. The growth could be impacted with buyers and investors deferring their home purchase decisions in expectation of a decline in real estate prices. The same is compounded

due to the onset of the regulatory guidelines of RERA to be rolled out in the states gradually within end of Q1 and early Q2. Demand from the self-employed segment is likely to be subdued as a sizeable share of their businesses is dependent on cash transactions; the shortage in currency following demonetisation is thus likely to have affected their business volumes considerably and for some segments it is taking a little time to claw back. However, as witnessed from mid of Q1, the demand and transaction closures for the completed or ready for possession stage projects is on the increase now. The extent of bounce back in the borrower businesses and income levels would be the key determinant for the near to medium term demand from the self-employed segment. Further, the recent rate cuts by most of HFCs and Banks could lead to increased competition and balance transfers, especially in the prime salaried segment.

With very strong focus and initiatives by the Government, the affordable housing segment is likely to continue to grow at a faster pace than industry with efforts being made to address the supply, demand and affordability issues. The Union Budget for FY2018 maintained its focus on the agenda 'Housing for All' by 2022 with 39% higher allocations vis-a-vis FY2017 under the Pradhan Mantri Awas Yojana (PMAY). The Government has set an ambitious target to construct as many as 12 lakh houses under PMAY (Urban) in 2017-18, although only 1.49 lakh houses were built under the scheme in 2016-17. According to a senior government official, under PMAY (Urban), the Centre targets construction of 26 lakh houses in 2018-19, 26 lakh in 2019-20, 30 lakh in 2020-21 and 29.80 lakh in 2021-22. Further, infrastructure status accorded to affordable housing projects is likely to help in participation of wider investor community and will improve the access to funding avenues like insurance and pension funds and likely to boost the supply. The extension of the Credit Linked Subsidy scheme to loans of value upto ₹ 1.2 million is also likely to expand the eligible borrower base and also improve affordability of the borrowers owing to lower equated monthly installments (EMIs) and hence debt burden ratios. This has also led to a likely improvement in not just unorganized, but also organized and large builders getting into Affordable Housing projects, as one has seen already in the first quarter of this fiscal.

There has been continuous increase in the number of new entrants in the housing finance market, including HFCs promoted by existing NBFCs, new companies started by entrepreneurs and supported by private equity players. This is going to increase competition in the industry especially in the prime home loan and to some extent in loan against property segment, which may see increase due to possible reduction in unsecured lending by some larger banks. High competitive intensity, sizeable sourcing through direct sales agents, nil prepayment penalties are encouraging balance transfers with borrowers moving to lower interest rate loans.

OVERVIEW OF COMPANY'S PERFORMANCE

Magma Housing Finance Limited is the housing-finance arm of the Magma Group in India. It was incorporated on 21 April, 2004 in Delhi to carry on the business of housing finance. The Company was then registered as GE Money Housing Finance, a non-deposit taking housing finance company with the National Housing Bank (NHB) in October 2004 and commenced business operations in November 2004. The Company was acquired by Magma Group from GE Group on 11 February, 2013.

During the year under review, the Company has recorded an operating Profit before Tax of ₹ 5,197.88 lacs and Profit after Tax of ₹ 3,373.94 lacs respectively as against ₹ 3,533.46 lacs and ₹ 2,280.55 lacs in previous financial year, reflecting a growth in operating profit by 147% and a growth in Profit after Tax by 148 % over the previous year.

During the year under review, the company has disbursed Home Loan amounting to ₹ 16,744.00 lacs, Loan against Properties amounting to ₹ 22,109.70 lacs and Construction Finance Loan amounting to ₹ 8,685.33 lacs.

CONVERSION AND CONSEQUENT CHANGE OF NAME

Your Directors are pleased to inform that the Company has been converted into a Company limited by shares vide Certificate of Incorporation dated 19 December, 2016 pursuant to Section 18 of the Companies Act, 2013 read with rules thereunder obtained from the Registrar of Companies, Delhi (RoC). Consequently, the name of the Company has been changed to Magma Housing Finance Limited w.e.f. 07 April, 2017.

OPPORTUNITIES, CHALLENGES AND OUTLOOK

Opportunities

- Focus on affordable housing projects to source HL business for the non salaried segment buying for captive and self consumption use
- Actively participate in PMAY and offer home loans to build small ticket book
- Expand our reach to smaller towns and Taluka's thru HFC team's expanded presence and channels
- Target similar profitability as other HFC's in this segment
- Weed out NPA's through concentrated effort of business and collection team
- Improved Roll Backward in 90+; Reduce Roll Forward in all buckets to see a smaller NPA pool going ahead.
- Sharper & Focused Product screens to improve local decision making and improved end to end TAT
- Extensive use of technology through 100% adoption of Tablets for both Sales and Collections to empower business team for quick decision making

Challenges

- Entry of most players in the ₹ 10-25 lacs segment in smaller locations and informal customer segment, besides some larger and smaller ticket focused players also having dedicated teams to focus on this segment
- Team attrition due to our slowdown and growth in this segment by other players
- Aggressive pricing by larger players and Banks in ₹ 10-25 lacs loan segment for both Homeloans and LAP

Outlook

- PMAY – Interest subsidy for large middle income group will boost home loans demand
- Launch of more than 800 affordable housing projects will have positive impact especially to our targeted ATS, locations and customer segment
- Organised developers entering this segment will provide the required boost to this segment, besides the continued growth of unorganized supply
- Launch of RERA to support customers and create common guidelines for builder community will settle down to finally stimulate the demand within the next 2 quarters
- Launch of large number of housing finance companies creating more availability of local and quick access to funding leading to more competition

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

There has been no change in the nature of business of the Company during the financial year 2016-17.

LOAN BOOK

As at 31 March 2017, the loan book stood at ₹ 1,52,041.17 lacs as against ₹ 1,79,920.19 lacs in the previous year.

DISBURSEMENTS

The Company has done business of around ₹ 47,539 lacs during the year as against ₹ 87,428 lacs in the previous year. Your Company continued to focus mainly on the retail segment which contributed ₹ 38,854 lacs to 3,857 customers, as against 4,158 customers last year. The average ticket size has been reduced consciously to focus on smaller ticket loans in non metros and rural markets, from around ₹ 21 lacs in FY 16 to ₹ 13 lacs in FY 17.

HOLDING COMPANY

Your Company continues to be the Wholly Owned Subsidiary of Magma Advisory Services Limited ("MASL").

The entire paid up capital of MASL is held by Magma Fincorp Limited ("MFL"), thus making MASL a wholly owned subsidiary of MFL. Therefore, your Company continues to be a step down subsidiary of MFL.

DETAILS OF SUBSIDIARY / ASSOCIATES / JOINT-VENTURE COMPANY

Your Company has no Subsidiary / Associates / Joint-Venture Company as at 31 March, 2017.

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, 2017. 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 3 May 2017, has transferred ₹ 680.00 lacs to Statutory Reserve. An amount of ₹ 900.00 lacs is proposed to be retained in the Statement of Profit and Loss for the financial year 2016-17.

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 ₹ 20,000 lacs from banks during the financial year 2016-17 as compared to ₹ 32,500 lacs during the previous year. The aggregate of term loans outstanding at the end of the financial year 2016-17 stood at ₹ 82,344 lacs as against ₹ 79,202 lacs as at the end of the previous year.

B. Short Term Loans and Commercial Paper

During the year 2016-17, your Company has raised resources by issuing Commercial Paper (CP) and also availed short term borrowings from the banks and the outstanding amount as on 31 March, 2017 is ₹ 9,890 lacs towards CP & ₹ 23,383 lacs towards Working capital.

C. Non Convertible Debentures

Your Company has outstanding balance of ₹ 10,500 lacs through issue of Secured Redeemable Non Convertible Debentures (NCDs) on Private Placement basis as on 31 March 2017. The Non Convertible Debentures of your Company continue to remain listed on BSE Ltd. and the Company has paid the Listing fees as payable to BSE Ltd. for the financial year 2016-17 on time.

D. Sale / Assignment of Standard Assets

During the year, the Company has sold / assigned Standard Assets Pool comprising of Loan against Property aggregating to ₹ 22,328 lacs in compliance with the guidelines issued by the Reserve Bank of India on Transfer of Assets through Direct Assignment of Cash Flows and the Underlying Securities. The Company will, however, continue to collect all the payments on these loans including the interest and principal payments on behalf of the acquirer of the loans and remit the same on pari-passu basis as per the terms of the individual agreements.

E. Sale / Assignment of Non Performing Assets

During the year, the Company has sold / assigned Non Performing Assets pool to Asset Reconstruction Companies comprising of Home Loan and Loan against Property aggregating to ₹ 3,230 lacs in compliance with the guidelines issued by the Reserve Bank of India on Sale / purchase of Non-Performing Assets.

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 TRUSTEES

Name:	Catalyst Trusteeship Limited (Formerly GDA Trusteeship Limited)
Phone No.:	+91 22 4922 0555; Fax: +91 22 4922 0505
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:	dt@ctltrustee.com
Website:	www.catalysttrustee.com
Contact person:	Mr Umesh Salvi

CREDIT RATING

Your Company had received rating from CARE, CRISIL & ICRA for its various borrowing programmes as follows:

- For Commercial Paper / short term loan programmes of ₹ 70,000 lacs as [CRISIL] "[A1+]" (Pronounced as CRISIL [A One Plus]).
- For Fund Based Long Term Loan Programme of ₹ 1,11,700 lacs as [CARE] "[AA-]" (Pronounced as CARE [Double A Minus]).
- For Fund Based Long Term Loan Programme of ₹ 57,500 lacs as [ICRA] "[AA-]" (Pronounced as ICRA [Double A Minus]).
- For Non Convertible Debentures Borrowing Programme of ₹ 24,500 lacs [CARE] "[AA-]" (Pronounced as CARE [Double A Minus]).
- For Non Convertible Debentures Borrowing Programme of ₹ 5,000 lacs [ICRA] "[AA]" (Pronounced as ICRA [Double A]).

BRANCH EXPANSION

During the year under review, your company operated from 97 offices, comprising of 95 full service branches & 2 customer service representative offices, however company is sourcing Loan Business from 126 locations out of these 97 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 23.19% as at 31 March 2017, 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 20.15% 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 Act in case of defaulting borrowers. During the year, your Company initiated action against 723 defaulting borrowers under the SARFAESI Act and recovered ₹ 1,235.80 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 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 0.40% on Individual Home Loans, 1% on Individual NRP Loans, 0.75% on Developer Loans for residential projects and 1% on Developer loans for commercial projects.

Accordingly, your Company carries a provision of ₹ 640 lacs towards Standard Loan Assets comprising Individual Home Loans and Developer Loans.

