

**MAGMA HOUSING FINANCE
(A PUBLIC COMPANY WITH
UNLIMITED LIABILITY)**

**ANNUAL REPORT FOR THE
FINANCIAL YEAR**

2015-2016

CORPORATE INFORMATION

CIN: U65922DL2004ULL125931

BOARD OF DIRECTORS

Mr. Sanjay Chamria

Chairman, Non Executive Director

Mr. Mayank Poddar (w.e.f. 04.05.2015)

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 (w.e.f. 10.06.2015)

Non-Executive Independent Director

Mr. Rupen Mukesh Jhaveri

(upto 10.06.2015)

Non-Executive Independent Director

Mr. Ashutosh Shukla (upto 23.07.2015)

Non-Executive 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
- Corporation Bank
- State Bank of Hyderabad
- Syndicate Bank
- Bank of Maharashtra
- State Bank of India
- Bank of Baroda
- Andhra Bank
- 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



MAGMA HOUSING FINANCE

Board's Report

Dear Shareholders,

Your Directors have pleasure in presenting the 12th (Twelfth) Annual Report on the Audited Financial Statements of the Company for the year ended 31 March, 2016. The summarized financial results are given below:-

FINANCIAL RESULTS

(Rs.in Lacs)

Particulars	2015-16	2014-15
Total Income	24,242.48	19,206.43
Finance Cost	14,195.83	11,776.65
Operating Expenses	6,501.09	5,780.84
Depreciation	12.10	5.00
Total Expenses	20,709.02	17,562.49
Profit/(Loss) before Tax	3,533.46	1,643.94
Provision for Taxation	1,267.90	454.43
Deferred Tax	(14.99)	129.21
Profit/(Loss) after Tax	2,280.55	1,060.30
Balance Brought Forward from previous year	5,377.08	4,656.78
Balance Available for Appropriation	7,657.63	5,717.08
Transfer to Statutory Reserve	900.00	340.00
Balance carried to Balance Sheet	6,757.63	5,377.08

STATE OF THE COMPANY'S AFFAIRS

Magma Housing Finance (A Public Company with Unlimited Liability) 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 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 Rs.3,533.46 lacs and Profit after Tax of Rs.2,280.55 lacs respectively as against Rs.1,643.94 lacs and Rs.1,060.30 lacs in previous Financial Year, reflecting a growth in operating profit by 115% and a growth in Profit after Tax by 115% over the previous year.

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.

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MAGMA HOUSING FINANCE

CHANGES IN THE NATURE OF BUSINESS

There has been no change in the nature of business of the Company during the financial year 2015-16.

LOAN BOOK

As at 31 March 2016, the loan book stood at Rs.1,79,920.19 lacs as against Rs.1,65,157.60 lacs in the previous year.

DISBURSEMENTS

The Company has done business of around Rs.87,500 lacs during the year as against Rs.97,815 lacs in the previous year. Your Company continued to focus mainly on the retail segment which contributed Rs.74,000 lacs to 4,158 customers, as against 3,500 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 Rs.34 lacs in FY 15 to Rs.21 lacs in FY 16.

HOLDING COMPANY

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

Pursuant to acquisition of entire preference shares of MASL by Magma Fincorp Limited ("MFL") from Celica Developers Private Limited ("CDPL"), MASL is a wholly owned subsidiary of MFL and your Company continues to be a step down subsidiary of MFL. Consequently, CDPL ceased to be a holding company of MASL and that of your Company.

DETAILS OF SUBSIDIARY/ASSOCIATES/JOINT-VENTURE COMPANY

Your Company has no subsidiary/Associates/Joint-Venture Company as at 31 March, 2016.

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, 2016. 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 6 May 2016, has transferred Rs.900.00 lacs to Statutory Reserve. An amount of Rs.1,380.55 lacs is proposed to be retained in the Statement of Profit and Loss for the financial year 2015-16.

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.

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MAGMA HOUSING FINANCE

RESOURCE MOBILISATION

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

A. Term Loans

Your Company has borrowed fresh long term loans of Rs.32,500 lacs from banks during the financial year 2015-16 as compared to Rs.47,500 lacs during the previous year. The aggregate of term loans outstanding at the end of the financial year 2015-16 stood at Rs.79,201.72 lacs as against Rs.68,596.20 lacs as at the end of the previous year.

B. Short Term Loan and Commercial Paper

During the year 2015-16, 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, 2016 is Rs.6,457.38 lacs towards CP & Rs.54,927.07 towards Working capital.

C. Non Convertible Debentures

Your Company has an outstanding balance of Rs.16,500 lacs against issue of Secured Redeemable Non Convertible Debentures (NCDs) on Private Placement basis as at 31 March 2016. The Non Convertible Debentures issued by the Company are listed with BSE Limited (Wholesale Debt Segment). Annual Listing fees as prescribed have been paid to BSE Limited.

D. Sale/ Assignment of Loans

During the year, the Company has sold/ assigned pools of loan against property aggregating to Rs.19,696.84 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.

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:	GDA Trusteeship Ltd
Phone No.:	020 – 26280081
Address:	GDA House, Plot No. 85, Bhusari Colony (Right), Paud Road, Pune - 411038
E-mail:	dt@gdatrustee.com
Website:	www.gdatrustee.com
Contact person:	Mr. Umesh Salvi

CREDIT RATING

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

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MAGMA HOUSING FINANCE

- For Commercial Paper/short term loan programmes of Rs.70,000 lacs as [CRISIL] “[A1+]” (Pronounced as CRISIL A1+ [A One Plus]).
- For Fund Based Long Term Loan Programme of Rs.1,33,600 lacs as [CARE] “[AA-]” (Pronounced as CARE AA-[Double A Minus]).
- For Fund Based Long Term Loan Programme of Rs.47,500 lacs as [ICRA] “[AA-]” (Pronounced as ICRA AA- [Double A Minus]).
- For Non Convertible Debentures Borrowing Programme of Rs.30,500 lacs [CARE] “[AA-]” (Pronounced as CARE AA- [Double A Minus]).
- For Non Convertible Debentures Borrowing Programme of Rs.5,000 lacs [ICRA] “[AA]” (Pronounced as ICRA AA-[Double A Minus]).

BRANCH EXPANSION

During the year under review, your company operated from 87 offices, comprising of 85 full service branches & 2 customer service representative offices. Your Company has planned to further strengthen local branch events and other brand building measures 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 16.46% as at 31 March 2016, 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 39.46% 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 data in respect of its loans.

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

The Deputy Secretary to Government of India in exercise of the powers conferred by sub-clause (iv) of clause (m) of sub-section (1) of section 2 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (4 of 2002), vide notification No. F.No.6/1/2015-Recovery dated 18 December, 2015 of Department of Financial Services, Ministry of Finance, Government of India has classified your Company, as ‘Financial Institution’ for the purposes of the said Act. Pursuant to the said

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MAGMA HOUSING FINANCE

notification, your Company has started taking action against the defaulters for the recovery of its dues under the SARFAESI law.

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 Rs.770.00 lacs towards Standard Loan Assets comprising Individual Home Loans, Individual NRP Loans and Developer Loans.

The amount of Gross Non-Performing Assets (GNPA) as on 31 March, 2016 is Rs.6,954.15 lacs, which is equivalent to 3.87% of the loan portfolio of the Company. The total cumulative provision towards Gross Non Performing Assets as on 31 March, 2016 is Rs.1,463.01 lacs. During the year, the Company has written off Rs.264.27 lacs of loans.

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

1. Your Company does not have any activity relating to conservation of energy or technology absorption.
2. Your Company does not have any foreign exchange earnings or outgo in terms of Companies (Accounts) Rules, 2014.

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.

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MAGMA HOUSING FINANCE

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.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. Sachin Khandelwal (DIN 00055621) was appointed as a Managing Director by the shareholders of the Company on 11 February, 2013 for a tenure of 3 years which expired on 10 February, 2016. The Board of Directors on the basis of recommendation received from Nomination and Remuneration Committee had, reappointed Mr. Sachin Khandelwal as the Managing Director and Chief Executive Officer of the Company for a tenure of 3 years with effect from 11 February 2016 till 10 February, 2019 as per the terms specified in the draft agreement approved by the shareholders at the Extra Ordinary General Meeting held on 21 March 2016.

Mr. Rupen Mukesh Jhaveri (DIN 01820858), Non-Executive Independent Director and Mr. Ashutosh Shukla (DIN 00075360), Non-Executive Director of the Company relinquished their office as the Directors of the Company w.e.f. 10 June 2015 and 23 July, 2015 respectively, due to their preoccupation with other professional assignments.

The Board has placed on record their deep appreciation for the valuable contribution made by Mr. Jhaveri and Mr. Shukla during their unstinted tenure of services with the Company.

The Board of Directors on the recommendation of the Nomination and Remuneration Committee had appointed Mr. Mayank Poddar (DIN 00009409) as Additional (Non-Executive) Director of your Company w.e.f. 4 May, 2015. Mr. Poddar was appointed as a Non-Executive Director at the 11th Annual General Meeting of the Company held on 18 June, 2015 and he is liable to retire by rotation.

Pursuant to the provisions of Sections 149, 152 and 161 of the Companies Act, 2013 and on the recommendation of the Nomination and Remuneration Committee, Mr. Ajay Bharat Candade (DIN 07090569) was appointed as an Additional Director (Non-Executive Independent) Director of the Company w.e.f. 10 June, 2015. Mr. Candade was appointed as a Non-Executive Independent Director at the 11th Annual General Meeting of the Company held on 18 June, 2015 as a Non-Executive Independent Director w.e.f. 10 June, 2015 for a term of five consecutive years and is not liable to retire by rotation.

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Kailash Baheti (DIN 00192017), retires at the ensuing AGM, and being eligible offers himself for re-appointment.

