MAGMA HOUSING FINANCE

HOMES THAT RADIATE HAPPINESS

ANNUAL REPORT

YEAR 2018 2019

MAGMA HOUSING FINANCE LIMITED

CORPORATE INFORMATION

CIN: U65922WB2004PLC229849

BOARD OF DIRECTORS

Mr. Sanjay Chamria
Chairman, Non Executive Director

Mr. Mayank Poddar
Non-Executive Director

Mr. Kailash Baheti
Non-Executive Director

Mr. Manish Jaiswal
Managing Director & Chief Executive Officer

Ms. Mamta Binani
Non-Executive Independent Director

Mr. Satya Brata Ganguly (w.e.f. 13.07.2018)
Non-Executive Independent Director

Mr. Ajay Bharat Candade (upto 19.04.2018)
Non-Executive Independent Director

CHIEF FINANCIAL OFFICER

Mr. Gauri Shankar Agarwal (upto 30.09.2018)
Mr. Ian Gerard Desouza (w.e.f. 01.01.2019)

COMPANY SECRETARY

Ms. Priti Saraogi

REGISTERED OFFICE

Development House, 24 Park Street, Kolkata 700 016

BANKERS

- Axis Bank Ltd.
- Andhra Bank
- Bank of Baroda
- Bank of India
- Corporation Bank
- ICICI Bank Ltd.
- State Bank of India
- Syndicate Bank
- Bank of Maharashtra
- IDFC First Bank Ltd.
- Vijaya Bank (now merged with Bank of Baroda)

STATUTORY AUDITORS

WALKER CHANDIOK & CO. LLP

Chartered Accountants
Firm Registration No.: 001076N/N500013
10C Hungerford Street, 5th Floor
Kolkata 700 017

SECRETARIAL AUDITOR

MR & ASSOCIATES
Company Secretaries
46 B. B. Ganguly Street, Kolkata 700 012

REGISTRAR AND SHARE TRANSFER AGENT

NICHE TECHNOLGIES PRIVATE LIMITED
3A Auckland Place, 7th Floor
Room No. 7A & 7B, Kolkata 700 017

MAS SERVICES LIMITED
T 34, 2nd Floor
Okhla Industrial Area, Phase II
New Delhi 110 020

Board's Report & Management and Discussion Analysis Report

Dear Shareholders,

Your Directors have pleasure in presenting the 15th (Fifteenth) Annual Report on the Audited Financial Statements of the Company for the year ended 31 March, 2019. The summarized financial results are given below:-

FINANCIAL HIGHLIGHTS

The financial performance of your Company:

(₹ in Lacs)

Particulars	2018-19	2017-18
Total Income	24,676.71	23,339.89
Finance Cost	11,334.26	10,892.12
Operating Expenses	8,611.41	7,234.76
Depreciation	30.76	23.85
Total Expenses	19,976.43	18,150.73
Profit/(Loss) before Tax	4,700.28	5,189.16
Provision for Taxation	868.32	1,690.61
Deferred Tax	430.45	119.14
Profit/(Loss) after Tax	3,401.51	3,379.41
Balance of profits for earlier years	12,459.83	9,546.69
Profits available for appropriation	15,861.34	12,926.10
Other Comprehensive income/(loss)	(12.58)	3.73
Balance Available for Appropriation	15,848.76	12,929.83
Transfer to Statutory Reserve	690.00	470.00
Balance carried forward	15,158.76	12,459.83

INDUSTRY STRUCTURE AND DEVELOPMENTS

Economic overview

In FY2019, it is expected that India will continue to be the world's fastest growing economy with estimated GDP growth of 7.2%. This will be a smart comeback from a year ago, when GDP growth was 6.7%. In FY2020 it is expected that GDP growth will accelerate moderately to 7.5% driven by continued investment, improved export performance and resilient consumption. Inflation has been subdued over most of FY 2018/19. With robust growth, and food prices poised to recover, inflation is expected to converge toward four per cent.

From a monetary policy perspective the financial year started with the Reserve Bank of India hiking the repo-rate, cumulatively by 50 bps, in the back drop of concerns relating to increasing inflation due to fuel prices increasing. With Inflation moderating in the second half of the year the central bank cut rates twice, once in February and the second time in April, each time by 25 BPS. While the softening in rates is a good signal to the financial system that lending rates should cool down, to fuel both industrial and consumer demand, the worry is that the banking system has been slow to respond and transmission of the rate cut hasn't started to trickle down yet to end consumers, and industry as a whole.