The amount of Gross Non-Performing Assets (GNPA) as on 31 March, 2017 is ₹ 6,889.53 lacs, which is equivalent to 4.53%

of the loan portfolio of the Company. The total cumulative provision towards Gross Non Performing Assets as on 31 March, 2017 is ₹ 1,138.73 lacs. During the year, the Company has written off ₹ 686.91 lacs 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 following the various Circulars, Notifications and Guidelines issued by National Housing Bank (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 approved by the Board of Directors of the Company.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

There is no change in the composition of the Board of Directors during the year under review.

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Mayank Poddar (DIN 00009409), retires at the ensuing AGM, and being eligible offers himself for re-appointment.

The brief resume / details relating to Director who is to be re-appointed is furnished in the Notice of the ensuing AGM. The Board of Directors of your Company recommends the re-appointment of the 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 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 2017-18.

BOARD MEETINGS

During the financial year 2016-17, the Company has held four (4) Board Meetings, i.e. on 6 May 2016, 26 July 2016, 25 October 2016 and 31 January 2017. 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 2016-17, the Board had also decided some of the matters by way of resolutions passed by circulation considering the business exigencies or urgency of matters. There were 5 resolutions that were passed by means of circular resolutions.

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:

SI. No.	Name of the Directors	Number of meetings attended during the year 2016-17
1.	Mr. Sanjay Chamria	4 / 4
2.	Mr. Mayank Poddar	3 / 4
3.	Mr. Kailash Baheti	4 / 4
4.	Mr. Sachin Khandelwal	4 / 4
5.	Ms. Mamta Binani	4 / 4
6.	Mr. Ajay Bharat Candade	4 / 4

SEPARATE MEETING OF INDEPENDENT DIRECTORS

A separate meeting of the Independent Directors (IDs) was held on 31 January 2017, 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 Board of Directors ("Board") has carried out an annual evaluation of its own performance, and that of its 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 31 January, 2017 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. This was followed by a Board meeting that discussed the performance of the Board, its Committees and individual Directors taking into consideration of the evaluation done by the NRC and the Independent Directors.

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. It was reported that the performance evaluation of the Board, Committee etc. was 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 Non-executive Independent Directors were paid sitting fees of ₹ 20,000/- per meeting of the Board and ₹ 15,000/- per meeting of Audit Committee and Nomination and Remuneration Committee till 6 May, 2016. Thereafter the sitting fees was revised to ₹ 40,000/- per meeting of the Board and ₹ 30,000/- per meeting of Audit Committee and Nomination and Remuneration Committee for the year 2016-17. 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 A 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 A 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 2017, four (4) Audit Committee Meetings were held on 6 May 2016, 26 July 2016, 25 October 2016 and 31 January 2017. 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 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 2016-17
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	4 / 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.

Terms of Reference of the Committee, inter alia, includes the following:

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. Formulate criteria for:
 - a. determining qualifications, positive attributes and independence of a director;
 - b. evaluation of Independent Directors and the Board

3. 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.
4. Determining processes for evaluating the skill, knowledge, experience, effectiveness and performance of individual directors as well as the Board as a whole.
5. Recommending Budget for Board related expenses.
6. 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.
7. Based on the Policy as aforesaid, determine remuneration packages for the following:
 - a. Recommend remuneration package of the Directors of the Company, including 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.
 - c. Approve remuneration packages and service contract terms of Senior Management (all the Direct Reportees to the Managing Director) including the structure, design and target setting for short and long term incentives / bonus.
 - d. Approve framework and broad policy in respect of all Employees for increments
8. Contracting Professional help to advise the Committee on matters relating to the terms of reference of the Committee requiring independent input from outside experts.
9.
 - a. Recommend & Review succession plans for Managing Directors.
 - b. Review and approve succession plans for Senior Management (all the Direct Reportees to the Managing Director).
10. Conduct annual review of the Committee's performance and effectiveness at the Board level.
11. Powers as may be delegated by the Board of Directors from time to time subject to the provisions of the Memorandum of Association & Articles of Association of the Company, the Companies Act, 2013 and other applicable laws.

Composition and Attendance

During the financial year ended 31 March 2017, two (2) NRC Meetings were held on 6 May 2016 and 31 January 2017. Following table sets out the composition of the NRC 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 2016-17
1.	Mr. Kailash Baheti	Chairman, Non-executive	2 / 2
2.	Ms. Mamta Binani	Independent, Non- Executive	2 / 2
3.	Mr. Ajay Bharat Candade	Independent, Non- Executive	2 / 2

REMUNERATION POLICY

The Board has, on the recommendation of the Nomination & Remuneration Committee adopted the Remuneration Policy, 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 2017, the Corporate Social Responsibility (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. Sachin Khandelwal, Managing Director & Chief Executive Officer. During the year, one (1) meeting of the CSR Committee was held on 26 September 2016.

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 has been posted 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 B 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.

The Company has 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.

ASSET LIABILITY MANAGEMENT COMMITTEE

The Company has 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.

VIGIL MECHANISM

The Company has adopted the “Breach of Integrity and Whistle Blower (Vigil Mechanism) Policy” as has been approved and 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.

The Policy on Related Party Transactions has been posted 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, 29, 31 and 33(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 is annexed as "Annexure C".

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, 2017 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.

STATUTORY AUDITORS

M/s. B S R & Co. LLP, Chartered Accountants, Statutory Auditors of the Company bearing registration number - 101248W / W-100022, had been appointed for a period of 3 years from the conclusion of the 10th AGM (for FY 2013-14) till the conclusion of the 13th AGM (for FY 2016-17). Accordingly, the term of M/s. B S R & Co. LLP, Chartered Accountants, Statutory Auditor is expiring at the ensuing Annual General Meeting of the Company, therefore there is a need to appoint new Statutory Auditor in place of M/s. B S R & Co. LLP, Chartered Accountants.

Based on the recommendation of the Audit Committee, the Board of Directors, at their meeting held on 3 May 2017, have appointed M/s. Walker Chandiook & Co LLP, Chartered Accountants having Firm's Registration No.: 001076N/N500013, as the Statutory Auditors of the Company, subject to the approval by the Members of the Company in the Company's ensuing annual general meeting. M/s. Walker Chandiook & Co LLP shall hold office for the first term of five years, from the conclusion of the 13th Annual General Meeting until the conclusion of the 18th Annual General Meeting of the Company, subject to ratification of their appointment by the Members at every subsequent Annual General Meeting, if required. The proposal for their appointment as Statutory Auditors of the Company is included in the Notice of the ensuing annual general meeting for approval of the Members of the Company. M/s. Walker Chandiook & Co LLP has furnished written consent and a confirmation to the effect that they are not disqualified to be appointed as the Statutory Auditors of the Company in terms of the provisions of Companies Act, 2013 and rules framed thereunder.

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 2016-17.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the 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 2016-17. The Report of the Secretarial Auditor for the financial year ended 31 March 2017 is annexed herewith as "Annexure D".

Secretarial Auditors' Observations

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark or disclaimer in FY 2016-17.

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. 98 employees underwent different training programmes.

Your Company's staff strength as at 31 March, 2017 was 286 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: 3 May, 2017

Sanjay Chamria
Chairman
(DIN: 00009894)

Annexure A to Board's Report

A. 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, 2017 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 ₹)	Particulars of last employment, last post, employer
Sachin Khandelwal	50	BE – Mechanical / MMS (Marketing) – Sydenham Institute of Management	Managing Director & Chief Executive Officer (Exe. Vice President)	11-Feb-13	25	12,428,700	MD & CEO – Home Finance / ICICI Home Finance
Gauri Shankar Agarwal	49	B.Com(Hons), Associate Chartered Accountant	Chief Financial Officer - (Senior Vice President)	01-Jul-14	25	9,895,729	SVP & Head - Resource Mobilisation, SREI Infrastructure Finance Limited
Sunil Gupta	47	B.Com(Hons) Associate Chartered Accountant	National Credit Head (Senior Vice President)	01-Oct-14	24	8,505,646	National Credit Manager – Housing & SME (Executive Vice President) / Religare Private Ltd
Ajay Veer Singh	46	BA , MBA (Marketing & Sales)	Zonal Sales Mgr (Associate Vice President)	01-June-13	20	5,386,841	Zonal Head Mortgage Business - VP- India Infoline
Ramachandran Venkata Krishnan Ayalur	46	B Tech Electronics (MBA Marketing)	Zonal Sales Mgr(Associate Vice President)	01-Jun-13	25	5,155,267	National Sales Mng Consumer Loan - ING Vysya
Nishant R Karkala	39	B Com	Zonal Credit Mgr (Associate Vice President)	15-Nov-14	19	3,987,601	RCM India Infoline
Amit Kumar Khan	41	B Com (Honours)	NH - Con Fin & Cross Sell (Associate Vice President)	01-Jun-13	21	3,510,090	RSM - DHFL
Mahesh Adhikari	49	B Com (Honours), MBA	Zonal Credit Mgr (Associate Vice President)	1-Sep-14	22	3,246,271	Branch Head Tata Capital Housing Finance
Ranodeb Dutta	40	BSC (Honours) MBA	Zonal Sales Mgr (Associate Vice President)	01-Jun-13	16	3,137,668	Regional Head Indusind Bank
Suranjit Dutta	43	BE (Civil) MBA Marketing	National Technical Mgr (Associate Vice President)	01-Jun-13	16	2,699,345	Head Technical -Adhar Housing Finance

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

Name	Age (years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (in ₹)	Particulars of last employment, last post, employer
Sachin Khandelwal	50	BE – Mechanical / MMS (Marketing) – Sydenham Institute of Management	Managing Director & Chief Executive Officer (Exe. Vice President)	11-Feb-13	25	12,428,700	MD & CEO – Home Finance / ICICI Home Finance

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

Name	Age (years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (in ₹)	Particulars of last employment, last post, employer
Sachin Grover	44	M Com	NSH Housing & LAP	01-Jun-13	21	865,842	Vice President - India Infoline

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, bonus and commission.
- 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.
- None of the employee of the Company was in receipt of remuneration in that 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 should also be mentioned.