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

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MAGMA HOUSING FINANCE

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.

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 2016-17.

BOARD MEETINGS

During the financial year 2015-16, the Company has held six (6) Board Meetings, i.e. on 8 April 2015, 4 May 2015, 10 June 2015, 23 July 2015, 28 October 2015 and 4 February 2016. 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 2015-16, 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 7 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:

Sl. No.	Name of the Directors	Number of meetings attended during the year 2015-16
1	Mr. Sanjay Chamria	6/6
2	Mr. Mayank Poddar ¹	2/4
3	Mr. Kailash Baheti	6/6
4	Mr. Ashutosh Shukla ²	3/4
5	Mr. Sachin Khandelwal	6/6
6	Mr. Rupen Mukesh Jhaveri ³	0/3
7	Ms. Mamta Binani	4/6
8	Mr. Ajay Bharat Candade ⁴	3/3

¹Appointed w.e.f. 4 May, 2015

²Resigned w.e.f. 23 July, 2015

³Resigned w.e.f. 10 June, 2015

⁴Appointed w.e.f. 10 June, 2015

Leave of absence was granted to the Directors who could not attend the respective meetings.

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MAGMA HOUSING FINANCE

SEPARATE MEETING OF INDEPENDENT DIRECTORS

A separate meeting of the Independent Directors (IDs) was held on 4 February 2016, 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 04 February, 2016 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.

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MAGMA HOUSING FINANCE

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

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

Sl. No.	Particulars	Disclosures	
		Category	Amount (in Rs.)
1	All elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc., of all the directors	Basic Salary	50,00,004 p.a.
		Perquisites / Benefits	
		House Rent Allowance	20,00,004 p.a.
		Special Allowance	45,00,612 p.a.
		Medical Allowance	15,000 p.a.
		Leave Travel Concession	72,000 p.a.
		Provident Fund	6,00,000 p.a.
		Gratuity	2,40,384 p.a.
		Other reimbursements	
		Books and Periodicals	36,000 p.a.
		Telephone Reimbursement	36,000 p.a.
			Minimum Remuneration
2	Details of fixed component and performance linked incentives along with the performance criteria	Same as above	
3	Service contracts, notice period, severance fees	Appointed for a term of 3 years w.e.f. 11 February, 2016 upto 10 February, 2019. 3 months' notice period.	
4	Stock option details, if any, and whether the same has been	Not Applicable	

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MAGMA HOUSING FINANCE

Sl. No.	Particulars	Disclosures
	issued at a discount as well as the period over which accrued and over which exercisable	

The Non-executive Independent Directors were paid sitting fees of Rs.20,000/- per meeting of the Board and Rs.15,000/- per meeting of Audit Committee and Nomination and Remuneration Committee for the year 2015-16. 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, 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 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.

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 ACB 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.

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MAGMA HOUSING FINANCE

- 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.

Composition

As on 31 March, 2016 the Audit Committee comprises of Mr. Sanjay Chamria, Non-Executive Director who serves as the Chairman of the Committee, Mr. Ajay Bharat Candade, Non-Executive Independent Director and Ms. Mamta Binani, Non-Executive Independent Director.

During the financial year ended 31 March 2016, four (4) Audit Committee Meetings were held on 4 May 2015, 23 July 2015, 28 October 2015 and 4 February, 2016. 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 2015-16
1.	Mr. Sanjay Chamria	Chairman, Non-executive	4/4
2.	Mr. Rupen Mukesh Jhaveri ¹	Independent, Non-executive	0/1
3.	Ms. Mamta Binani	Independent, Non-Executive	3/4
4.	Mr. Ajay Bharat Candade ²	Independent, Non-Executive	3/3

Magma Housing Finance (A Public Company with Unlimited Liability)
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¹Ceased to be a member w.e.f. 10 June, 2015

²Inducted as a member w.e.f. 10 June, 2015

NOMINATION & REMUNERATION COMMITTEE

The Nomination & Remuneration Committee (NRC) is constituted in accordance with the provisions of Section 178 of the Companies Act, 2013.

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.

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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

As on 31 March, 2016 the Nomination & Remuneration Committee comprises of Mr. Kailash Baheti, Non-Executive Director who serves as the Chairman of the Committee, Mr. Ajay Bharat Candade, Non-Executive Independent Director and Ms. Mamta Binani, Non-Executive Independent Director.

During the financial year ended 31 March 2016, three (3) NRC Meetings were held on 4 May 2015, 23 July 2015 and 4 February 2016. 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 2015-16
1.	Mr. Kailash Baheti	Chairman, Non-executive	3/3
2.	Mr. Rupen Mukesh Jhaveri ¹	Independent, Non-executive	0/1
3.	Ms. Mamta Binani	Independent, Non-Executive	2/3
4.	Mr. Ajay Bharat Candade ²	Independent, Non-Executive	2/2

¹Ceased to be a member w.e.f. 10 June, 2015

²Inducted as a member w.e.f. 10 June, 2015

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;

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MAGMA HOUSING FINANCE

- 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;



MAGMA HOUSING FINANCE

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 readwith 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:

- i. The increment on fixed salary would correspond to the percentage increase with respect to the final performance rating as per the agreed salary increment grid.

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, 2016 the 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. Mr. Mayank Poddar and Mr. Ajay Bharat Candade were inducted as Members in the Committee w.e.f. 10 June, 2015 and Mr. Sanjay Chamria and Mr. Rupen Mukesh Jhaveri ceased to be Members of the Committee w.e.f. 10 June, 2015. During the year, one (1) meeting of the CSR Committee was held on 1 September, 2015.

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.

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MAGMA HOUSING FINANCE

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 POLICY

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 and to provide 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, to enable compliance with appropriate regulations, 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.

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.magmafc.co.in/regulatory-disclosure/secretarial-disclosures.html>

CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES UNDER SECTION 188 OF THE COMPANIES ACT, 2013

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 related parties 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

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MAGMA HOUSING FINANCE

the Company with related parties are mentioned separately in the notes to Financial Statement.

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 sub-section (12) of section 143 of the Companies Act, 2013.

INTERNAL AUDIT AND INTERNAL FINANCIAL CONTROL

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 monitored and evaluated by internal auditors and their audit reports are periodically reviewed by the Audit Committee of the Board of Directors. 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.

Your Directors had 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.

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MAGMA HOUSING FINANCE

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, 16, 28 and 30 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 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, 2016 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 and Companies Act, 1956 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.

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). The Board now recommends the appointment of M/s. B S R & Co. LLP for ratification by the members at the Annual General Meeting for the Financial Year 2016-17.

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MAGMA HOUSING FINANCE

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 2015-16.

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 2015-16. The Report of the Secretarial Auditor for the financial year ended 31 March 2016 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 2015-16.

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, 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, 2016 was 381 employees.

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MAGMA HOUSING FINANCE

FUTURE PROSPECTS

1. INDUSTRY OVERVIEW

The “Housing-For-All by 2022” scheme which was launched in 2015 has brought about a significant hope and prospective long term future outlook to the real estate and housing finance industry. Hopefully this will gain more momentum, with improved market sentiments and action on the ground for expanding credit flow and increasing home ownership.

The growth during the year was quite broad based for the HFCs with a focus on affordable housing segment. They were at the forefront in catering to the financial needs of the under-banked masses in the rural and semi-urban areas through strong linkages with these segments. Housing finance companies also gained market share during the period which can be attributed to a large population base, rising income levels and rapid urbanisation. The outskirts of metros and large cities still continue to expand, besides the small cities now seeing multi storied apartment culture setting in slowly. This generated interest among even large corporations to enter and expand into the consumer home loan segment.

The overall housing disbursements are expected to record a CAGR of 18-20% by 2019-20, to cross Rs.8 trillion over the next five years. Growth in lenders' outstanding portfolio would, however, be a little lower as prepayments increase amid strong income growth and low interest rates, coupled with some balance transfers from higher to lower rates across financiers. This has seen an increasing trend in both Home-loans and also Loan against Property due to regulatory intervention of charging no foreclosure charges even if a customer transfers his loan form one lender to another.

Market share of housing finance companies is expected to improve slightly. Even when banks turn aggressive, riding on better data availability and a greater focus on home loans, HFCs will grow at a slightly faster pace given their strong origination skills and relatively superior customer service. Even among HFCs, mid-sized and small players' disbursements will grow at a faster pace of approx. 25% in the medium term (as against 17-19% for large HFCs), owing to their stronger focus on affordable housing projects and increasing demand in the upcountry markets.

Affordable Housing

Many new initiatives and policies focussed on lending for housing were introduced by the Government in the last 12 months. The biggest highlight was to bring housing loans of up to Rs.50 lacs under affordable housing and bringing loans up to Rs.28 lacs in urban and Rs.25 lacs in other centres under Priority Sector Lending. The decision of the RBI to increase LTV ratio to 90 per cent for loans up to Rs.30 lacs or less was another welcome step which will enable home finance companies to lend more to Lower and Medium Income group customers thereby enabling them to own a home. This would of course lead to more aggression by banks in sub Rs.50 lacs ticket sizes now. On the supply side also, various state government have introduced initiatives to encourage builders/developers to launch projects in affordable housing space.

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Competition to intensify but profitability to remain stable

HFCs currently enjoy a competitive edge over banks, owing to better operating efficiency and a much larger reach and ability to expand into rural areas. As corporate credit offtake is expected to be sluggish in the medium term, banks are shifting focus to the retail loan market, possibly more expansion into smaller markets and even lower ticket loans, given the above benefits announced by the Government. Consequently, competition is expected to intensify for the HFCs, with addition of new players and more aggression by the banks.