In Q3 FY2019 there was a credit event, resulting from a default by a highly rated NBFC group which caught the financial sector by surprise. This credit event resulted in a liquidity tightening for both Non-Banking Finance Companies (NBFC) and Housing Finance Companies (HFC), and impacted the growth plans of many small to medium size entities in this space. Most

HFC's resorted to securitization of retail SME and Home loan books to raise funding. According to a report by ICRA, around ₹ 73,000 crore was raised by NBFCs and HFCs through the sell-down of their retail and SME loan portfolios in Q3 FY2019 alone.

Since the initial credit event in September, there have been a few more instances of NBFCs facing strong head winds and being subjected to rating downgrades due to heightened risk perceptions relating to liquidity and ability to continue to service debt obligations, this has further constrained liquidity and caused interest rates to remain at elevated levels, around 100 BPS above the levels available prior September 2018. It is expected that the regulators will introduce more stringent ALM guidelines for both NBFCs and HFCs in the coming financial year. However it is imperative for the health of the sector that, regulatory authorities and the banking sector take steps in tandem to infuse a framework for funding of NBFCs and HFCs.

National Housing Bank's (NHB) proposed amendments for capital adequacy, deposit mobilization and leverage norms for HFCs are a positive from a risk perspective. It is expected that most of the HFCs would be able to meet the revised norms on CRAR, as most of them are nearing 15-16% CRAR and would have adequate cushion to raise Tier II capital and shore up the CRAR, if required. Also, the capital adequacy for HFCs is supported by the lower risk weights on smaller ticket size home loans, a growth area for most HFCs.

The asset quality indicators remained stable with GNPAs (stage 3 assets as per IndAS June 2018 onwards) being 1.4% as on December 31, 2018 (1.3% as on September 30, 2018). Some reduction in NPAs was seen in the affordable new segment with the NPAs declining to 5.0% as on December 31, 2018 from 5.3% as on September 30, 2018. However, this improvement was largely supported by write-offs and the sale of non-performing assets by some HFCs.

Industry overview

It is estimated, that the total housing credit outstanding stood at around ₹ 18.2 lakh crore as on December 31, 2018. It is expected that in H2 of FY2019, growth in housing credit advanced by HFCs will be muted, due to slow down in wholesale lending to builders as well as due to an overall reduction in lending due to the liquidity squeeze being witnessed in the sector since September 2018.

Overall, FY2019 housing credit growth is likely to be in the range of 13-15% with the pace of growth of banks expected to be higher than that of HFCs.

However long term prospects of the sector continue to remain good, and it is expected that the sector will grow around 14-16% in FY20 as the liquidity pressure eases off.

Earnings remained good with overall return on equity of 17% in FY 2019. Going forward, a mix of factors could impact the earnings of HFCs. Given that around 25% of the borrowings would be refinanced at higher rates, the overall cost of funds for HFCs is likely to go up by around 40-50 bps in FY2019. While most of the HFCs have increased their lending rates also by 20-30 bps, the overall impact on net interest margins (NIMs) could be lower at around 25-35 bps. Further, a slowdown in growth is likely to impact the operating expense ratios. Consistent slowdown in growth could impact the asset quality of some asset classes, which could lead to increased credit costs. Therefore, there could be moderation in profitability ratios by around 30-40 bps and in RoE by around 250-350 bps to around 13-15% by FY2019. However upfront income booking on assignment transactions is likely to support the profitability indicators positively. A thing to watch for would be a deterioration in asset quality owing to stress in existing lending to builders, as builders face a slack demand

*Source – RBI Monetary Policy, ICRA Research, Crisil Research

OVERVIEW OF COMPANY'S PERFORMANCE

During the year under review, the Company has recorded an operating Profit before Tax of ₹4700.28 lakh and Profit after Tax of ₹3401.51 lakh respectively as against ₹5189.16 lakh and ₹3379.41 lakh in previous financial year. Assets under Management at the end of the year amounted to ₹243000 lakh (growth of 34% year on year). Disbursements in FY19, amounted to ₹108,500 lakh (growth of 93% year on year). During the year the company substantially invested in growing the sales force, hiring the leadership team and expanding to new locations.