For and on behalf of the Board

Sanjay Chamria
Chairman
DIN: 00009894

Mumbai
03-May-17

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

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

SI No.	Name of Director / KMP and Designation	Remuneration of Director / KMP for FY 2016-17 (₹ in lacs)	% increase in Remuneration in FY 2016-17	Ratio of remuneration of each Director / to median remuneration of employees
1	Sachin Khandelwal			
	Managing Director & Chief Executive Officer	124.29	0%	24.06
2	Gauri Shankar Agarwal			
	Chief Financial Officer	98.96	36%	18.29
3	Priti Saraogi			
	Company Secretary	8.38	22%	1.64
4	Ajay Bharat Candade			
	Non-Executive Independent Director	-	0	0.00
5	Mamta Binani			
	Non-Executive Independent Director	3.20	64%	0.62
6	Sanjay Chamria			
	Non-Executive Director	-	0	0.00
7	Mayank Poddar			
	Non-Executive Director	-	0	0.00
8	Kailash Baheti			
	Non-Executive Director	-	0	0.00

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

- ii. The median remuneration of employees of the Company during the financial year was ₹ 5.19 lakh.
- iii. In the financial year, there was an increase of 8.00% in the median remuneration of employees.
- iv. There were 271 employees on the rolls of Company as on 31 March 2017.
- v. Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2016-17 was 9.34% whereas the increase in the managerial remuneration for the same financial year was 9.35%.
- vi. It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

For and on behalf of the Board

Mumbai
03 May 17

Sanjay Chamria
Chairman
DIN: 00009894

Annexure B to Board's Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

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	Executive
3.	Mr. Ajay Bharat Candade	Independent, Non-executive

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

Average net profit of the Company for last three years is ₹ 1874.43 lacs.

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

The Company is required to spend ₹ 37.49 lacs based on the average net profit mentioned in Para 3 above.

5. Details of CSR spent during the financial year.

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

The total amount to be spent by the Company during the year was ₹ 59.65 lacs which included amount brought forward from the previous year's i.e. ₹ 22.16 lacs.

b. Amount unspent, if any:

During the year the Company has spent a sum of ₹ 9.66 lacs and the balance unspent amount of ₹ 49.99 lacs is carried forward for the next financial year.

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

(₹ in lacs)

(1)	(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	Amount spent on the projects or programs	Cumulative Expenditure up to the reporting period	Amount spent: Direct or through implementing agency
1	Trucker's initiatives	Environmental sustainability	Hapur, NCR and Karnal, Haryana	0	1.72	22.78	Direct
2	Swayam	Health Care and Education	-	18	-	-	-
3	Sanitation / Drinking Water	Health Care and Education	-	15	-	-	-
4	Mid Day Meal	Education	Delhi	3	3	3	ISCKON Food Relief Foundation
5	Orphan Homes	Day Care Centre	-	3	-	-	-
6	School for Street Children	Education	-	2.50	4.93	4.93	Bijan Banerjee Memorial Charitable Trust
7	Forest Plantation	Environment	-	5	-	-	-
	TOTAL	-		48.00	9.65	30.71	

6. Key achievements

Key achievements are highlighted below:

Trucker's Initiative

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

Magma collaborated with Petroleum Conservation Research Association (PCRA), a Government of India undertaking which is the main petroleum industry association to launch a nation-wide initiative to help Indian truckers reduce their operating costs by improving their mileage and hence reduce air pollution that causes many ailments among truckers. Training workshops on improving driving habits for better mileage and fuel conservation are organized regularly. Besides, certification and installation of E-toilets are also carried out with an aim to improve the hygiene sanitation facility. The trainers are provided by PCRA who teach drivers how best to conserve fuel and various checks and balances. Besides, regular health camps are also conducted at these offices of Transport associations. Through a survey done for the initiative for all group companies; we found that 90% of the drivers were satisfied with the trainings and 88% claimed to have implemented the techniques which resulted in saving significant volume of fuel and reduced large amount of CO2. Under the program, Magma group and PCRA have so far trained over 80,000 in various Transport Nagars spread across the country.

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 800 students from Govt. schools located at Delhi for a complete school year. The idea was to provide hygienically cooked, balanced, nutritious, wholesome food for children in municipal and government aided schools in Delhi.

School for Street Children

It is an initiative for the betterment of the slum children or children from the unprivileged society. The trust motivates the family member of these children to enroll their kids, child at govt schools or other training centers. They also give them coaching / tuition beyond the regular schools classes. The kind of education / training depends upon the age of the children, the whole purpose of the project activity is to make the child self-dependent either via giving them proper education or any vocational training to sharpen their skill.

Awards

The impact made by Magma has received its due commendation. Magma has received the Runner-UP award at 20th NHRD National Conference 2016 in the category of Corporate Best CSR practices.

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

Your Company would like to submit that this being the initial phase of structured implementation of CSR initiatives, your Company is under process of tie-up up with various associations / organization / trust for pursuing the CSR activities as envisaged in the CSR Policy.

Your Company has been extending support to the Society by way of various CSR activities. Pursuant to enactment of Companies Act, 2013, this is the third year in which the Company commenced the CSR activities in an organised way. The process of identifying activities and various tie ups delayed the 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 for the financial year 2016-17 by spending the amount carried forward in the financial year FY 2017-18.

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

Sachin Khandelwal

(Managing Director and Chief Executive Officer)

Place: Mumbai

Date: 3 May, 2017

Mayank Poddar

(Chairman CSR Committee)

Place: Kolkata

Date: 3 May, 2017

Annexure C to Board's Report

FORM NO. MGT-9

Extract of Annual Return as on the financial year ended on 31 March, 2017

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

I. REGISTRATION AND OTHER DETAILS:

i)	CIN	U65922DL2004PLC125931
ii)	Registration Date	21 April, 2004
iii)	Name of the Company	Magma Housing Finance Limited [Formerly, Magma Housing Finance (A Public Company with Unlimited Liability)] [Refer Note]
iv)	Category of the Company / Sub Category of the Company	Company limited by Shares / Non-Government Company
v)	Address of the Registered office and contact details	8, Sant Nagar, East of Kailash, New Delhi – 110 065 Telephone No.: 011 45728100
vi)	Whether listed company Yes / No	Yes (Debt Securities Listed)
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	<ol style="list-style-type: none"> 1. Mas Services Limited (For Equity and Debt securities) Address: T-34, IInd Floor, Okhla Industrial Area, Phase II, New Delhi - 110 020 Telephone No.: 011 26387281 SEBI Registration No. INR0000000049 2. Niche Technologies Private Limited (For Debt securities) Address: D – 511, Bagree Market, 71, B.R.B Basu Road, 5th Floor, Kolkata - 700 001 Telephone No.: 033 2235-7270 / 7271 SEBI Registration No. INR0000003290

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	L51504WB1978PLC031813	Holding	NIL	2(46)
2.	Magma Advisory Services Limited (MASL) Magma House, 24, Park Street, Kolkata – 700 016	U74999WB2012PLC181922	Holding	100%	2(46)

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 Shares		
A. Promoters										
(1) Indian										
a) Individual / HUF	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Central Govt.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) State Govt. (s)	NIL	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	NIL
f) Any Other	NIL	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	NIL
b) Other – Individuals	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) Bodies Corp.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
d) Banks / FI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
e) Any Other....	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (A) (2):-	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total Shareholding of Promoter (A) = (A)(1)+(A) (2)	148102450	-	148102450	100	148102450	-	148102450	100	-	-
B. Public Shareholding										
1. Institutions										
a) Mutual Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Banks / FI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) Central Govt.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
d) State Govt.(s)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
e) Venture Capital	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
f) Insurance Companies	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
g) FII's	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
h) Foreign Venture Capital Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
i) 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 ₹ 1 lacs	-	50	50	0.0	-	50	50	0.0	
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lacs	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	148102450	100.00	0	0
	Total	148102450	100.00	0	148102450	100.00	0	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.):	NIL	NIL	NIL	NIL
At the end of the year	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	Raj Kumar Kapoor	5	0.00	5	0.00
2	Sunil Gupta	10	0.00	10	0.00
3	Ashutosh Shukla	10	0.00	0	0.00
4	Anil Kumar Gupta	0	0.00	10	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				
	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.)	-	-	-	-
	At the end of the year	5	0.00	5	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**

(₹ in Lacs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	150,628.79	6,457.38	-	157,086.17
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	696.64			696.64
Total (i+ii+iii)	151,325.43	6,457.38	-	157,782.81
Change in Indebtedness during the financial year				
Addition	90,000.00	62,533.06	-	152,533.06
Reduction	(124,143.52)	(59,100.00)	-	(183,243.52)
Net Change	(34,143.52)	3,433.06	-	(30,710.46)
Indebtedness at the end of the financial year				
i) Principal Amount	116,226.73	9,890.44	-	126,117.17
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	955.17	-	-	955.17
Total (i+ii+iii)	117,181.91	9,890.44	-	127,072.35

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 (₹)
		Mr. Sachin Khandelwal (Managing Director & Chief Executive Officer)	
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u / s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income tax Act, 1961	5,000,699 87,000 6,500,616	5,000,699 87,000 6,500,616
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission - as % of profit - others, specify...	-	-
5	Others, please specify	840,385	840,385
	Total (A)	12,428,700	12,428,700
	Ceiling as per the Act	₹ 253.39 lacs (As per Section II(A) of Part II of Schedule V of the Companies Act, 2013)	

B – Remuneration of other Directors**1. Independent Directors**

Sl. No.	Particular of Remuneration	Name of Directors		Total Amount (₹ in Lacs)
		Ajay Bharat Candade	Mamta Binani	
1	Fee for attending board / committee meetings	N.A.	3.20	3.20
2	Commission	N.A.	N.A.	N.A.
3	Others, please specify	N.A.	N.A.	N.A.
	Total (B)(1)			3.20

2. Other Non-Executive Directors:

Sl. No.	Particular of Remuneration	Name of Directors			Total Amount (₹ in Lacs)
		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)				
	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 (₹)
		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	5,458,769	358,347	5,817,116
b)	Value of perquisites u / s 17(2) Income Tax Act, 1961	62,649	15,000	77,649
c)	Profits in lieu of salary under section 17(3) Income Tax Act, 1961	3,151,656	403,600	3,555,256
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission			
	- as % of profit	-	-	-
	- others, specify...	-	-	-
5	Others, please specify	1,222,655	61,166	1,283,821
	Total (C)	9,895,729	838,113	10,733,842

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: 3 May, 2017

Sanjay Chamria
Chairman
(DIN: 00009894)

Annexure D to Board's Report

Form No. MR - 3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

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

To,

The Members,

MAGMA HOUSING FINANCE LIMITED

[Formerly known as 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** (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

The Company has been converted from "A Public Company with Unlimited Liability" to a company limited by shares pursuant to certificate of incorporation received from Registrar of Companies, Delhi dated 19th December, 2016. Subsequently, the name of the Company has also been changed to Magma Housing Finance Limited pursuant to certificate of incorporation received from Registrar of Companies, Delhi dated 7 April, 2017.

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

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

- i) The Companies Act, 2013 (the Act) 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 (Not Applicable to the Company during the Audit Period);
 - (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 financial year ended on 31st March, 2017.
- (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) The Debt Listing Agreements entered into by the Company with BSE Ltd.
- (ii) Secretarial Standards (SS) I and II issued by Institute of Company Secretaries of India.

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. There are no changes in the composition of the Board of Directors that took place during the period under review.