Liabilities

Most HFCs rely primarily on wholesale funding sources for onward lending. While the larger HFCs have more diversified funding profile with a higher share of Debt market instrument like **NCDs and CPs as well as Retail FDs**, the smaller ones continue to depend largely on **banks and NHB** to meet their borrowing requirement. Some of the larger HFCs have raised funding/are in the process of raising the funds through **ECB route** also. However, the industry would continue to keep seeking better avenues and access to longer term capital given the much longer tenure of mortgage loans.

Profitability

Yields of HFCs (both large and mid-sized) are likely to be under pressure. However, as the drop in interest rates in the system lowers HFCs' cost of funds, profitability will remain largely unaffected. Net profit margins of large and mid and small HFCs is expected to hover at 1.8 - 2.0% and 2.3 - 2.5%, respectively in the medium term.

Portfolio Quality

Asset quality for HFCs is likely to remain strong, with GNPA's declining slightly over 2015-16 and 2016-17. Economic recovery, lower interest rates, better system checks and an expected improvement in job security will be contributing factors. This also reflects the strong asset quality, which we expect to persist in the medium term. However, property prices in some markets may continue to drop before they stabilise after some more time, as of now, the instability continues, leading to deferred transactions and slower pace of project completion across most markets.

Future Prospects

Housing loan disbursements are expected to continue to be more than 50% of the retail lending by all banks and HFC's and likely to increase at approx. **20% CAGR** over the next few years, as investments are spurred by a stable central government, expected moderation in consumer price index (CPI) inflation, and lower interest rates. Other factors that would drive up disbursements include: **(CRISIL)**

- Low mortgage penetration
- Higher loan offtake in tier-III cities and rural markets
- Rising focus on affordable housing projects
- Faster loan sanctions process, with increased competition in smaller markets

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MAGMA HOUSING FINANCE

- Improved Operating environment
- Expansion of mini metros with captive technology parks and expansion of outskirts of all cities
- Growth of nuclear families and urban migration of work force

2. BUSINESS OVERVIEW

Your Company started new loans origination from June, 2013. Your Company offer loans for residential, commercial and plot purchase as also Loan against property, besides Construction finance to Builders & Developers. The Magma Group distribution and branch reach continues to be leveraged to reach out to smaller markets and focus primarily on self-employed customer segments with informal income and over the last two years, we have started lending from more than 87 branches and their outreach within a radius of over 125 km covering over 400 Talukas/villages that we cater to.

Your Company has a Loan Book of Rs.1,799.20 crore as at 31 March 2016, which includes both the new loans origination and the acquired assets through the takeover of erstwhile GE Money Housing Finance and Loan against Property portfolio of GE Money Financial Services Private Limited.

Your Company intends to grow by approx. 10% in loan disbursements in FY17, by leveraging the existing branches, channels and customers of the Magma group. There would be a renewed focus, with the sales and distribution getting more aligned with the parent branches, using technology for better access and processing of loans of the targeted customer segment. Your company also intends to further reduce the focus for lower loan amounts and more sourcing from upcountry markets. Your Company also intends to undertake residential construction finance for projects which are feasible and are being developed by small and mid-sized credible developers in outskirts of metros or in smaller markets. Your Company will encourage cross-selling of insurance products - both Property Insurance and Life Insurance cover to the customers along with the Home Loans and Loan against Property.

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: Kolkata
Date: 6 May, 2016

Sanjay Chamria
Chairman
(DIN: 00009894)

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MAGMA HOUSING FINANCE

Annexure A to Board's Report

A. Statement of particulars of employees pursuant to provisions of Section 197(12) of the Companies Act 2013 read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 referred to in the Board's Report for the year ended March 31, 2016 and forming part thereof

1. Employees employed throughout the year and in receipt of remuneration aggregating Rs.60,00,000/- or more per annum.

Name	Age (in years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (in Rs.)	Particulars of last employment, last post, employer
Gauri Shankar Agarwal	48 Yrs	B.Com(Hons), Associate Chartered Accountant	Chief Financial Officer (Vice President)	1 July, 2014	24 Yrs	6,303,174	SVP & Head - Resource Mobilisation, SREI Infrastructure Finance Limited
Sachin Khandelwal	49 Yrs	BE – Mechanical / MMS (Marketing) – Sydenham Institute of Management	Managing Director & Chief Executive Officer (Exe. Vice President)	11 February, 2013	24 Yrs	12,540,005	MD & CEO – Home Finance / ICICI Home Finance
Sachin Grover	43 Yrs	MBA – Marketing (Pune University)	National Sales Head (Sr. Vice President)	1 June, 2013	19 Yrs	11,172,464	National Head – Sales (Mortgages) / India Infoline
Sunil Gupta	46 Yrs	B.Com(Hons), Associate Chartered Accountant	National Credit Head (Sr. Vice President)	1 October, 2014	23 Yrs	8,067,810	National Credit Manager – Housing & SME (Executive Vice President) / Religare Private Ltd

2. Employed for a part of the year and in receipt of remuneration aggregating Rs.5,00,000/- or more per month.

Name	Age	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (in Rs.)	Particulars of last employment, last post, employer
NIL							

Magma Housing Finance (A Public Company with Unlimited Liability)
(Formerly, GE Money Housing Finance)

Regd. Office: 8 Sant Nagar, East of Kailash, New Delhi - 110065, Ph: +91 11 45728100
Web : <http://www.magmahfc.co.in>, CIN : U65922DL2004ULL125931



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Notes:

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

For and on behalf of the Board of Directors

Place: Kolkata
Date: 6 May, 2016

Sanjay Chamria
Chairman
(DIN: 00009894)

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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

- (i) The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2015-16, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2015-16 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under:

Sl. No.	Name of Director/KMP and Designation	Remuneration of Director/KMP for financial year 2015-16 (Rs. in lacs)	% increase in Remuneration in the Financial Year 2015-16	Ratio of remuneration of each Director/ to median remuneration of employees	Comparison of the Remuneration of the KMP against the performance of the Company
1	Sachin Khandelwal (Managing Director)	125.40	0%	22.73	The increments were linked to market and industry information, on performance of the individual employee as well as company performance which impacted the budget for the increments. In the year under review, average increment is 2.76% The Company PAT has increased by 115.09%.
2	Gauri Shankar Agarwal (Chief Financial Officer)	63.03	27%	12.73	
3	Priti Saraogi (Company Secretary)	6.71	16%	1.26	

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 Rs.5.50 lacs.
- (iii) In the financial year, there was an increase of 2.76% in the median remuneration of employees;
- (iv) There were 381 permanent employees on the rolls of Company as on 31 March, 2016;
- (v) Relationship between average increase in remuneration and company performance: The Profit before Tax for the financial year ended 31 March, 2016 increased by 114.94% whereas the average increase in average remuneration was 2.76%. The average increase in median remuneration was in line with the performance of the Company.
- (vi) Comparison of Remuneration of the Key Managerial Personnel(s) against the performance of the Company:

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The total remuneration of Key Managerial Personnel increased from Rs.171.60 lacs in 2014-15 to Rs.195.14 lacs in 2015-16 whereas the Profit after Tax increased from Rs.1060.30 lacs in 2014-15 to Rs.2280.55 lacs in 2015-16.

- (vii) a) Variations in the market capitalisation of the Company: N.A.
- b) Price Earnings ratio of the Company: N. A.
- c) Percent increase over/ decrease in the market quotations of the shares of the company as compared to the rate at which the company came out with the last public offer in the year - Since there was no public offer in last 5 years the relevant details are not applicable.
- (viii) Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2015-16 was 8.15% whereas the increase in the managerial remuneration for the same financial year was 8.58%.
- (ix) The key parameters for the variable component of remuneration availed by the directors are considered by the Board of Directors based on the recommendations of the Nomination and Remuneration Committee as per the Remuneration policy for Directors, Key Managerial Personnel and other Employees.
- (x) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year – Not Applicable; and
- (xi) It is hereby affirmed that the remuneration paid is as per the as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

For and on behalf of the Board of Directors

Place: Kolkata
Date: 6 May, 2016

Sanjay Chamria
Chairman
(DIN: 00009894)

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MAGMA HOUSING FINANCE

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 the same 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

Sl 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 Rs.1191.65 lacs.

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

The Company is required to spend Rs.23.83 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 FY 2015-16 was Rs.42.83 lacs which included amount carried forward from the previous FY 2014-15 i.e. Rs.19 lacs. The Company had proposed to spend Rs.39 Lacs during the year under review, and the balance sum of Rs.3.83 Lacs to be carried forward to the next year.

Magma Housing Finance (A Public Company with Unlimited Liability)
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Web : <http://www.magmahfc.co.in>, CIN : U65922DL2004ULL125931



MAGMA HOUSING FINANCE

b. Amount unspent, if any:

Out of the proposed spend of Rs.39 lacs, only sum of Rs.25.53 lacs was spent and the balance Rs.13.47 lacs remain unspent. Thus the total unspent amount is Rs.17.30 lacs, which is carried forward for the next financial year.

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

(Rs. 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	Healthcare and sanitation	Hapur, NCR	5.00	3.47	3.47	Direct
		Environmental sustainability	Hapur, NCR and Karnal, Haryana	34.00	21.06	21.06	Direct
2.	Contribution to the Prime Minister National Relief Fund	Contribution to the Prime Minister's national relief fund	Chennai-Tamil Nadu	-	1.00	1.00	-
	TOTAL			39.00	25.53	25.53	

6. Key achievements

Key achievements are highlighted below:

Trucker's Initiative

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

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

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MAGMA HOUSING FINANCE

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 27,231 Truckers in 11 Transport Nagars across the country.

Awards

The impact made by Magma has received its due commendation. Magma has received the Asia Pacific HRM Congress Awards 2015 in the category of Best CSR practices.