OPPORTUNITIES, CHALLENGES AND OUTLOOK

Opportunities

- Allocation for PMAY subsidy scheme remains substantial, at ₹25,853 crore for FY2020, though marginally lower than the previous year (Rs. 26,405 crore for FY2019)
- National Housing Bank (NHB) has increased the refinance limits for Banks and HFC's from ₹24,000 to ₹30,000 for the current fiscal year
- The government has reduced the Goods & Service Tax (GST) rate on affordable housing from 12% to 8%
- Real Estate developers have been given a boost by extending the 100% tax deduction benefits for affordable housing developments under the Income Tax Act for the housing projects approved till 31st March 2020
- **For Home Buyers:**
  a) TDS threshold for deduction of tax on rent is proposed to be increased from current ₹1.8 lakh to ₹2.4 lakh
  b) Exemption from long term capital gains from sale of house property by way of investment in up to 2 house properties against the earlier provision of one house property with capital gain of ₹2 crore
- MHFL plans to leverage Magma Fincorp's existing and growing captive customer base by cross selling its mortgage loan products

Challenges

- For majority of the HFCs, loans disbursed to self-employed borrowers have increased to 30% of their overall home loan portfolio. 4 years ago the number stood at 20%. This increase is primarily driven by government's impetus to affordable housing however the flipside is, delinquencies are also rising.
- As market liquidity remains tight, self-employed segment could face longer working capital cycles and increased borrowing costs. Thus, delays in fresh financing/refinancing are expected to impact the business performance of these borrowers and the asset quality of the lenders, which could be more visible in FY2020.
- Given the tight liquidity faced by some developers where projects are delayed, reduced fund availability for the developers could lead to some stress on the construction finance portfolio of the HFCs
- Liquidity and cost of funds, are likely to remain a key challenge in FY20 for HFCs particularly since disbursements had slowed down considerably in Q4 FY19, and securitization of existing retail books needed to be resorted to raise funding.

Outlook

- Demand for Housing Credit is likely to continue to be robust, due to the mortgage credit as a percentage of GDP being low as per global standards, coupled with increasing affordability of homes as a result of by stagnant property prices, steady annual wage inflation of over 10% in the last decade and lower effective interest rates, due to tax incentives and Pradhan Mantri Awas Yojana (PMAY) subsidy.
- Rapid urbanization, low mortgage penetration, nuclearisation of families and having two-thirds of our population below 35 years of age, could contribute towards demand for housing in FY2020

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

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

CHANGES IN THE NATURE OF BUSINESS

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

LOAN BOOK

As at 31 March 2019, the loan book stood at ₹ 189560.96 lakh as against ₹ 146529.40 lakh in the previous year.

DISBURSEMENTS

The Company has done business of around ₹ 108532 lakh during the year as against ₹ 56,099 lakh in the previous year. Your Company continued to focus mainly on the retail segment which contributed ₹ 104,711 lakh from 12926 customers, as against ₹ 55,321 lacs from 5,312 customers last year. The average ticket size remained low consciously to focus on smaller ticket loans in non metros and rural markets at around ₹ 10 lakh in FY 19.

HOLDING COMPANY

The Company is a Wholly owned subsidiary of Magma Fincorp Limited.

DETAILS OF SUBSIDIARY/ASSOCIATES/JOINT-VENTURE COMPANY

Your Company has no Subsidiary/Associates/Joint-Venture Company as at 31 March, 2019.

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, 2019. 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 8 May 2019, has transferred ₹ 690.00 lakh to Statutory Reserve.

SHIFTING OF REGISTERED OFFICE

Your Company has shifted its registered office from the National Capital Territory of Delhi to State of West Bengal vide Certificate of Registration dated 16 January, 2019 issued by Ministry of Corporate Affairs.

COST AUDIT

Maintenance of cost records as per section 148(1) of the Companies Act 2013 are not applicable to the Company.