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

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 has passed the following special resolutions which authorize the Board to exercise power thereto, but presently do not have any major bearing on the Company's affairs:

- a. Issue on private placement basis one or more debt securities during Financial Year 2016-17 upto an amount of ₹ 600 crores under Section 42, 71 and 180(1)(c) of the Companies Act, 2013 in Extra Ordinary General Meeting held on 14.03.2016 (adjourned on 21.03.2016).
- b. Issue on private placement basis one or more debt securities during Financial Year 2017-18 upto an amount of ₹ 600 crores under Section 42, 71 and 180(1)(c) of the Companies Act, 2013 in Extra Ordinary General Meeting held on 24.03.2017.

This Report is to be read with our letter of even date which is annexed **"Annexure A"** 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: 19.04.2017

"ANNEXURE – A"

(TO THE SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017)

To,

The Members,

MAGMA HOUSING FINANCE LIMITED

[Formerly known as MAGMA HOUSING FINANCE

A Public Company with limited by shares]

8, Sant Nagar East of Kailash

New Delhi - 110065

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 : 19.04.2017**

Independent Auditors' Report

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

Report on the Financial Statements

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 2017, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

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 2017 and its profit and its cash flows for the year ended on that date.

Independent Auditors' Report (continued)

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the balance sheet, the statement of profit and loss, and the cash flow statement dealt with by this Report are in agreement with the books of account;
 - (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;
 - (e) on the basis of the written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
 - (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer our separate Report in "Annexure B"; and
 - (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company has disclosed the impact of pending litigations on its financial position in its financial statement – Refer Note 36(a) to the financial statements
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses – Refer Note 33(b) to the financial statements;
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and
 - iv. the Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016 and these are in accordance with books of account maintained by the Company – Refer Note 39 to the financial statements.

For **BSR & Co. LLP**

Chartered Accountants

Firm Registration No: 101248W / W-100022

Jayanta Mukhopadhyay

Partner

Membership Number: 055757

Place : Mumbai

Date : 3 May 2017

Auditor's Additional Report

To the Board of Directors of

Magma Housing Finance Limited [Formerly Magma Housing Finance (a public company with unlimited liability)]

Report on the Financial Statements

In addition to the report made under Section 143 of the Companies Act, 2013 ('the Act') on the financial statements of the Magma Housing Finance Limited [Formerly Magma Housing Finance (a public company with unlimited liability)] ('the Company') for the year ended 31 March 2017 and as required by the Housing Finance Companies (NHB) Directions, 2010 ('NHB Directions') amended from time to time vide Notification No. NHB.HFC.AR-DIR.1 / MD&CEO / 2016, dated 3 February 2017 ('the Notification'), we report as follows on the matter specified in paragraph 3, 4 and 5 of the said Notification to the extent applicable.

Management's responsibility for the financial statements

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

The Company's management is responsible for ensuring that the Company complies with the requirements of the NHB Directions and Notification. This responsibility includes the design, implementation and maintenance of internal control relevant to the compliance with the NHB Direction and Notification.

Auditor's Responsibility

Pursuant to the requirement of the Notification, it is our responsibility to examine the books and records of the Company and report on the matters specified in the Notification to the extent applicable to the Company.

We conducted our examination in accordance with the 'Guidance Note on Reports or Certificates issued for Special Purposes (Revised 2016)' issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Conclusion

Based on our examination of the financial statements as at and for the year ended 31 March 2017, books of accounts and records of the Company as produced for our examination and according to the information and explanations given to us we further report that:

- The Company was incorporated on 21 April 2004 and has obtained a certificate of registration from National Housing Bank (NHB) on 25 October 2004. The Company has obtained a revised NHB certificate in the name of Magma Housing Finance dated 16 May 2013 after the change in ownership of the Company. The Company has been converted from an unlimited liability company to a limited liability company vide MCA certificate dated 7 April 2017. It has filed for revision of the Certificate of Registration with the NHB. NHB response is pending on the date of signing of the certificate;

Auditor's Additional Report (continued)

- The Company meets the criteria of the Net Owned Fund (NOF) as prescribed under Section 29A of the National Housing Bank Act, 1987. Further, the Company did not have any paid up preference shares which are compulsorily convertible into equity during the year;
- The Company has statutory reserve of ₹ 3,240.00 lacs in accordance with Section 29C of the NHB Act as at 31 March 2017;
- The Board of Directors has passed a resolution by circulation on 2 April 2016 for non-acceptance of public deposits;
- The Company has not accepted public deposits during the year ended 31 March 2017;
- The total borrowings of the housing finance company are within the limits prescribed under paragraph 3(2) of the Housing Finance Companies (NHB) Directions, 2010 ;
- 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 Directions, in all material respects to the extent applicable to it;
- The capital adequacy ratio as at 31 March 2017 as disclosed in the return submitted to National Housing Bank on 12 May 2017 was correctly determined in all material respects based on audited results of the Company. Further, such ratio is in compliance with the minimum capital to risk weighted asset ratio as prescribed by the National Housing Bank in the Directions;
- The Company has furnished to the National Housing Bank the Schedule –II return within the stipulated time;
- The Company has furnished to the National Housing Bank Schedule – III return on Statutory Liquid Asset as specified in the Directions, within the stipulated time;
- 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 Directions;
- The Company has complied with the provisions contained in paragraph 38 and 38A of the Directions;

Restriction on Use

This report has been issued for the sole use of the Board of Directors, pursuant to our obligations under the Notification to submit a report on exceptions, noted while issuing our report of 3 May 2017 on the financial statements of the Company for the year ended 31 March 2017, on additional matters as stated in the above Directions, to the NHB and should not be used by any other person or for any other purpose. We neither accept nor assume any duty or liability for any other purpose or to any other party to whom our report is shown or into whose hands it may come without our prior consent in writing.

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

Chartered Accountants

Firm Registration No: 101248W / W-100022

Jayanta Mukhopadhyay

Partner

Membership Number: 055757

Place : Mumbai

Date : 3 May 2017

Annexure A to the Independent Auditors' Report

The Annexure referred to in the Independent Auditors' Report to the members of Magma Housing Finance Limited [Formerly Magma Housing Finance (A Public Company with Unlimited Liability)] ("the Company") on the financial statements for the year ended 31 March 2017, we report that:

- (i)
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets during the year.
 - b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
 - c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) The Company is a Housing Finance Company, primarily engaged in the business of lending of housing loans and home equity loans. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable.
- (iii) The Company has granted loan to one company covered in the register maintained under Section 189 of the Companies Act, 2013 ("the Act").
 - a) In our opinion, the rate of interest and other terms and conditions on which the loans had been granted to the company listed in the register maintained under Section 189 of the Act, was not, prima facie, prejudicial to the interest of the Company.
 - b) In the case of the loan granted to the company listed in the register maintained under Section 189 of the Act, the borrower has been regular in the payment of the principal and interest as stipulated.
 - c) There are no overdue amounts in respect of the loan granted to the company listed in the register maintained under Section 189 of the Act.
- (iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not undertaken any transaction in respect of loans guarantees and securities covered under section 185 of the Act. The Company has not made any investments as referred in Section 186 (1) of the Act. The remaining provisions related to the Section 186 of the Act do not apply to the Company.
- (v) The Company has not accepted any deposits from the public.
- (vi) The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act, for any of the services rendered by the Company.
- (vii) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, income tax, service tax, employees' state insurance, cess and any other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities except for delays ranging from 23 days to 115 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 2017, except for one branch. As explained to us, the Company did not have any dues on account sales tax, customs duty, excise duty and value added tax.

According to the information and explanations given to us, there are no undisputed amounts payable in respect of provident fund, income tax, service tax, employees' state insurance, cess and other material statutory dues which were in arrears, as at 31 March 2017, for a period of more than six months, except for delay in deposit of professional

Annexure A to the Independent Auditors' Report (continued)

tax incase of one branch from the date they became payable due to pending registration. As explained to us, the Company did not have any dues on account of sales tax, customs duty, excise duty and value added tax.

- b) According to the information and explanations given to us, the following dues of service tax, have not been deposited by the Company on account of dispute:

Name of the Statute	Nature of Dues	Amount (₹ Lacs)	Amount paid under protest (₹ Lacs)	Period to which amount relates	Forum where dispute is pending
Finance Act, 1994	Service Tax	40.36	12.00	Various financial years from 2005-06 to 2008-09 (upto September 2008)	CESTAT, Chennai

- (viii) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions and banks or to debenture holders during the year. The Company did not have any borrowings from the government during the year
- (ix) In our opinion and according to the information and explanations given to us, the term loans and debentures were applied for the purpose for which the same were obtained. The Company has not raised any money by way of initial public offer during the year.
- (x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees or by the Company has been noticed or reported during the course of our audit.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Companies (Auditor's Report) Order, 2016 is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment of shares or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with the directors or persons connected with him. Accordingly, paragraph 3(xv) of the Companies (Auditor's Report) Order, 2016 is not applicable.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. The Company has obtained registration from the National Housing Bank on 16 May 2013.

For **BSR & Co. LLP**

Chartered Accountants

Firm Registration No: 101248W / W-100022

Jayanta Mukhopadhyay

Partner

Membership Number: 055757

Place : Mumbai

Date : 3 May 2017

Annexure B to the Independent Auditors' Report

The Annexure referred to in the Auditor's Report to the members of Magma Housing Finance Limited [Formerly Magma Housing Finance (A Public Company with Unlimited Liability) ("the Company") for the year ended 31 March 2017:

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Magma Housing Finance Limited [Formerly Magma Housing Finance (A Public Company with Unlimited Liability) ("the Company") as of 31 March 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India" ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ("the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection

Annexure B to the Independent Auditors' Report (continued)

of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

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

Chartered Accountants

Firm Registration No: 101248W / W-100022

Jayanta Mukhopadhyay

Partner

Membership Number: 055757

Place : Mumbai

Date : 3 May 2017

Balance Sheet

(₹ in lacs)

	Note No.	As at 31 March 2017	As at 31 March 2016
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	14,810.25	14,810.25
Reserves and surplus	4	12,691.57	9,317.63
		27,501.82	24,127.88
Non-current liabilities			
Long-term borrowings	5	66,504.46	67,843.75
Deferred tax liabilities (net)	6	406.31	379.51
Long-term provisions	7	1,770.73	2,243.17
		68,681.50	70,466.43
Current liabilities			
Short-term borrowings	8	38,273.44	68,884.45
Trade payables	9		
- Due to micro and small enterprises		-	-
- Due to others		714.95	518.30
Other current liabilities	10	25,535.68	23,869.68
Short-term provisions	11	162.71	236.36
		64,686.78	93,508.79
Total		160,870.10	188,103.10
ASSETS			
Non-current assets			
Fixed assets			
- Tangible assets	12	47.21	45.02
- Intangible assets	12	92.17	70.79
- Capital work-in-progress		-	6.99
		139.38	122.80
Non-current investments	13	1,225.46	-
Long-term loans and advances	14		
- Housing and property loans		138,922.06	163,730.37
- Others		3,753.06	3,372.89
Other non-current assets	15	790.17	839.30
		144,830.13	168,065.36
Current assets			
Cash and bank balances	16	768.87	1,585.99
Short-term loans and advances	17		
- Housing and property loans		13,119.11	16,189.82
- Others		1,911.18	1,972.20
Other current assets	18	240.81	289.73
		16,039.97	20,037.74
Total		160,870.10	188,103.10
Significant accounting policies	2		
Notes to the financial statements	3 - 43		

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached.