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

As a part of the initiatives undertaken by the Company under CSR, the Company has undertaken the projects or programs in the areas of Health, Sanitation and environment protection and awareness. Being the second year for implementing those projects, the process of identifying appropriate activities, the right vendors 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 FY 2015-16 by spending higher amount in FY 2016-17.

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.

Sachin Khandelwal
(Managing Director and Chief Executive Officer)

Mayank Poddar
(Chairman CSR Committee)

Place: Kolkata

Date: 6 May, 2016

Magma Housing Finance (A Public Company with Unlimited Liability)
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Regd. Office: 8 Sant Nagar, East of Kailash, New Delhi - 110065, Ph: +91 11 45728100
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MAGMA HOUSING FINANCE

Annexure C to Board's Report

FORM NO. MGT-9

Extract of Annual Return as on the financial year ended on 31 March, 2016

[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	U65922DL2004ULL125931
ii)	Registration Date	21 April, 2004
iii)	Name of the Company	Magma Housing Finance (A Public Company with Unlimited Liability) [Formerly known as GE Money Housing Finance (A Public Company with Unlimited Liability)]
iv)	Category of the Company/ Sub Category of the Company	Public Company - Unlimited Indian 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	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 2. Niche Technologies Private Limited (For Debt securities) D – 511, Bagree Market, 71, B.R.B Basu Road, Kolkata - 700 001 Telephone No.: 033 2235-7270/7271

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	L51504WB1978PLC031813	Holding	NIL	2(46)

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Web : <http://www.magmahfc.co.in>, CIN : U65922DL2004ULL125931



MAGMA HOUSING FINANCE

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
	Magma House, 24, Park Street, Kolkata – 700 016				
2.	Celica Developers Private Limited 24, Park Street, Kolkata – 700 016	U70109WB1999PTC089015	Holding	NIL	2(46) (Refer note 1)
3.	Magma Advisory Services Limited (MASL) Magma House, 24, Park Street, Kolkata – 700 016	U74999WB2012PLC181922	Holding	100%	2(46)

Note 1: Celica ceased to be a holding company of MASL w.e.f. 09.02.2016

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

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Share	
A. Promoters									
(1) Indian									
a) Individual/ HUF	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Central Govt.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) State Govt. (s)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
d) Bodies Corp.	148102450	-	148102450	100	148102450	-	148102450	100	-
e) Banks / FI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
f) Any Other	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (A) (1):-	148102450	-	148102450	100	148102450	-	148102450	100	-
(2) Foreign									
a) NRIs Individuals	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Other – Individuals	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) Bodies	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

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(Formerly, GE Money Housing Finance)

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Web : <http://www.magmahfc.co.in>, CIN : U65922DL2004ULL125931



MAGMA HOUSING FINANCE

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Share	
Corp.									
d) Banks / FI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
e) Any Other....	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (A) (2):-	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total Shareholding of Promoter (A) = (A)(1)+(A)(2)	148102450	-	148102450	100	148102450	-	148102450	100	-
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Banks / FI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) Central Govt.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
d) State Govt.(s)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
e) Venture Capital	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
f) Insurance Companies	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
g) FIs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
h) Foreign Venture Capital Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
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.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
i) Indian	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
ii) Overseas	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Individuals	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

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MAGMA HOUSING FINANCE

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Share	
i) Individual shareholders holding nominal share capital upto Rs.1 lacs	-	50	50	0.0	-	50	50	0.0	
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lacs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) Others (specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(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

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Web : <http://www.magmahfc.co.in>, CIN : U65922DL2004ULL125931



MAGMA HOUSING FINANCE

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 Jain	10	0.00	10	0.00
3	Ashutosh Shukla	10	0.00	10	0.00

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MAGMA HOUSING FINANCE

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.: NIL	-	-	-	-
	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 (Director w.e.f. 04 May, 2015)	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.: NIL	-	-	-	-
	At the end of the year	10	0.00	10	0.00
3	Mr. Ashutosh Shukla, Non Executive Director				
	At the beginning of the year (Director upto 23 July, 2015)	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	-	-	-	-

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MAGMA HOUSING FINANCE

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.)
	etc.: NIL				
	At the end of the year	10	0.00	10	0.00
4	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.: NIL	-	-	-	-
	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

(Rs. in Lacs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	128,036.60	14,798.08	-	142,834.67
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	393.74	-	-	393.74
Total (i+ii+iii)	128,430.34	14,798.08	-	143,228.42
Change in Indebtedness during the financial year				
Addition	109,689.58	94,159.30	-	203,848.88
Reduction	86,794.49	102,500.00	-	189,294.49
Net Change	22,895.09	(8,340.70)	-	14,554.39
Indebtedness at the end 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

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Web : <http://www.magmahfc.co.in>, CIN : U65922DL2004ULL125931



MAGMA HOUSING FINANCE

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl. No.	Particular of Remuneration	Name of MD/ WTD/ Manager		Total Amount (Rs. in Lacs)
		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	50.00		50.00
		1.84		1.84
		65.00		65.00
2	Stock Option	N.A.		N.A.
3	Sweat Equity	N.A.		N.A.
4	Commission - as % of profit - others, specify...	N.A.		N.A.
5	Others, please specify	8.55		8.55
	Total (A)	125.40		125.40
	Ceiling as per the Act	Rs.131.07 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 (Rs. in Lacs)
		Rupen Mukesh Jhaveri (upto 10.06.2015)	Ajay Bharat Candade (w.e.f. 10.06.2015)	Mamta Binani	
1	Fee for attending board / committee meetings	0.20	N.A.	1.95	2.15
2	Commission	N.A.	N.A.	N.A.	N.A.
3	Others, please specify	N.A.	N.A.	N.A.	N.A.
	Total (B)(1)				2.15

Magma Housing Finance (A Public Company with Unlimited Liability)
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Web : <http://www.magmahfc.co.in>, CIN : U65922DL2004ULL125931



MAGMA HOUSING FINANCE

2. Other Non-Executive Directors:

Sl. No.	Particular of Remuneration	Name of Directors				Total Amount (Rs. in Lacs)
		Sanjay Chamria	Kailash Baheti	Ashutosh Shukla (upto 23.07.2015)	Mayank Poddar (w.e.f. 04.05.2015)	
1	Fee for attending board / committee meetings	N.A.	N.A.	N.A.	N.A.	N.A.
2	Commission	N.A.	N.A.	N.A.	N.A.	N.A.
3	Others, please specify	N.A.	N.A.	N.A.	N.A.	N.A.
Total (B)(2)						N.A.
Total (B)= (B)(1)+ (B)(2)						2.15
Total Managerial Remuneration				2.15		
Overall Ceiling as per the Act				N.A. (since the Company does not pay any commission to Non-Executive Directors)		

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

Sl. No.	Particular of Remuneration	Key Managerial Personnel		Total Amount (Rs. in Lacs)
		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	35.45	2.93	38.38
b)	Value of perquisites u/s 17(2) Income Tax Act, 1961	1.46	N.A.	1.46
c)	Profits in lieu of salary under section 17(3) Income Tax Act, 1961	21.53	3.31	24.84
2	Stock Option	N.A.	N.A.	N.A.
3	Sweat Equity	N.A.	N.A.	N.A.
4	Commission			
	- as % of profit	N.A.	N.A.	N.A.
	- others, specify...	N.A.	N.A.	N.A.
5	Others, please specify	4.59	0.47	5.06
Total (C)		63.03	6.71	69.74

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MAGMA HOUSING FINANCE

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.

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MAGMA HOUSING FINANCE

Annexure D to Board's Report

Form No. MR - 3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2016

[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 (A Public Company with Unlimited Liability)

8, Sant Nagar East of Kailash

New Delhi- 110065

1. We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **MAGMA HOUSING FINANCE (A Public Company with Unlimited Liability)** (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.
2. Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2016 generally complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:
3. 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, 2016, 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 (Not Applicable to the Company during the Audit Period);
 - 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);

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MAGMA HOUSING FINANCE

- b) The 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, 2016.
- b) Prevention of Money Laundering Act, 2002 and the Prevention of Money Laundering (Amendment) Act, 2012.

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

- i. Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India, effective w.e.f 1st July 2015.
- ii. The Listing Agreements entered into by the Company with Bombay Stock Exchange Limited.

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

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the

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MAGMA HOUSING FINANCE

composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, 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.

All decisions at Board Meetings and Committee Meetings were carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

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 made the following authorization of issuance of Non Convertible Debentures (NCDs):

- a. Issuance of debt securities pursuant to Sections 42, 71 and 180(1)(c) of the Companies Act, 2013, upto an overall ceiling of Rs.700 Crores on Private Placement Basis in Extra Ordinary General Meeting held on 08.04.2015 for Financial Year 2015-16.
- b. Issuance of debt securities pursuant to Sections 42, 71 and 180(1)(c) of the Companies Act, 2013, upto an overall ceiling of Rs.600 Crores on Private Placement Basis in Extra Ordinary General Meeting held on 14.03.2016 (adjourned on 21.03.2016) for Financial Year 2016-17.

This Report is to be read with our letter of even date which is annexed “Annexure 1” 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: 27.04.2016**

“ANNEXURE – 1”

To,
The Members
MAGMA HOUSING FINANCE (A Public Company with Unlimited Liability)

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.

**Magma Housing Finance (A Public Company with Unlimited Liability)
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MAGMA HOUSING FINANCE

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: 27.04.2016**

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Independent Auditors' Report

To the Members of 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 (A Public Company with Unlimited Liability) ("the Company"), which comprise the balance sheet as at 31 March 2016, 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

Magma Housing Finance (A Public Company with Unlimited Liability)

Independent Auditors' Report (continued)

Auditors' Responsibility (continued)

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 2016 and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of section 143(11) of the Act, we give in the "Annexure A" a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the balance sheet, the statement of profit and loss, and the cash flow statement dealt with by this Report are in agreement with the books of account;
 - (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 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act;

**Magma Housing Finance (A Public Company with Unlimited Liability)
Independent Auditors' Report (continued)**

Report on Other Legal and Regulatory Requirements (continued)

- (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 33(a) to the financial statements;
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contract – Refer note 33(c) to the financial statements; and
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **BSR & Co. LLP**
Chartered Accountants
Firm Registration No: 101248W/ W-100022

Place: Mumbai
Date : 06 May 2016

Akeel Master
Partner
Membership Number: 046768

Magma Housing Finance (A Public Company with Unlimited Liability)

Annexure A to the Independent Auditors' Report

The Annexure referred to in the Independent Auditors' Report to the members of Magma Housing Finance (A Public Company with Unlimited Liability) ("the Company") on the financial statements for the year ended 31 March 2016:

- (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 providing 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 of the 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 interest as stipulated and there is no principal repayment due during the year ended 31 March 2016.
 - 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 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.

Magma Housing Finance (A Public Company with Unlimited Liability)**Annexure A to the Independent Auditors' Report (continued)**

(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, cess and any other material statutory dues have generally been regularly deposited during the year by the Company with appropriate authorities except for delays ranging from 31 days to 122 days in respect to deposit of employees' state insurance with the appropriate authorities awaiting registration which was subsequently regularized and in case of professional tax for days ranging from 3 days to 92 days. 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 were in arrears, as at 31 March 2016, for a period of more than six months from the date they became payable. As explained to us, the Company did not have any dues on account of sales tax, customs duty, excise duty and value added tax.

b) According to the information and explanations given to us there are no dues of cess and other material statutory dues which have not been deposited by the Company with the appropriate authorities on account of any disputes. However, according to the information and explanations given to us, the following dues of income tax and service tax, have not been deposited by the Company on account of dispute:

Name of the Statute	Nature of Dues	Amount (Rs. Lacs)	Amount paid under protest (Rs. Lacs)	Period to which amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	8.62	-	AY 2007-08	Commissioner of Income Tax (Appeal), Delhi
Finance Act, 1994	Service Tax	40.36	12.00	Various financial years from 2005-06 to 2008-09 (upto September 2008)	Commissioner of Central Excise (Appeal), Chennai

Magma Housing Finance (A Public Company with Unlimited Liability)

Annexure A to the Independent Auditors' Report (continued)

- (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 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 director or persons connected with him. Accordingly, paragraph 3(xv) of the Companies (Auditor's Report) Order, 2016 is not applicable.

Magma Housing Finance (A Public Company with Unlimited Liability)

Annexure A to the Independent Auditors' Report (continued)

- (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 **B S R & Co. LLP**
Chartered Accountants
Firm Registration No: 101248W/ W-100022

Place: Mumbai
Date: 06 May 2016

Akeel Master
Partner
Membership Number: 046768

Magma Housing Finance Limited (A Public Company with Unlimited Liability)

Annexure B to the Independent Auditors' Report

The Annexure referred to in the Auditors' Report to the members of Magma Housing Finance (A Public Company with Unlimited Liability) ("the Company") for the year ended 31 March 2016:

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

We have audited the internal financial controls over financial reporting of Magma Housing Finance (A Public Company with Unlimited Liability) ("the Company") as of 31 March 2016 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 Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Magma Housing Finance Limited (A Public Company with Unlimited Liability)

Annexure B to the Independent Auditors' Report (continued)

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, 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

Place: Mumbai
Date: 06 May 2016

Akeel Master
Partner
Membership Number: 046768

Independent Auditors' Additional Report

To the Board of Directors of Magma Housing Finance

1. This report is issued in accordance with the terms of engagement letter with Magma Housing Finance [a public company with unlimited liability] ("the Company") dated 11 April 2016. We have audited the financial statements of the Company which comprise the Balance Sheet as at 31 March 2016, and the related Statement of Profit and Loss and Cash Flow Statement for the year then ended on that date and issued our report dated 6 May 2016.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for 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 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 ('the Directions') issued by the National Housing Bank (as amended). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Pursuant to the requirements of the Housing Finance Companies ("NHB") Directions, 2010 ("the Directions") dated 10 June 2010, it is our responsibility to examine the books and records of the Company and report on the matters specified in paragraph 34 and 35 of the said directions to the extent applicable to the Company.
4. We conducted our examination in accordance with the 'Guidance Note on Audit Reports and Certificates issued for Special Purposes' issued by the Institute of Chartered Accountants of India ('ICAI')

Conclusion

5. Based on our examination of the books and records of the Company as produced for our examination and the information and explanations given to us we further report that:-
 - 5.1 The Company was incorporated on 21 April 2004 and has obtained a certificate of registration from National Housing Bank 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;
 - 5.2 Requirements of Section 29B of the National Housing Bank Act, 1987 (,NHB Act') are not applicable to the Company since it does not hold or accept public deposits;

Conclusion (continued)

- 5.3 The Company has statutory reserve of Rs 2,560.00 lacs in accordance with Section 29C of the NHB Act as at 31 March 2016;
- 5.4 The Board of Directors has passed a resolution on 8 April 2015 for non-acceptance of public deposits;
- 5.5 The Company has not accepted public deposits during the year ended 31 March 2016;
- 5.6 In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the provisions of the Directions relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it in the preparation of financial statements for the year ended 31 March 2016.
- 5.7 The capital adequacy ratio as at 31 March 2016 as disclosed in the return submitted to National Housing Bank on 17 May 2016 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.

Restriction on Use

This report is issued pursuant to our obligations under Housing Finance Companies (“NHB”) Directions, 2010 (“the Directions”) dated 10 June 2010 (as amended) to submit a report on exceptions, noted while issuing our report 6 May 2016 on the financial statements of the Company for the year ended 31 March 2016, 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 **BSR & Co LLP**
Chartered Accountants
Firm’s Registration No.: 101248W/W-100022

Place: Mumbai
Date : 18 May 2016

Akeel Master
Partner
Membership No.: 046768

Balance Sheet

MAGMA HOUSING FINANCE (A Public Company with Unlimited Liability)

(₹ in lacs)

	Note No.	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	14,810.25	14,810.25
Reserves and surplus	4	9,317.63	7,037.08
		24,127.88	21,847.33
Non-current liabilities			
Long-term borrowings	5	67,843.75	58,496.20
Deferred tax liabilities (net)	6	379.51	394.50
Long-term provisions	7	2,243.17	1,318.69
		70,466.43	60,209.39
Current liabilities			
Short-term borrowings	8	68,884.45	57,338.46
Trade payables	9		
- Due to micro and small enterprises		-	-
- Due to others		518.30	303.73
Other current liabilities	10	23,814.18	28,625.87
Short-term provisions	11	157.16	146.15
		93,374.09	86,414.21
Total		187,968.40	168,470.93
ASSETS			
Non-current assets			
Fixed assets			
- Tangible assets	12	45.02	47.82
- Intangible assets	12	70.79	5.05
- Capital work-in-progress		6.99	43.63
		122.80	96.50
Long-term loans and advances	13		
- Housing and property loans		163,730.37	150,828.36
- Others		3,238.19	318.72
Other non-current assets	14	839.30	763.70
		167,930.66	152,007.28
Current assets			
Cash and bank balances	15	1,585.99	168.14
Short-term loans and advances	16		
- Housing and property loans		16,189.82	14,329.24
- Others		1,972.20	1,657.60
Other current assets	17	289.73	308.67
		20,037.74	16,463.65
Total		187,968.40	168,470.93

Significant accounting policies

2

Notes to the financial statements

3 - 37

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

Sachin Khandelwal

Managing Director & Chief Executive Officer

Sanjay Chamria

Chairman

Akeel Master

Partner

Membership No. 046768

Mumbai, 06 May 2016

Gauri Shankar Agarwal

Chief Financial Officer

Priti Saraogi

Company Secretary

Kolkata, 06 May 2016

Statement of Profit and Loss

MAGMA HOUSING FINANCE

(A Public Company with Unlimited Liability)

(₹ in lacs)

	Note No.	Year ended 31 March 2016	Year ended 31 March 2015
REVENUE			
Revenue from operations	18	23,964.59	19,070.21
Other income	19	277.89	136.22
Total revenue		24,242.48	19,206.43
EXPENSE			
Employee benefits expense	20	3,390.47	2,994.53
Finance costs	21	14,195.83	11,776.65
Depreciation and amortisation expense	12	12.10	5.00
Provisions and bad debts written-off	22	1,133.79	767.42
Other expenses	23	1,976.83	2,018.89
Total expense		20,709.02	17,562.49
Profit before tax		3,533.46	1,643.94
Tax expense:			
Current tax - current year		1,249.00	450.00
- earlier year		18.90	4.43
Net current tax		1,267.90	454.43
Deferred tax		(14.99)	129.21
Profit after tax		2,280.55	1,060.30
Earnings per equity share			
(Nominal value of ₹ 10/- each, fully paid up):	27		
Basic and diluted (in ₹)		1.54	0.72
Significant accounting policies	2		
Notes to the financial statements	3 - 37		
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

Sachin Khandelwal

Managing Director & Chief Executive Officer

Sanjay Chamria

Chairman

Akeel Master

Partner

Membership No. 046768

Mumbai, 06 May 2016

Gauri Shankar Agarwal

Chief Financial Officer

Priti Saraogi

Company Secretary

Kolkata, 06 May 2016

Cash Flow Statement

MAGMA HOUSING FINANCE

(A Public Company with Unlimited Liability)