For and on behalf of the Board of Directors

For B S R & Co. LLP

Chartered Accountants

Firm's Regn. No. 101248W / W-100022

Jayanta Mukhopadhyay

Partner

Membership No. 055757

Mumbai, 03 May 2017

Sachin Khandelwal

Managing Director & Chief Executive Officer

Gauri Shankar Agarwal

Chief Financial Officer

Sanjay Chamria

Chairman

Priti Saraogi

Company Secretary

Mumbai, 03 May 2017

Statement of Profit and Loss

(₹ in lacs)

	Note No.	Year ended 31 March 2017	Year ended 31 March 2016
REVENUE			
Revenue from operations	19	24,861.11	23,964.59
Other income	20	243.07	277.89
Total revenue		25,104.18	24,242.48
EXPENSE			
Employee benefits expense	21	2,741.98	3,390.47
Finance costs	22	14,275.64	14,195.83
Depreciation and amortisation expense	12	19.58	12.10
Provisions and bad debts written-off	23	775.35	1,133.79
Other expenses	24	2,093.75	1,976.83
Total expense		19,906.30	20,709.02
Profit before tax		5,197.88	3,533.46
Tax expense:			
Current tax - current year		1,602.61	1,249.00
- earlier year		194.53	18.90
Net current tax		1,797.14	1,267.90
Deferred tax		26.80	(14.99)
Profit after tax		3,373.94	2,280.55
Earnings per equity share	28		
(Nominal value of ₹ 10 / - each, fully paid up):			
Basic and diluted (in ₹)		2.28	1.54
Significant accounting policies	2		
Notes to the financial statements	3 - 43		

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached.

For and on behalf of the Board of Directors

For B S R & Co. LLP

Chartered Accountants

Firm's Regn. No. 101248W / W-100022

Jayanta Mukhopadhyay

Partner

Membership No. 055757

Mumbai, 03 May 2017

Sachin Khandelwal

Managing Director & Chief Executive Officer

Gauri Shankar Agarwal

Chief Financial Officer

Sanjay Chamria

Chairman

Priti Saraogi

Company Secretary

Mumbai, 03 May 2017

Cash Flow Statement

(₹ in lacs)

	Year ended 31 March 2017		Year ended 31 March 2016	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax		5,197.88		3,533.46
Adjustments for :				
Depreciation and amortisation expense	19.58		12.10	
Interest expense	13,033.11		12,390.54	
General provision against standard assets	(130.00)		50.00	
Provision for non-performing assets	398.48		819.52	
Bad debts written-off	686.91		264.27	
Loss / (Gain) on sale of non-performing asset	(180.04)		-	
Loss on sale of fixed asset	6.30		-	
Discount on commercial papers	965.28	14,799.62	1,512.25	15,048.68
Operating cash flow before working capital changes		19,997.50		18,582.14
Adjustments for :				
Receivables	(341.90)		(3,370.19)	
Housing and property loans	26,365.80		(14,578.83)	
Trade and other payables	867.41	26,891.31	1,359.95	(16,589.07)
Net cash used in operations		46,888.81		1,993.07
Taxes paid (net)	(1,729.17)	(1,729.17)	(1,188.44)	(1,188.44)
Net cash used in operating activities (A)		45,159.64		804.63
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets (including capital work-in-progress)	(42.57)		(38.40)	
Investments in Security Receipts	(1,225.46)		-	
Sale of fixed assets	0.11		-	
Net cash used in investing activities (B)		(1,267.92)		(38.40)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Borrowings (net)*	(31,934.26)		12,739.26	
Interest paid	(12,774.58)		(12,087.64)	
Net cash generated from financing activities (C)		(44,708.84)		651.62
Net (decrease) / increase in cash and cash equivalents (A+B+C)		(817.12)		1,417.85
Cash and cash equivalents as at the beginning of the year		1,585.99		168.14
Cash and cash equivalents as at the end of the year		768.87		1,585.99
CASH AND CASH EQUIVALENTS (Note 16)				
Cash in hand		0.40		0.16
Balances with banks				
In current accounts		768.47		1,585.83
		768.87		1,585.99

* Borrowings have been presented on a net basis as the transactions during the year are voluminous.

As per our report of even date attached.

For and on behalf of the Board of Directors

For B S R & Co. LLP

Chartered Accountants

Firm's Regn. No. 101248W / W-100022

Jayanta Mukhopadhyay

Partner

Membership No. 055757

Mumbai, 03 May 2017

Sachin Khandelwal

Managing Director & Chief Executive Officer

Gauri Shankar Agarwal

Chief Financial Officer

Sanjay Chamria

Chairman

Priti Saraogi

Company Secretary

Mumbai, 03 May 2017

Notes to the financial statements

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 in Gurgaon, India, 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 and consequently the Company became the wholly owned subsidiary of Magma Advisory Services 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 2013 Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the 2013 Act (to the extent notified and applicable) and the directions prescribed in the Housing Finance Companies (NHB) Directions, 2010 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 Companies Act, 2013. 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 Generally Accepted Accounting Principles ('Indian GAAP') requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

(iii) Housing and property loans

- (a) Housing and property loans include housing loans and loan against property and 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 balance is net of amounts assigned.

(iv) Revenue recognition

- (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.

Notes to the financial statements (continued)

(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 circular "Revisions to the Guidelines on Securitisation Transactions" issued on 21 August 2012. 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 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.
 - (h) All other items of income are accounted for on accrual basis.

(v) Loan origination cost

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

(vi) Provisions and bad debts written-off

Loans are classified as per the Housing Finance Companies (NHB) Directions, 2010 ("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 by NHB. 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'.

Notes to the financial statements (continued)

(vii) Fixed assets, intangible assets and capital work-in-progress

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

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date are disclosed as long term loans and advances. The cost of fixed assets not ready for their intended use at each balance sheet date is disclosed as capital work-in-progress.

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 amortisation.

(viii) Depreciation and amortisation

Depreciation on fixed assets is provided systematically using straight line method over its useful life as specified in Schedule II to the Companies Act, 2013. Depreciation is calculated on a pro-rata basis from the date of installation till date the assets are sold or disposed.

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

Individual assets costing less than Rs 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.

(x) Investments

- (a) Investments are classified as non-current or current based on intention of management at the time of purchase.
- (b) Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment.
- (c) Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each investments.
- (d) Any reduction in the carrying amount and any reversals of such reduction are charged or credited to the statement of profit and loss.
- (e) Profit or loss on sale of investments is determined on the basis of weighted average carrying amount of investments disposed off.
- (f) Investment in Security Receipts (SRs) is recognised at lower of: (i) Net Book Value (NBV) (i.e., book value less provisions held) of the financial asset; 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

Notes to the financial statements (continued)

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.

(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 (recovered from) the taxation authorities, using the applicable tax rates and tax laws.

(b) *Deferred tax*

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

Notes to the financial statements (continued)

as at each balance sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

(c) *Minimum alternative tax*

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

(xiii) Provision and Contingencies

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

(a) *Onerous contracts*

A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(b) *Contingencies*

Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognised when it is probable that a liability has been incurred, and the amount can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

(xiv) Contingent liabilities and contingent assets

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

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

(xv) Borrowing costs

Interest on borrowing is 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.

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.

(xvi) 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.

Notes to the financial statements (continued)

(xvii) 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.

(xviii) 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.

(xix) Cash flow statement

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

Notes to the financial statements (continued)

(₹ in lacs)

	As at 31 March 2017	As at 31 March 2016
Note: 3		
SHARE CAPITAL		
Authorised		
200,000,000 (2016: 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 (2016: 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 2017		As at 31 March 2016	
	No. of shares	Amount	No. of shares	Amount
Opening balance	148,102,500	14,810.25	148,102,500	14,810.25
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 2017		As at 31 March 2016	
	No. of shares	% of holding	No. of shares	% of holding
Magma Advisory Services Limited (Holding Company)	148,102,450	100.0	148,102,450	100.0

Notes to the financial statements (continued)

D. 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 2017	As at 31 March 2016
Note: 4		
RESERVES AND SURPLUS		
Statutory reserve (Note 35) (As per section 29C of the National Housing Bank Act, 1987) *		
Opening balance	2,560.00	1,660.00
Add: Transfer from surplus in the statement of profit and loss	680.00	900.00
	3,240.00	2,560.00
Surplus (balance in the statement of profit and loss)		
Opening balance	6,757.63	5,377.08
Profit after tax	3,373.94	2,280.55
Amount available for appropriations	10,131.57	7,657.63
Appropriations		
Transfer to statutory reserve	680.00	900.00
Net surplus in the statement of profit and loss	9,451.57	6,757.63
	12,691.57	9,317.63

* 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.

(₹ in lacs)

	Security as per	As at 31 March 2017	As at 31 March 2016
Note: 5			
LONG-TERM BORROWINGS*			
Debentures			
Secured			
Redeemable non-convertible privately placed debentures	(a)	10,500.00	10,500.00
		10,500.00	10,500.00
Term loans			
Secured			
from banks	(b)	56,004.46	57,343.75
		56,004.46	57,343.75
		66,504.46	67,843.75

Notes to the financial statements (continued)

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 a term loan which is 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 entire housing and property loans, both present & future.

Details of long term borrowings

(A) Secured redeemable non-convertible debentures

(a) Repayment Terms: On maturity, at par

(₹ in lacs)

Number of Debentures	Face Value (₹ in lacs)	Month of Allotment	Month of Redemption	As at 31 March 2017		As at 31 March 2016	
				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	-
600	10	Nov-14	May-16	-	-	-	6,000.00
				10,500.00	-	10,500.00	6,000.00

The above debentures carry interest rates ranging from 10.00% p.a. to 10.33% p.a. (2016: from 10.00% p.a. to 11.05% p.a.)