	(₹ in lacs)	
	Year ended 31 March 2016	Year ended 31 March 2015
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	3,533.46	1,643.94
Adjustments for :		
Depreciation and amortisation expense	12.10	5.00
Interest expense	12,390.54	9,545.53
General provision against standard assets	50.00	300.00
Provision for non-performing assets	819.52	40.02
Bad debts written-off	264.27	427.40
Discount on commercial papers	1,512.25	1,894.11
Operating cash flow before working capital changes	18,582.14	13,856.00
Adjustments for :		
Trade and other receivables	(3,370.19)	1,056.91
Housing and property loans	(14,578.83)	(61,410.39)
Trade and other payables	1,359.95	(2,188.23)
Net cash used in operations	1,993.07	(48,685.71)
Taxes paid (net)	(1,188.44)	(501.13)
Net cash used in operating activities (A)	804.63	(49,186.84)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including capital work-in-progress)	(38.40)	(79.88)
Net cash used in investing activities (B)	(38.40)	(79.88)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings (net)*	12,739.26	50,795.57
Interest paid	(12,087.64)	(9,266.14)
Net cash generated from financing activities (C)	651.62	41,529.43
Net (decrease) / increase in cash and cash equivalents (A+B+C)	1,417.85	(7,737.29)
Cash and cash equivalents as at the beginning of the year	168.14	7,905.43
Cash and cash equivalents as at the end of the year	1,585.99	168.14
CASH AND CASH EQUIVALENTS (Note 15)		
Cash in hand	0.16	0.17
Balances with banks		
In current accounts	1,585.83	167.97
	1,585.99	168.14

* 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

Sachin Khandelwal
Managing Director & Chief Executive Officer

Sanjay Chamria
Chairman

Akeel Master

Partner

Membership No. 046768

Mumbai, 06 May 2016

Gauri Shankar Agarwal
Chief Financial Officer

Priti Saraogi
Company Secretary

Kolkata, 06 May 2016

Note: 1**COMPANY OVERVIEW:**

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 ('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.
- (b) Income on direct assignment / securitisation :
The Company enters into arrangements for sale of loan receivables through direct assignment / securitisation. The said assets are de-recognised upon transfer of significant risks and rewards to the purchaser and on meeting the true sale criteria.
The Company retains the contractual right to receive share of future monthly interest i.e. excess interest spread ("EIS") on the transferred assets which is the difference between the pool IRR and the yield agreed with the portfolio buyer.
The Company recognises gain / excess interest spread on direct assignment / securitisation transactions in line with RBI 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) 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'.

(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) 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.

(xi) 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 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.

(xii) Provision

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.

(xiii) 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.

(xiv) 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.

(xv) Operating leases

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

(xvi) Earnings per share

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

(xvii) Cash and cash equivalents

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

(xviii) Cash flow statement

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

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE
(A Public Company with Unlimited Liability)

(₹ in lacs)

	As at 31 March 2016	As at 31 March 2015
Note: 3		
SHARE CAPITAL		
Authorised		
200,000,000 (2015: 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 (2015: 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 2016		As at 31 March 2015	
	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.

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

	As at 31 March 2016		As at 31 March 2015	
	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

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.

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE
(A Public Company with Unlimited Liability)

(₹ in lacs)

	As at 31 March 2016	As at 31 March 2015
Note: 4		
RESERVES AND SURPLUS		
Statutory reserve (Note 32)		
(As per section 29C of the National Housing Bank Act, 1987) *		
Opening balance	1,660.00	1,320.00
Addition during the year	900.00	340.00
	2,560.00	1,660.00
Surplus (balance in the statement of profit and loss)		
Opening balance	5,377.08	4,656.78
Profit after tax	2,280.55	1,060.30
Amount available for appropriations	7,657.63	5,717.08
Appropriations		
Transfer to statutory reserve	900.00	340.00
	6,757.63	5,377.08
	9,317.63	7,037.08

* Statutory reserve represents the reserve fund created under section 29C of the National Housing Bank Act, 1987. Under section 29C, the Company is required to transfer a sum not less than twenty percent of its net profit for the financial year to the statutory reserve. The statutory reserve can be utilised for the purposes as specified by the National Housing Bank from time to time.

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE
(A Public Company with Unlimited Liability)

(₹ in lacs)

	Security as per	As at 31 March 2016	As at 31 March 2015
Note: 5			
LONG-TERM BORROWINGS*			
Debentures			
Secured			
Redeemable non-convertible privately placed debentures	(a)	10,500.00	19,300.00
		10,500.00	19,300.00
Term loans			
Secured			
from banks	(b)	57,343.75	39,196.20
		57,343.75	39,196.20
		67,843.75	58,496.20

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) Term loans from banks 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

Number of Debentures	Face Value (₹ in lacs)	Month of Allotment	Month of Redemption	31 March 2016		31 March 2015	
				Non-Current	Current maturities*	Non-Current	Current maturities*
100	10	Mar-16	Mar-23	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	6,000.00	-
				10,500.00	6,000.00	15,500.00	-

(b) Repayment Terms: Quarterly, at par

Number of Debentures	Face Value (₹ in lacs)	Month of Allotment	Month of Redemption	31 March 2016		31 March 2015	
				Non-Current	Current maturities*	Non-Current	Current maturities*
1900	10	Mar-13	Sep-16	-	-	3,800.00	7,600.00
				-	-	3,800.00	7,600.00

The above debentures carry interest rates ranging from 10.00% p.a. to 11.05% p.a.

(B) Term loans from banks

Terms of repayment

Repayment Terms	Interest Terms	Repayment commencing from	No. of Instalments due	31 March 2016		31 March 2015	
				Non-Current	Current maturities*	Non-Current	Current maturities*
Quarterly	Floating	Aug-17	12	5,000.00	-	-	-
Quarterly	Floating	Jun-17	12	20,000.00	-	14,996.84	-
Quarterly	Floating	Mar-17	16	18,750.00	1,250.00	-	-
Quarterly	Floating	Feb-17	16	2,343.75	156.25	-	-
Quarterly	Floating	Sep-16	12	7,500.00	2,500.00	10,000.00	-
Half-Yearly	Floating	Jun-16	8	3,750.00	1,249.98	5,000.00	-
Quarterly	Floating	Jun-14	2	-	9,201.74	9,199.36	19,400.00
				57,343.75	14,357.97	39,196.20	19,400.00

The above term loans carry interest rates ranging from 9.85% p.a. to 10.40% p.a.

* ₹ 20,357.97 lacs (2015: ₹ 27,000.00 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)

MAGMA HOUSING FINANCE
(A Public Company with Unlimited Liability)

(₹ in lacs)

	As at 31 March 2016	As at 31 March 2015
Note: 6		
DEFERRED TAX LIABILITIES (NET)		
Deferred tax liabilities		
Unamortised expense	445.83	461.13
Statutory reserve	778.08	467.67
Others	14.27	1.21
	<u>1,238.18</u>	<u>930.01</u>
Deferred tax assets		
General provision on standard assets	266.48	249.18
Provision for non-performing assets	506.32	222.70
Others	85.87	63.63
	<u>858.67</u>	<u>535.51</u>
	<u>379.51</u>	<u>394.50</u>

	As at 31 March 2016	As at 31 March 2015
Note: 7		
LONG-TERM PROVISIONS		
Provision for employee benefits		
Provision for gratuity	36.54	1.69
Provision for compensated absences	73.62	43.51
Other provisions		
General provision on standard assets*	670.00	630.00
Provision for non-performing assets		
- Housing loans	1,008.28	412.63
- Other loans against property	454.73	230.86
	<u>2,243.17</u>	<u>1,318.69</u>

* The Company has made standard asset provisions at prescribed rates on home loan @ 0.40% and on commercial real estate(CRE) exposure @ 0.75%. Up to financial year 2013-14, the company had made standard assets provisions on commercial real estate exposure @ 0.40% as CRE exposure was purely in Housing Projects, so same provisioning was applied as in Home Loan Assets, which had resulted into a shortfall of provision of Rs.10.12 lacs in financial year 2013-14, which has since been regularised.

Notes to the financial statements (continued)
MAGMA HOUSING FINANCE
(A Public Company with Unlimited Liability)

(₹ in lacs)

	Security as per	As at 31 March 2016	As at 31 March 2015
Note: 8			
SHORT-TERM BORROWINGS			
Loan from banks			
Secured*			
Term loans	(a)	7,500.00	10,000.00
Cash credit facilities	(b)	33,427.07	18,540.38
Working capital demand loans	(b)	21,500.00	14,000.00
		<u>62,427.07</u>	<u>42,540.38</u>
Commercial papers			
Unsecured			
Face value		6,600.00	15,000.00
Less: Unmatured discounting charges		142.62	201.92
		<u>6,457.38</u>	<u>14,798.08</u>
		<u>68,884.45</u>	<u>57,338.46</u>

***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 9.75% 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 9.55% p.a. to 9.75% p.a.

Terms of repayment of term loans

Repayment Terms	Interest Terms	Rate of Interest	As at 31 March 2016	As at 31 March 2015
Half-yearly	Floating	9.95%	7,500.00	10,000.00
			<u>7,500.00</u>	<u>10,000.00</u>

Details of unsecured commercial papers

Number of units	Face Value (₹ in lacs)	Repayment Terms	As at 31 March 2016	As at 31 March 2015
3,000	5	at Par	-	14,798.08
1,320	5	at Par	6,457.38	-
			<u>6,457.38</u>	<u>14,798.08</u>

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

Notes to the financial statements (continued)
MAGMA HOUSING FINANCE
(A Public Company with Unlimited Liability)

(₹ in lacs)

	As at 31 March 2016	As at 31 March 2015
Note: 9		
TRADE PAYABLES		
Due to micro and small enterprises*	-	-
Due to others	518.30	303.73
	<u>518.30</u>	<u>303.73</u>

* 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 2016 and 31 March 2015. 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.