(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 2017		As at 31 March 2016	
				Non-Current	Current maturities*	Non-Current	Current maturities*
Quarterly	Floating	Jun-17	28	4,285.71	714.29	-	-
Quarterly	Floating	Jun-18	28	5,000.00	-	-	-
Quarterly	Floating	Jun-17	16	7,500.00	2,500.00	-	-
Quarterly	Floating	Aug-17	12	3,750.00	1,250.00	5,000.00	-
Quarterly	Floating	Jun-17	12	13,333.33	6,666.67	20,000.00	-
Quarterly	Floating	Mar-17	15	13,750.00	5,000.00	18,750.00	1,250.00
Quarterly	Floating	Feb-17	15	1,718.75	625.00	2,343.75	156.25
Quarterly	Floating	Sep-16	9	4,166.67	3,333.33	7,500.00	2,500.00
Half-Yearly	Floating	Jun-16	6	2,500.00	1,250.00	3,750.00	1,249.98
Quarterly	Floating	Jun-14	0	-	-	-	9,201.74
				56,004.46	21,339.29	57,343.75	14,357.97

The above term loans carry interest rates ranging from 9.30% p.a. to 10.10% p.a. (2016: from 9.85% p.a. to 10.40% p.a.)

* ₹ 21,339.29 lacs (2016: ₹ 20,357.97 lacs) being current maturities of long-term borrowings which is shown separately under the head 'Other current liabilities' (Note 10).

Notes to the financial statements (continued)

(₹ in lacs)

	As at 31 March 2017	As at 31 March 2016
Note: 6		
DEFERRED TAX LIABILITIES (NET)		
Deferred tax liabilities		
Unamortised expense	352.99	445.83
Statutory reserve	725.29	778.08
Others	19.45	14.27
	1,097.73	1,238.18
Deferred tax assets		
General provision on standard assets	221.49	266.48
Provision for non-performing assets	394.09	506.32
Others	75.84	85.87
	691.42	858.67
Deferred tax liabilities (net)	406.31	379.51

(₹ in lacs)

	As at 31 March 2017	As at 31 March 2016
Note: 7		
LONG-TERM PROVISIONS		
Provision for employee benefits		
Provision for gratuity (Note 25)	-	36.54
Provision for compensated absences	72.00	73.62
Other provisions		
General provision on standard assets*	560.00	670.00
Provision for non-performing assets		
- Housing loans	615.17	1,008.28
- Other loans against property	523.56	454.73
	1,770.73	2,243.17

* The Company has made standard assets provisions at prescribed rates on home loan @ 0.40% and on commercial real estate (CRE) exposure @ 0.75%.

Notes to the financial statements (continued)

(₹ in lacs)

		As at 31 March 2017	As at 31 March 2016
Note: 8			
SHORT-TERM BORROWINGS			
Loan from banks			
Secured*			
Term loans	(a)	5,000.00	7,500.00
Cash credit facilities	(b)	8,383.00	33,427.07
Working capital demand loans	(b)	15,000.00	21,500.00
		28,383.00	62,427.07
Commercial papers			
Unsecured			
Face value		10,000.00	6,600.00
Less: Unmatured discounting charges		109.56	142.62
		9,890.44	6,457.38
		38,273.44	68,884.45

***Nature of security**

- (a) Term loans from banks are secured by way of first charge ranking pari-passu over entire housing and property loans, both present & future.
- (b) Cash credit facilities and working capital demand loans from banks are secured by way of first charge ranking pari-passu over entire housing and property loans, both present & future.

Details of cash credit facilities and working capital demand loans

The cash credit facilities are repayable on demand and carries interest rate at 9.50% p.a. to 10.50% p.a.(2016: from 9.75% p.a. to 11.50% 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 8.70% p.a.(2016: from 9.55% p.a. to 9.75% p.a.)

Terms of repayment of term loans

(₹ in lacs)

Repayment Terms	Interest Terms	Rate of Interest	As at 31 March 2017	As at 31 March 2016
Half-yearly	Floating	9.85%	5,000.00	7,500.00
			5,000.00	7,500.00

Details of unsecured commercial papers

(₹ in lacs)

Number of units	Face Value (₹ in lacs)	Repayment Terms	As at 31 March 2017	As at 31 March 2016
2,000	5	at Par	9,890.44	-
1,320	5	at Par	-	6,457.38
			9,890.44	6,457.38

The above commercial papers carry interest rate ranging from 7.79% p.a. to 7.80% p.a. with maturity ranging from 1 to 3 months.(from 9.15% p.a. to 9.70% p.a. with maturity ranging from 3 to 12 months.)

Notes to the financial statements (continued)

(₹ in lacs)

	As at 31 March 2017	As at 31 March 2016
Note: 9		
TRADE PAYABLES		
Due to micro and small enterprises*	-	-
Due to others	714.95	518.30
	714.95	518.30

* The Company has no dues to micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006, as at 31 March 2017 and 31 March 2016. This information is required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006, and has been determined to the extent such parties have been identified on the basis of information available with the Company.

(₹ in lacs)

	As at 31 March 2017	As at 31 March 2016
Note: 10		
OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings (Note 5)	21,339.29	20,357.97
Interest accrued but not due on borrowings	955.17	696.64
Other payables		
Advances from customers	709.85	993.45
Statutory liabilities	67.39	99.44
Pending remittance on assignment	1,937.36	1,096.33
Other payables	526.62	625.85
	25,535.68	23,869.68

(₹ in lacs)

	As at 31 March 2017	As at 31 March 2016
Note: 11		
SHORT-TERM PROVISIONS		
Provision for employee benefits		
Provision for gratuity (Note 25)	-	0.29
Provision for compensated absences	0.83	1.37
Other provisions		
General provision on standard assets	80.00	100.00
Provision for taxation (net)	81.88	134.70
	162.71	236.36

Notes to the financial statements (continued)

Note: 12

FIXED ASSETS

Following are the changes in the carrying value of fixed assets for the period ended 31 March 2017:

(₹ 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
Fixed assets for own use									
Tangible assets									
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
Intangible assets									
Computer softwares acquired	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
Grand Total (A + B)	133.22	49.56	9.27	173.51	17.41	19.58	2.86	34.13	139.38

Following are the changes in the carrying value of fixed assets for the year ended 31 March 2016:

(₹ in lacs)

Description of assets	Gross block				Depreciation and amortisation				Net block
	As at 01 April 2015	Additions	Deletions	As at 31 March 2016	As at 01 April 2015	For the year	Deletions	As at 31 March 2016	As at 31 March 2016
Fixed assets for own use									
Tangible assets									
Building	21.46	-	-	21.46	0.66	0.36	-	1.02	20.44
Furniture and fixtures	10.35	0.78	-	11.13	2.60	0.87	-	3.47	7.66
Office equipments	8.14	0.03	-	8.17	1.18	0.89	-	2.07	6.10
Leasehold improvements	12.97	-	-	12.97	0.66	1.49	-	2.15	10.82
Total (A)	52.92	0.81	-	53.73	5.10	3.61	-	8.71	45.02
Intangible assets									
Computer softwares acquired	5.26	74.23	-	79.49	0.21	8.49	-	8.70	70.79
Total (B)	5.26	74.23	-	79.49	0.21	8.49	-	8.70	70.79
Grand Total (A + B)	58.18	75.04	-	133.22	5.31	12.10	-	17.41	115.81

Notes to the financial statements (continued)

(₹ in lacs)

	As at 31 March 2017	As at 31 March 2016
Note: 13		
NON-CURRENT INVESTMENTS		
Other investment (other than at cost) [Note 33(a)]		
Others		
In security receipts*	1,225.46	-
	1,225.46	-

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

(₹ in lacs)

	As at 31 March 2017	As at 31 March 2016
Note: 14		
LONG-TERM LOANS AND ADVANCES		
Housing and property loans		
Secured*		
considered good**		
Housing loans	75,043.85	82,751.41
Other loans against properties	63,518.11	78,989.78
considered doubtful		
Housing loans	175.05	1,054.73
Other loans against properties	185.05	934.45
	138,922.06	163,730.37
Others		
Unsecured, considered good		
Capital Advances	0.17	-
Advance tax and tax deducted at source (net)	233.63	354.43
Loan and advances to related parties (Note 29)	3,500.00	3,000.00
Security deposits	15.41	7.82
Loans to staff	3.85	10.64
	3,753.06	3,372.89
	142,675.12	167,103.26

* Secured by underlying assets financed.

** Housing and property loans includes sub-standard assets of ₹ 6,529.43 lacs (2016: ₹ 4,964.97 lacs) and is net of amounts assigned aggregating to ₹ 27,441.33 lacs as at 31 March 2017 (2016: 15,518.75 lacs).

Notes to the financial statements (continued)

(₹ in lacs)

	As at 31 March 2017	As at 31 March 2016
Note: 15		
OTHER NON-CURRENT ASSETS		
Others		
Unamortised borrowing costs	122.36	105.96
Unamortised loan origination costs	658.35	733.34
Gratuity (excess of plan assets over obligation)	9.46	-
	790.17	839.30

(₹ in lacs)

	As at 31 March 2017	As at 31 March 2016
Note: 16		
CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash in hand	0.40	0.16
Balances with banks		
In current accounts	768.47	1,585.83
	768.87	1,585.99

(₹ in lacs)

	As at 31 March 2017	As at 31 March 2016
Note: 17		
SHORT-TERM LOANS AND ADVANCES		
Housing and property loans		
Secured, considered good*		
Housing loans	9,813.46	12,463.36
Other loans against properties	3,305.65	3,726.46
	13,119.11	16,189.82
Others		
Unsecured, considered good		
Other loans and advances		
Loans to staff	29.83	19.06
Advances recoverable in cash or in kind or for value to be received	109.21	212.89
Balance with Statutory / Government authorities	158.49	51.33
Accrued interest / financial charges	1,567.28	1,662.28
Prepaid expenses	46.37	26.64
	1,911.18	1,972.20
	15,030.29	18,162.02

* Secured by underlying assets financed.

Notes to the financial statements (continued)

(₹ in lacs)

	As at 31 March 2017	As at 31 March 2016
Note: 18		
OTHER CURRENT ASSETS		
Others		
Unamortised borrowing costs	126.19	138.38
Unamortised loan origination costs	103.21	147.19
Others	11.41	4.16
	240.81	289.73

(₹ in lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Note: 19		
REVENUE FROM OPERATIONS		
Interest income		
On housing and property loans	23,445.29	22,518.45
On loans, margins and etc.	358.94	9.15
	23,804.23	22,527.60
Other financial income		
Management fees	645.32	1,027.45
Collection and support services	30.35	9.70
Foreclosure charges	357.53	376.32
Others	23.68	23.52
	1,056.88	1,436.99
	24,861.11	23,964.59

(₹ in lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Note: 20		
OTHER INCOME		
Bad debts recovered	78.20	162.90
Miscellaneous income	164.87	114.99
	243.07	277.89

Notes to the financial statements (continued)

(₹ in lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Note: 21		
EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	2,591.89	3,184.49
Contribution to provident and other funds	114.21	161.59
Staff welfare expenses	35.88	44.39
	2,741.98	3,390.47

(₹ in lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Note: 22		
FINANCE COSTS		
Interest expense		
On debentures	1,213.71	2,130.66
On term loans	8,339.42	7,505.72
On cash credit and working capital facilities	3,479.83	2,753.52
On others	0.15	0.64
Discount on commercial papers	965.28	1,512.25
Other borrowing costs	277.25	293.04
	14,275.64	14,195.83

(₹ in lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Note: 23		
PROVISIONS AND BAD DEBTS WRITTEN-OFF		
Bad debts written-off	686.91	264.27
Loss / (Gain) on sale of non-performing asset [Net of reversal of provision of ₹ 722.75 lacs (2016: Nil)]	(180.04)	-
Provision for non-performing assets	398.48	819.52
General provision against standard assets	(130.00)	50.00
	775.35	1,133.79

Notes to the financial statements (continued)

(₹ in lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Note: 24		
OTHER EXPENSES*		
Rent	148.55	149.03
Brokerage and commission	337.61	318.34
Rates and taxes	1.70	2.22
Travelling and conveyance	322.18	344.77
Office maintenance	62.00	35.83
Repairs and maintenance		
- machinery	117.13	77.57
- others	0.19	0.09
Payment to directors		
- fees	3.45	2.33
Professional fees (Note 30)	214.51	229.08
Legal charges	167.79	136.86
Outsourced manpower costs	310.50	332.96
Printing and stationery	42.48	30.80
Communication	69.06	62.28
Electricity charges	43.75	43.91
Advertisement and publicity expenses	34.20	37.97
Corporate social responsibility expenditure (Note 38)	9.66	25.53
Loss on sale of fixed assets	6.30	-
Miscellaneous expenses	202.69	147.26
	2,093.75	1,976.83

*includes expenses allocated from related parties (Note 29)

Notes to the financial statements (continued)

Note: 25

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 2017	Year ended 31 March 2016
Opening defined benefit obligation	76.66	41.25
Current service cost	24.12	28.83
Interest cost	5.94	3.16
Actuarial losses / (gains)	(18.72)	5.96
Benefits paid	(2.47)	(2.54)
Closing defined benefit obligation	85.53	76.66

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

(₹ in lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Opening fair value of the plan assets	39.83	39.23
Actual return on plan assets	5.11	3.01
Contributions by employer	52.52	0.13
Benefits paid	(2.47)	(2.54)
Closing fair value of the plan assets	94.99	39.83

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

(₹ in lacs)

	As at 31 March 2017	As at 31 March 2016
Defined benefit obligation	85.53	76.66
Fair value of plan assets	94.99	39.83
Net asset / (liability)	9.46	(36.83)

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

(₹ in lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Current service cost	24.12	28.83
Interest on defined benefit obligation	5.94	3.16
Net actuarial losses / (gains) recognised	(18.72)	5.96
Expected return on plan assets	(5.11)	(3.01)
Net expense included in "Employee benefits expense"	6.23	34.94

Notes to the financial statements (continued)

(e) Summary of actuarial assumptions

	Year ended 31 March 2017	Year ended 31 March 2016
Discount rate	7.29%	7.88%
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:***

(₹ in lacs)

	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	85.53	76.66	41.25	16.54
Fair value of plan assets	94.99	39.83	39.23	36.20
Funded status [surplus / (deficit)]	9.46	(36.83)	(2.02)	19.66
Experience (gain) / loss adjustment on plan liabilities	(25.37)	5.60	(2.56)	-
Experience gain / (loss) adjustment on plan assets	-	-	(0.27)	-
Experience (gain) / loss adjustment on plan liabilities due to change in assumption	6.65	0.36	7.06	-

*100% shareholding of the company were acquired by Magma Advisory Services Limited on 11 February 2013 and all pending gratuity liabilities were settled by the Company prior to the acquisition date. Hence, the disclosures has been presented for the post acquisition period only.

26 Lease transactions in the capacity of Lessee

Lease rental expense under non-cancellable operating lease during the year ended 31 March 2017 and 31 March 2016 amounted to ₹ 11.02 lacs and ₹ 3.07 lacs respectively. Future minimum lease payments under non cancellable operating lease is as below:

(₹ in lacs)

	Year ended 31 March 2017	Year ended 31 March 2016
Not later than one year	18.84	-
Later than one year but not later than five years	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 2017 and 31 March 2016 was ₹ 10.52 lacs and ₹ 7.30 lacs respectively.

Notes to the financial statements (continued)

27 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.

28 Earnings per share (EPS)

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

		Units	Year ended 31 March 2017	Year ended 31 March 2016
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	3,373.94	2,280.55
(c)	Earning per share (Face value of ₹ 10 / - per share) – Basic and Diluted	₹	2.28	1.54

29 Related party disclosures

Related party disclosures as at and for the year ended 31 March 2017.

(a) Names of the Related parties where control exists

	Nature of Relationship
i. Magma Fincorp Limited	Ultimate Holding Company
ii. Magma Advisory Services Limited	Holding Company
iii. Magma ITL Finance Limited	Fellow Subsidiary Company
iv. Sanjay Chamria	Chairman
v. Sachin Khandelwal	Managing Director
vi. Rupen Mukesh Jhaveri	Director (up to 10 June 2015)
vii. Mamta Binani	Director

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

Names of other Related parties	Nature of Relationship
i. Gauri Shankar Agarwal	Chief Financial Officer
ii. Priti Saraogi	Company Secretary
iii. Anita Agarwal	Relative of Key Managerial Personnel

Notes to the financial statements (continued)

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 2017	Outstanding amount as at 31 March 2017	Transaction value for the year ended 31 March 2016	Outstanding amount as at 31 March 2016
(a) Ultimate Holding Company Magma Fincorp Limited	Cost allocation	787.35	-	771.58	-
(b) Holding Company Magma Advisory Services Limited	Equity share holding	-	14,810.25	-	14,810.25
(c) Fellow Subsidiary Company Magma ITL Finance Limited	Long-term loans and advances given	2,500.00	3,500.00	3,000.00	3,000.00
	Refund of short-term loans and advances given	2,000.00	-	-	-
	Interest receipts	357.95	-	2.13	-
(d) Key management personnel	Directors' remuneration	124.29	-	125.40*	-
(i) Sachin Khandelwal	Salary	98.96	-	63.03	-
(ii) Gauri Shankar Agarwal	Loan given	5.00	4.01	-	0.96
(iii) Priti Saraogi	Repayment of loan received	1.95	-	3.59	-
	Interest income	0.13	-	-	-
	Salary	8.38	-	6.71	-
(e) Relatives of Key management personnel Anita Agarwal	Car hire charges paid	6.60	-	6.50	-
(f) Directors					
(i) Mamta Binani	Sitting Fees	3.20	-	1.95	-
(ii) Rupen Mukesh Jhaveri	Sitting Fees	-	-	0.20	-

* includes arrear relating to previous years.

30 Payments to auditors (included in professional fees)

(₹ in lacs)

	Year Ended 31 March 2017	Year Ended 31 March 2016
Audit fees	17.50	17.50
Limited review	4.50	4.50
Other services	1.10	1.40
Reimbursement of expenses	3.74	3.90
Total	26.84	27.30

Notes to the financial statements (continued)

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

(₹ in lacs)

	As at 31 March 2017				As at 31 March 2016			
	Standard assets	Sub-standard assets	Doubtful assets	Total assets	Standard assets	Sub-standard assets	Doubtful assets	Total assets
Balances outstanding								
Housing loans								
- Individuals	75,257.57	2,495.33	175.05	77,927.95	82,295.05	2,138.08	1,054.73	85,487.86
- Corporate	6,176.35	928.07	-	7,104.42	10,222.94	558.69	-	10,781.63
Other loans against property	63,717.72	3,106.03	185.05	67,008.80	80,448.05	2,268.20	934.45	83,650.70
Total	145,151.64	6,529.43	360.10	152,041.17	172,966.04	4,964.97	1,989.18	179,920.19
Provisions								
Opening provision	770.00	738.24	724.77	2,233.01	720.00	220.98	422.51	1,363.49
Provision made / (written back) during the year*	(130.00)	280.01	(604.29)	(454.28)	50.00	517.26	302.26	869.52
Closing 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 includes reversal of ₹ 722.75 lacs (2016: Nil) for sale of NPA (Note 23).

32 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)

		As at 31 March 2017	As at 31 March 2016
(i)	CRAR (%)	23.2	16.5
(ii)	CRAR -Tier I Capital (%)	22.6	15.9
(iii)	CRAR -Tier II Capital (%)	0.6	0.6
(iv)	Amount of subordinated debt raised as Tier- II Capital	-	-
(v)	Amount raised by issue of Perpetual Debt Instruments	-	-

Notes to the financial statements (continued)

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

(₹ in lacs)

		As at 31 March 2017	As at 31 March 2016
(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	28,475.66	26,560.92
	(b) Housing loans greater than ₹ 15 lacs	46,390.52	54,700.52
	(c) Others	53,563.03	65,799.66
	Total	128,429.21	147,061.10
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;	9,384.42	13,878.17
3	Investments in Mortgage Backed Securities (MBS) and other securitised exposures ^		
	(a) Residential,	-	-
	(b) Commercial real estate	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

^ Includes investments in Security Receipts. Breakup of residential and commercial real estate is not available, hence the entire amount is shown in commercial real estate.

Notes to the financial statements (continued)

33 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 2017	As at 31 March 2016
1	Value of Investments		
	(i) Gross Value of Investments		
	(a) In India	1,225.46	-
	(b) Outside India	-	-
	(ii) Provisions for Depreciation		
	(a) In India	-	-
	(b) Outside India	-	-
	(iii) Net Value of Investments		
	(a) In India	1,225.46	-
	(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 2017 and 31 March 2016 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 2017 and 31 March 2016.

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

(₹ in lacs)

Particulars	As at 31 March 2017	As at 31 March 2016
(i) No of Accounts	291	-
(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)

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

(₹ in lacs)

Particulars	As at 31 March 2017	As at 31 March 2016
(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

(₹ in lacs)

Particulars	As at 31 March 2017	As at 31 March 2016
(i) No of Accounts	1,002	622
(ii) Aggregate value (net of provisions) of accounts assigned	20,095.21	19,696.84
(iii) Aggregate Consideration	20,095.21	19,696.84
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain / loss over net book value	-	-

The above disclosure is effective from financial year ended 31 March 2017, hence previous year figures are unaudited.

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

The Company did not purchase any non-performing financial assets during the year ended 31 March 2017 and 31 March 2016

(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 2017 and 31 March 2016.

(i) Exposure to capital market

The Company does not have any exposure to capital market as at the financial year ended 31 March 2017 and 31 March 2016.

(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 2017 and 31 March 2016.

(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 2017 and 31 March 2016.

(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 2017 and 31 March 2016.

Notes to the financial statements (continued)

(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.