	As at 31 March 2016	As at 31 March 2015
Note: 10		
OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings (Note 5)	20,357.97	27,000.00
Interest accrued but not due on borrowings	696.64	393.74
Other payables		
Advances from customers	993.45	545.42
Statutory liabilities	99.44	118.95
Pending remittance on assignment	1,096.33	-
Other payables	570.35	567.76
	<u>23,814.18</u>	<u>28,625.87</u>

	As at 31 March 2016	As at 31 March 2015
Note: 11		
SHORT-TERM PROVISIONS		
Provision for employee benefits		
Provision for gratuity (Note 24)	0.29	0.33
Provision for compensated absences	1.37	0.32
Other provisions		
General provision on standard assets	100.00	90.00
Provision for contingent expenses	55.50	55.50
	<u>157.16</u>	<u>146.15</u>

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE

Note: 12

(A Public Company with Unlimited Liability)

FIXED ASSETS

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 1 April 2015	Additions	Deletions	As at 31 March 2016	As at 1 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

Following are the changes in the carrying value of fixed assets for the year ended 31 March 2015:

Description of assets	Gross block				Depreciation and amortisation				Net block
	As at 1 April 2014	Additions	Deletions	As at 31 March 2015	As at 1 April 2014	For the year	Deletions	As at 31 March 2015	As at 31 March 2015
Fixed assets for own use									
Tangible assets									
Building	21.46	-	-	21.46	0.30	0.36	-	0.66	20.80
Furniture and fixtures	0.47	9.88	-	10.35	0.01	2.59	-	2.60	7.75
Office equipments	-	8.14	-	8.14	-	1.18	-	1.18	6.96
Leasehold improvements	-	12.97	-	12.97	-	0.66	-	0.66	12.31
Total (A)	21.93	30.99	-	52.92	0.31	4.79	-	5.10	47.82
Intangible assets									
Computer softwares acquired	-	5.26	-	5.26	-	0.21	-	0.21	5.05
Total (B)	-	5.26	-	5.26	-	0.21	-	0.21	5.05
Grand Total (A + B)	21.93	36.25	-	58.18	0.31	5.00	-	5.31	52.87

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE
(A Public Company with Unlimited Liability)

(₹ in lacs)

	As at 31 March 2016	As at 31 March 2015
Note: 13		
LONG-TERM LOANS AND ADVANCES		
Housing and property loans		
Secured*		
considered good**		
Housing loans	82,751.41	73,866.90
Other loans against properties ^	78,989.78	75,663.68
considered doubtful		
Housing loans	1,054.73	960.00
Other loans against properties ^	934.45	337.78
	<u>163,730.37</u>	<u>150,828.36</u>
Others		
Unsecured, considered good		
Advance tax and tax deducted at source	219.73	299.19
[Net of provision for tax aggregating ₹ 1,189.90 lacs (2015: ₹ 454.43 lacs)]		
Loan and advances to related parties (Note 28)	3,000.00	-
Security deposits	7.82	9.01
Loans to staff	10.64	10.52
	<u>3,238.19</u>	<u>318.72</u>
	<u>166,968.56</u>	<u>151,147.08</u>

* Secured by underlying assets financed.

** Housing and property loans includes sub-standard assets of ₹ 4,964.97 lacs (2015: ₹ 1,473.18 lacs) and is net of amounts assigned aggregating to ₹ 15,518.75 lacs as at 31 March 2016 (2015: ₹ Nil lacs).

^ Other loans against properties includes ₹ 10,202.03 lacs (2015: ₹ 15,939.81 lacs) on account of loan against property portfolio purchased during the financial year ended 31 March 2013 from GE Money Financial Services Private Limited and GE Capital Services India aggregating to ₹ 31,337.91 lacs.

	As at 31 March 2016	As at 31 March 2015
Note: 14		
OTHER NON-CURRENT ASSETS		
Others		
Unamortised borrowing costs	105.96	118.01
Unamortised loan origination costs	733.34	645.69
	<u>839.30</u>	<u>763.70</u>

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE
(A Public Company with Unlimited Liability)

(₹ in lacs)

	As at 31 March 2016	As at 31 March 2015
Note: 15		
CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash in hand	0.16	0.17
Balances with banks		
In current accounts	1,585.83	167.97
	<u>1,585.99</u>	<u>168.14</u>

	As at 31 March 2016	As at 31 March 2015
Note: 16		
SHORT-TERM LOANS AND ADVANCES		
Housing and property loans		
Secured, considered good*		
Housing loans	12,463.36	10,820.23
Other loans against properties	3,726.46	3,509.01
	<u>16,189.82</u>	<u>14,329.24</u>
Others		
Unsecured, considered good		
Other loans and advances		
Loans to staff	19.06	10.29
Advances recoverable in cash or in kind or for value to be received	212.89	114.39
Balance with Statutory / Government authorities	51.33	43.25
Accrued interest / financial charges	1,662.28	1,461.07
Prepaid expenses	26.64	28.60
	<u>1,972.20</u>	<u>1,657.60</u>
	<u>18,162.02</u>	<u>15,986.84</u>

* Secured by underlying assets financed.

	As at 31 March 2016	As at 31 March 2015
Note: 17		
OTHER CURRENT ASSETS		
Unamortised borrowing costs	138.38	208.24
Unamortised loan origination costs	147.19	99.56
Others	4.16	0.87
	<u>289.73</u>	<u>308.67</u>

Notes to the financial statements (continued)
MAGMA HOUSING FINANCE
(A Public Company with Unlimited Liability)

(₹ in lacs)

	Year ended 31 March 2016	Year ended 31 March 2015
Note: 18		
REVENUE FROM OPERATIONS		
Interest income		
On housing and property loans	22,518.45	17,753.94
On loans, margins and etc.	9.15	51.60
	<u>22,527.60</u>	<u>17,805.54</u>
Other financial income		
Management fees	1,027.45	1,128.44
Collection and support services	9.70	-
Foreclosure charges	376.32	117.88
Others	23.52	18.35
	<u>1,436.99</u>	<u>1,264.67</u>
	<u>23,964.59</u>	<u>19,070.21</u>

	Year ended 31 March 2016	Year ended 31 March 2015
Note: 19		
OTHER INCOME		
Bad debts recovered	162.90	127.78
Miscellaneous income	114.99	8.44
	<u>277.89</u>	<u>136.22</u>

	Year ended 31 March 2016	Year ended 31 March 2015
Note: 20		
EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	3,184.49	2,850.46
Contribution to provident and other funds	161.59	117.26
Staff welfare expenses	44.39	26.81
	<u>3,390.47</u>	<u>2,994.53</u>

	Year ended 31 March 2016	Year ended 31 March 2015
Note: 21		
FINANCE COSTS		
Interest expense		
On debentures	2,130.66	2,055.44
On term loans	7,505.72	6,260.58
On cash credit and working capital facilities	2,753.52	1,229.23
On others	0.64	0.28
Discount on commercial papers	1,512.25	1,894.11
Other borrowing costs	293.04	337.01
	<u>14,195.83</u>	<u>11,776.65</u>

Notes to the financial statements (continued)
MAGMA HOUSING FINANCE
(A Public Company with Unlimited Liability)

	(₹ in lacs)	
	Year ended 31 March 2016	Year ended 31 March 2015
Note: 22		
PROVISIONS AND BAD DEBTS WRITTEN-OFF		
Bad debts written-off	264.27	427.40
Provision for non-performing assets	819.52	40.02
General provision against standard assets	50.00	300.00
	<u>1,133.79</u>	<u>767.42</u>

	Year ended 31 March 2016	Year ended 31 March 2015
Note: 23		
OTHER EXPENSES*		
Rent	149.03	79.59
Brokerage and commission	318.34	178.07
Rates and taxes	2.22	1.63
Travelling and conveyance	337.77	275.24
Office maintenance	35.83	77.12
Repairs and maintenance		
- machinery	14.88	1.13
- others	0.09	0.58
Payment to directors		
- fees	2.33	-
Professional fees	229.08	253.91
Legal charges	136.86	138.51
Outsourced manpower costs	332.96	692.63
Printing and stationery	30.80	46.21
Communication	61.63	53.70
Electricity charges	43.91	24.61
Advertisement and publicity expenses	37.97	47.62
Corporate Social Responsibility Expenditure (Note 35)	25.53	-
Miscellaneous expenses	217.60	148.34
	<u>1,976.83</u>	<u>2,018.89</u>

*includes expenses allocated from related parties (Note 28)

Note: (₹ in lacs)

24 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

	Year ended 31 March 2016	Year ended 31 March 2015
Opening defined benefit obligation	41.25	16.54
Current service cost	28.83	18.70
Interest cost	3.16	1.51
Actuarial losses /(gains)	5.96	4.50
Benefit paid	(2.54)	-
Closing defined benefit obligation	76.66	41.25

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

	Year ended 31 March 2016	Year ended 31 March 2015
Opening fair value of the plan assets	39.23	36.20
Actual return on plan assets	3.01	3.02
Contributions by employer	0.13	0.01
Benefit paid	(2.54)	-
Closing fair value of the plan assets	39.83	39.23

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

	As at 31 March 2016	As at 31 March 2015
Defined benefit obligation	76.66	41.25
Fair value of plan assets	39.83	39.23
Net asset / (liability)	(36.83)	(2.02)

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

	Year ended 31 March 2016	Year ended 31 March 2015
Current service cost	28.83	18.70
Interest on defined benefit obligation	3.16	1.51
Net actuarial losses / (gains) recognised	5.96	4.77
Expected return on plan assets	(3.01)	(3.29)
Net expense included in "Employee benefits expense"	34.94	21.69

(e) Summary of actuarial assumptions

	Year ended 31 March 2016	Year ended 31 March 2015
Discount rate	7.88%	7.91%
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:***

	31 March 2016	31 March 2015	31 March 2014
Present value of defined benefit obligation	76.66	41.25	16.54
Fair value of plan assets	39.83	39.23	36.20
Funded status [surplus/(deficit)]	(36.83)	(2.02)	19.66
Experience (gain)/loss adjustment on plan liabilities	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	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.

Note: (₹ in lacs)

25 Lease transactions in the capacity of Lessee

Lease rental expense under non-cancellable operating lease during the year ended 31 March 2016 and 31 March 2015 amounted to ₹ 3.07 lacs and ₹ 4.72 lacs respectively. Future minimum lease payments under non cancellable operating lease is as below:

	31 March 2016	31 March 2015
Not later than one year	-	3.06
Later than one year but not later than five years	-	-
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 2016 and 31 March 2015 was ₹ 7.30 lacs and ₹ 1.14 lacs respectively.

26 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.

27 Earnings per share (EPS)

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

	Units	Year ended 31 March 2016	Year ended 31 March 2015	
Basic and Diluted				
1	Weighted average number of Equity shares (Face value of ₹ 10/- each) for Basic and Diluted EPS	Nos.	148,102,500	148,102,500
2	Net profit after tax	₹ in Lacs	2,280.55	1,060.30
3	Earning per share (Face value of ₹ 10/- per share) – Basic and Diluted	₹	1.54	0.72

28 Related party disclosures

Related party disclosures as at and for the year ended 31 March 2016.

(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. Celica Developers Private Limited	Holding Company (up to 09 February 2016)
iv. Sanjay Chamria	Chairman
v. Sachin Khandelwal	Managing Director
vi. Kailash Baheti	Director
vii. Ashutosh Shukla	Director (w.e.f. 03 September 2014 upto 23 July 2015)
viii. V.Lakshmi Narasimhan	Director (up to 27 August 2014)
ix. Heramb Ravindra Hajarnavis	Director (up to 23 August 2014)
viii. Rupen Mukesh Jhaveri	Director (w.e.f. 06 October 2014 upto 10 June 2015)
ix. Mamta Binani	Director (w.e.f. 28 March 2015)

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

Names of other Related parties	Nature of Relationship
i. Magma ITL Finance Limited	Fellow Subsidiary Company
ii. Sunil Jain	Chief Financial Officer (up to 30 June 2014)
iii. Gauri Shankar Agarwal	Chief Financial Officer (w.e.f. 01 July 2014)
iv. Priti Saraogi	Company Secretary
v. Anita Agarwal	Relative of Key Managerial Personnel

Note: (₹ in lacs)

Significant transactions / balances with related parties

Name of related party and Nature of relationship	Nature of transaction	Transaction value for the year ended 31 March 2016	Outstanding amount as at 31 March 2016	Transaction value for the year ended 31 March 2015	Outstanding amount as at 31 March 2015
A) Ultimate Holding Company					
1 Magma Fincorp Limited	Cost allocation	771.58	-	726.13	-
B) Holding Company					
1 Magma Advisory Services Limited	Equity share holding	-	14,810.25	-	14,810.25
C) Fellow Subsidiary Company					
1 Magma ITL Finance Limited	Long-term loans and advances given	3,000.00	3,000.00	-	-
	Interest receipts	2.13	-	50.70	-
	Refund of short-term loans and advances given	-	-	1,950.00	-
D) Key management personnel					
1 Sachin Khandelwal	Directors' remuneration*	125.40	-	125.11	-
2 Gauri Shankar Agarwal	Salary	63.03	-	34.82	-
	Loan given	-	0.96	6.47	4.55
	Repayment of loan received	3.59	-	1.92	-
3 Sunil Jain	Salary	-	-	9.25	-
4 Priti Saraogi	Salary	6.71	-	2.41	-
E) Relatives of Key management personnel					
1 Anita Agarwal	Car hire charges paid	6.50	-	4.50	-
F) Directors					
1 Mamta Binani	Sitting Fees	1.95	-	-	-
2 Rupen Mukesh Jhaveri	Sitting Fees	0.20	-	-	-

* Includes arrear relating to previous years.

29 Payments to auditors (included in professional fees)

	Year Ended 31 March 2016	Year Ended 31 March 2015
Audit fees	17.50	16.00
Limited review	4.50	-
Other services	1.40	0.55
Reimbursement of expenses	3.90	2.63
Total	27.30	19.18

Note: (₹ in lacs)

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

	As at 31 March 2016				As at 31 March 2015			
	Standard assets	Sub-standard assets	Doubtful assets	Total assets	Standard assets	Sub-standard assets	Doubtful assets	Total assets
Balances outstanding								
Housing loans								
- Individuals	82,295.05	2,138.08	1,054.73	85,487.86	67,639.23	673.07	960.00	69,272.30
- Corporate	10,222.94	558.69	-	10,781.63	16,374.83	-	-	16,374.83
Other loans against property	80,448.05	2,268.20	934.45	83,650.70	78,372.58	800.11	337.78	79,510.47
Total	172,966.04	4,964.97	1,989.18	179,920.19	162,386.64	1,473.18	1,297.78	165,157.60
Provisions								
Opening provision	720.00	220.98	422.51	1,363.49	420.00	220.01	383.46	1,023.47
Provision made/ (written back) during the year	50.00	517.26	302.26	869.52	300.00	0.97	39.05	340.02
Closing provision	770.00	738.24	724.77	2,233.01	720.00	220.98	422.51	1,363.49

31 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 2016	As at 31 March 2015
(i) CRAR (%)	16.5	15.6
(ii) CRAR -Tier I Capital (%)	15.9	15.1
(iii) CRAR -Tier II Capital (%)	0.6	0.5

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

	As at 31 March 2016	As at 31 March 2015
A Direct exposure		
(i) Residential mortgages - (net of provisions for non performing assets) 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	26,560.92	21,472.61
(b) Housing loans greater than ₹ 15 lacs	54,700.52	49,707.50
(c) Others	65,799.66	63,722.45
Total	147,061.10	134,902.55
(ii) Commercial real estate* Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	13,878.17	14,025.90
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
(a) Residential,	-	-
(b) Commercial real estate	-	-
B Indirect Exposure		
(i) Fund based exposures		
(a) on National Housing Bank (NHB)	-	-
(b) on Housing Finance Companies (HFCs)	-	-
(ii) Non-fund based exposures		
(a) on National Housing Bank (NHB)	-	-
(b) on Housing Finance Companies (HFCs)	-	-

* Commercial Real estate - Residential housing

Notes to the financial statements (continued)

MAGMA HOUSING FINANCE
(A Public Company with Unlimited Liability)

Note: 31

(c) Asset Liability Management:

Maturity pattern of certain items of assets and liabilities as at 31 March 2016

(₹ in Crores)

	1day to 14 days	14days to 30/31days (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 *	5.79	0.02	3.93	56.07	78.30	123.90	425.71	263.27	65.08	105.09	214.13	1,341.29
Market borrowings **	-	-	60.00	49.03	15.55	-	40.00	35.00	29.99	-	-	229.57
Assets												
Advances	19.11	19.81	13.17	12.77	38.29	81.32	227.43	186.21	214.20	345.82	704.47	1,862.60
Investments	-	-	-	-	-	-	-	-	-	-	-	-

* Cash credit facilities from banks are usually for a period of 1 year. As per the prevalent practice, these facilities are renewed on a year to year basis and therefore, are revolving in nature. Accordingly, repayments of cash credit borrowings from banks aggregating Rs. 549.27 crores has been distributed over the same period as the maturity pattern of housing and property loans financed.

** Includes secured redeemable non-convertible debentures.

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

Particulars	As at 31 March 2016	As at 31 March 2015
Balance at the beginning of the year		
a) Statutory reserve u/s 29C of the National Housing Bank Act ("NHB Act"), 1987	308.67	298.02
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	1,351.33	1,021.98
c) Total	1,660.00	1,320.00
Additions/Appropriation/Withdrawal during the year		
Add: a) Amount transferred u/s 29C of the NHB Act, 1987	2.70	10.65
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	897.30	329.35
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	311.37	308.67
b) Amount of Special reserve u/s 36(1)(vii) of Income Tax Act, 1961 taken into account for the purposes of Statutory reserve u/s 29C of the NHB Act, 1987	2,248.63	1,351.33
c) Total	2,560.00	1,660.00

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

(a) Contingent liabilities	As at 31 March 2016	As at 31 March 2015
Claims against the Company not acknowledged as debt		
(i) Income tax matters under dispute	3.13	3.13
(b) Commitments		
	As at 31 March 2016	As at 31 March 2015
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	8.81	23.70
(ii) Undisbursed housing / other loans	10,309.83	9,328.79

(c) The Company has a process whereby periodically all long-term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision required under any law/accounting standard/NHB regulation for material foreseeable losses on such long term contracts has been made in the books of account. The Company did not have any derivative transaction during the year ended 31 March 2016 (2015: ₹ Nil).

Note: (₹ in lacs)

34 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.

35 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 ₹ 23.83 lacs.
b) Amount spent during the year on CSR activities is ₹ 25.53 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	24.34	1.19	25.53

36 Additional notes

- (a) The Company has made no imports of any kind and therefore, C.I.F. value of imports of goods are ₹ Nil (2015: ₹ Nil).
(b) The Company has not earned any income in foreign currency (2015: ₹ Nil).
(c) The Company has not incurred any expenditure and neither has earned any income in foreign currency (2015: ₹ Nil).

37 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

Sachin Khandelwal
Managing Director & Chief Executive Officer

Sanjay Chamria
Chairman

Akeel Master

Partner

Membership No. 046768

Mumbai, 06 May 2016

Gauri Shankar Agarwal
Chief Financial Officer

Priti Saraogi
Company Secretary

Kolkata, 06 May 2016