(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	2-Feb-17	CARE AA-	CARE AA-
	27-Jan-17	ICRA AA-	ICRA AA-
(ii) Secured NCD	2-Feb-17	CARE AA-	CARE AA-
	24-Jan-17	ICRA AA-	ICRA AA-
(iii) Commercial papers	27-Feb-17	CRISIL A1+	CRISIL A1+

* Date of Rating assigned relates to rating valid on 31 March 2017

(p) Remuneration of Directors

(₹ in lacs)

Name of the non-executive directors	Nature of transaction	Year ended 31 March 2017	Year ended 31 March 2016
(i) Mamta Binani	Director sitting fee	3.20	1.95
(ii) Rupen Mukesh Jhaveri	Director sitting fee	-	0.20

(q) Provisions and contingencies

(₹ in lacs)

Break up of 'Provisions and contingencies' shown under the head expenditure in profit and loss Account	Year ended 31 March 2017	Year ended 31 March 2016
Under "Employee Benefit Expenses"		
(i) Provision for compensated absences	33.14	43.32
Under "Provisions and bad debts written-off"		
(ii) Provision towards NPA	398.48	819.52
(iii) Provision for Standard Assets	(130.00)	50.00
Under "Tax expenses"		
(iv) Provision made towards Income tax(includes deferred tax)	1,823.94	1,252.91

Notes to the financial statements (continued)

(r) Provisions and contingencies

(₹ in lacs)

Break up of Loan and Advances and Provisions thereon	As at 31 March 2017		As at 31 March 2016	
	Housing	Non Housing	Housing	Non Housing
Standard Assets				
(i) Total outstanding amount	81,433.92	63,717.72	92,517.99	80,448.05
(ii) Provision made	390.00	250.00	450.00	320.00
Sub-Standard Assets				
(i) Total outstanding amount	3,423.40	3,106.03	2,696.77	2,268.20
(ii) Provision made	553.15	465.10	404.52	333.72
Doubtful Assets-Category-I				
(i) Total outstanding amount	161.65	103.71	370.92	624.15
(ii) Provision made	56.66	25.93	92.73	156.04
Doubtful Assets-Category-II				
(i) Total outstanding amount	13.40	81.34	563.52	298.67
(ii) Provision made	5.36	32.53	225.41	118.67
Doubtful Assets-Category-III				
(i) Total outstanding amount	-	-	120.29	11.63
(ii) Provision made	-	-	120.29	11.63
Loss Asset				
(i) Total outstanding amount	-	-	-	-
(ii) Provision made	-	-	-	-
Total				
(i) Total outstanding amount	85,032.37	67,008.80	96,269.49	83,650.71
(ii) Provision made	1,005.17	773.56	1,292.95	940.07

The above disclosure is effective from financial year ended 31 March 2017, hence previous year figures are unaudited.

(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 2017 and 31 March 2016.

(ii) Concentration of Loans and Advances

(₹ in lacs)

Particulars	As at 31 March 2017	As at 31 March 2016
Total Loans and Advances to twenty largest borrowers	9,651.89	12,818.96
Percentage of Loans and Advances to twenty largest borrowers to Total Advances of the HFC	6.35%	7.12%

The above disclosure is effective from financial year ended 31 March 2017, hence previous year figures are unaudited.

Notes to the financial statements (continued)

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

(₹ in lacs)

Particulars	As at 31 March 2017	As at 31 March 2016
Total Exposure to twenty largest borrowers / customers	9,651.89	12,818.96
Percentage of Exposures to twenty largest borrowers / customers to total Exposure of the HFC on borrowers / customers	6.35%	7.12%

The above disclosure is effective from financial year ended 31 March 2017, hence previous year figures are unaudited.

(iv) Concentration of NPAs

(₹ in lacs)

Particulars	As at 31 March 2017	As at 31 March 2016
Total Exposure to top ten NPA accounts	1,871.13	2,119.95

The above disclosure is effective from financial year ended 31 March 2017, hence previous year figures are unaudited.

(v) Sector-wise NPAs

% of NPAs to Total Advances in that sector

Sector	As at 31 March 2017	As at 31 March 2016
(A) Housing Loan		
1 Individuals	3.59%	3.95%
2 Builders / Project Loans	2.93%	-
3 Corporates	56.12%	37.80%
4 Others (specify)	-	-
(B) Non-Housing Loan		
1 Individuals	4.88%	3.72%
2 Builders / Project Loans	-	-
3 Corporates	5.34%	5.27%
4 Others (specify)	-	-

The above disclosure is effective from financial year ended 31 March 2017, hence previous year figures are unaudited.

Notes to the financial statements (continued)

(t) Movement of NPAs

(₹ in lacs)

Sl. No.	Particulars	Year ended 31 March 2017	Year ended 31 March 2016
i)	Net NPAs to Net Advances (%)	3.81%	3.08%
ii)	Movement of NPAs (Gross)		
	a) Opening balance	6,954.15	2,770.96
	b) Additions during the year	5,355.66	4,708.66
	c) Reductions during the year	5,420.28	525.47
	d) Closing balance	6,889.53	6,954.15
iii)	Movement of Net NPAs		
	a) Opening balance	5,491.14	2,127.47
	b) Additions during the year	4,554.82	4,006.44
	c) Reductions during the year	4,295.16	642.77
	d) Closing balance	5,750.80	5,491.14
iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a) Opening balance	1,463.01	643.49
	b) Provisions made during the year	800.84	702.22
	c) Write-off / write-back of excess provisions	1,125.12	(117.30)
	d) Closing balance	1,138.73	1,463.01

The above disclosure is effective from financial year ended 31 March 2017, hence previous year figures are unaudited.

(u) Customer Complaints

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
No. of complaints pending at the beginning of the year	3	1
No. of complaints received during the year	9	13
No. of complaints redressed during the year	11	11
No. of complaints pending at the end of the year	1	3

The above disclosure is effective from financial year ended 31 March 2017, hence previous year figures are unaudited.

Notes to the financial statements (continued)

Note: 34

Asset Liability Management:

Maturity pattern of certain items of assets and liabilities as at 31 March 2017

	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 *	3.65	3.46	53.49	55.94	167.03	449.48	125.23	58.75	57.26	82.98	1,057.27
Market borrowings **	24.86	49.37	24.67	-	-	75.00	20.00	10.00	-	-	203.90
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-
Assets											
Advances	43.15	12.62	11.30	31.06	54.58	202.21	177.21	197.38	315.79	542.06	1,587.36
Investments	-	-	-	-	-	-	12.25	-	-	-	12.25
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-

* Includes Cash credit facilities 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 from banks aggregating ₹ 233.83 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)

35 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)

Particulars		As at 31 March 2017	As at 31 March 2016	
Balance at the beginning of the year				
a)	Statutory reserve u / s 29C of the National Housing Bank Act ("NHB Act"), 1987	311.37	308.67	
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	2,248.63	1,351.33	
c)	Total	2,560.00	1,660.00	
Additions / Appropriation / Withdrawal during the year				
Add:	a)	Amount transferred u / s 29C of the NHB Act, 1987	832.90	2.70
	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	(152.90)*	897.30
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	1,144.27	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
	c)	Total	3,240.00	2,560.00

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

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

(a) Contingent liabilities

(₹ in lacs)

		As at 31 March 2017	As at 31 March 2016
Claims against the Company not acknowledged as debt			
(i)	Service tax matters under dispute	28.36	-
(ii)	Income tax matters under dispute	-	3.13

(b) Commitments

(₹ in lacs)

		As at 31 March 2017	As at 31 March 2016
(i)	Estimated amount of contracts remaining to be executed on capital account and not provided for	0.17	8.81
(ii)	Undisbursed housing / other loans	3,747.15	10,309.83

Notes to the financial statements (continued)

- (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.

37 Transfer pricing

The Company has developed a system of maintaining of information and documents as required by the transfer pricing legislation under the Income Tax Act, 1961. Management is of the opinion that its domestic transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

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.

- a) Gross amount required to be spent by the company during the year is ₹ 37.49 lacs.
b) Amount spent during the year on CSR activities is ₹ 9.66 lacs.

(₹ in lacs)

Sl. No.	Particulars	In Cash	Yet to be paid in Cash	Total
(i)	Construction / acquisition of any asset	-	-	-
(ii)	On purposes other than (i) above	9.66	-	9.66

Previously, in calculating the eligible amount to be spent for CSR activities, provision for non-performing assets and contingent provision against standard assets were added back to derive Book Profit under provision of section 198 of the Companies Act, 2013. However, the same is not required to be considered while calculating the eligible amount to be spent for CSR activities, accordingly the Company has revised the calculation during the year.

39 Details of Specified Bank Notes (SBN) held and transacted during the period 08 November 2016 to 30 December 2016

(₹ in lacs)

Particulars	SBNs	Other Denomination Notes	Total
Closing cash in hand as on 08 November 2016	0.30	-	0.30
(+) Permitted receipts*	-	0.40	0.40
(-) Permitted payments	-	-	-
(-) Amount deposited in Banks	0.30	-	0.30
Closing cash in hand as on 30 December 2016	-	0.40	0.40

Note : For the purposes of this clause, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the 8th November, 2016.

* Amount includes withdrawal from banks.

Notes to the financial statements (continued)

40 Conversion from Unlimited Liability Company to Company Limited by Shares and Change in name

The Company has been converted from an Unlimited Liability Company into a Company limited by shares vide Certificate of Incorporation dated 19 December, 2016 issued by Registrar of Companies, Delhi (RoC). Further, subsequent to the conversion of the Company, the name of the Company has been changed to Magma Housing Finance Limited vide Certificate of Incorporation dated 7 April 2017 issued by Registrar of Companies, Delhi (RoC).

41 Disclosures relating to fraud

During the year ended 31 March 2017, 6 cases (2016: Nil) of frauds have been detected and reported. The un-recovered amount aggregating to ₹ 119.01 lacs (2016: ₹ Nil) have been fully provided for / written-off.

42 Additional notes

(a) The Company has made no imports of any kind and therefore, C.I.F. value of imports of goods are ₹ Nil (2016: ₹ Nil).

(b) The Company has not earned any income in foreign currency (2016: ₹ Nil).

(c) The Company has not incurred any expenditure and neither has earned any income in foreign currency (2016: ₹ Nil).

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

As per our report of even date attached.

For and on behalf of the Board of Directors

For B S R & Co. LLP

Chartered Accountants

Firm's Regn. No. 101248W / W-100022

Jayanta Mukhopadhyay

Partner

Membership No. 055757

Mumbai, 03 May 2017

Sachin Khandelwal

Managing Director & Chief Executive Officer

Gauri Shankar Agarwal

Chief Financial Officer

Sanjay Chamria

Chairman

Priti Saraogi

Company Secretary

Mumbai, 03 May 2017

MAGMA HOUSING FINANCE LIMITED

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

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