EMPLOYEE STOCK OPTION SCHEME

Your Company had formulated and implemented Magma Housing Finance Limited - Employees Stock Option Plan 2018 (MHFL ESOP 2018) and Magma Housing Restricted Stock Option Plan 2018 (MHRSO 2018) in accordance with the provisions of Companies Act, 2013 (the Act). The Nomination and Remuneration Committee of the Board of Directors of the Company, inter alia, administers and monitors the MHFL ESOP 2018 and the MHRSO 2018 in accordance with the applicable provisions of the Act. The details of Options granted as on 31 March 2019 along with other particulars as required under Section 62 of the Act read with Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 are set out in the Annexure A to the Board's Report.

PUBLIC DEPOSIT

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

RESOURCE MOBILISATION

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

A. Term Loans

Your Company has borrowed fresh Secured long term loans of ₹ 20,000 lakh from banks during the Financial Year 2018-19 as compared to ₹ 7,500 lakh during the previous year. In addition to the above, the Company had also raised an unsecured term loan in the nature of sub ordinate debt aggregating to ₹ 10,000 Lakh. The purpose of the loan is to augment Tier II capital of the Company.

The aggregate of term loans outstanding at the end of the financial year 2018-19 stood at ₹ 68,272 lakh as against ₹ 61,125 lakh as at the end of the previous year.

B. Commercial Paper

During the year 2018-19, your Company has raised resources by issuing Commercial Paper and the outstanding amount as on 31 March, 2019 is ₹ 9,844 lakh.

C. Non-Convertible Debentures

Your Company has borrowed through fresh issue of Secured Redeemable Non-Convertible Debenture on Private Placement basis of ₹ 6,500 lakh during the financial year 2018-19. The Company has an aggregate outstanding balance of ₹ 12,971 lakh through issue of Secured Redeemable Non-Convertible Debentures on Private Placement basis as on 31 March 2019. The Non-Convertible Debentures of your Company continue to remain listed on BSE Limited (BSE) and the Company has paid the Listing fees to BSE for the financial year 2018-19.

D. Working Capital

During the year, your Company availed working capital facilities from various banks under consortium arrangement in the form of (Cash Credit and WCDL) and the outstanding as on 31 March 2019 is ₹ 30,604 lakh.

E. Any Other Borrowing

Your Company has borrowed from Banks through fresh issue of Pass Through Certificate (PTC) of ₹ 17,403 lakh during the financial year 2018-19. The aggregate outstanding through PTC borrowings net of investment stood at ₹ 16,649 lakh as on 31 March 2019.

DETAILS OF UNCLAIMED NON CONVERTIBLE DEBENTURES

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

DETAILS OF DEBENTURE TRUSTEE

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

Contact person: Ms. Deesha Trivedi – Associate Vice President

CREDIT RATING

During the FY 2018-19, CRISIL, CARE & ICRA reaffirmed its rating for the various borrowing programmes of the Company as follows:

- For Commercial Paper/short term loan programmes of ₹ 40,000 lakh as [CRISIL A1+]" (Pronounced as CRISIL A One plus).
- For Fund Based Long Term Loan Programme of ₹ 77,500 lakh as [CARE AA-]" (Pronounced as CARE AA minus).
- For Fund Based Long Term Loan Programme of ₹ 43,214 lakh as [ICRA AA-]" (Pronounced as ICRA AA minus).
- For Non-Convertible Debentures Borrowing Programme of ₹ 20,500 lakh as [CARE AA-]" (Pronounced as CARE AA minus).
- For Non-Convertible Debentures Borrowing Programme of ₹ 5,000 lakh as [ICRA AA-]" (Pronounced as ICRA AA minus).
- For Non-Convertible Debentures Borrowing Programme of ₹ 10,000 lakh as [BWR AA]" (Pronounced as Brickwork Ratings AA).

All the above mentioned ratings carry Stable outlook.

BRANCH EXPANSION

During the year under review, your Company operated from 107 offices, comprising of 105 full service branches & 2 customer service representative offices, however Company is sourcing Loan Business from 216 locations out of these 105 offices. Your Company has planned to further strengthen its frontline sales team, with more local branch events and other brand building measures with developers which will generate further awareness amongst the stakeholders.

CAPITAL ADEQUACY

As required under Housing Finance Companies (NHB) Directions, 2010 your Company is presently required to maintain a minimum capital adequacy of 12% on a stand-alone basis. Your Company's capital adequacy ratio stood at 35% as at 31 March 2019, which provides an adequate cushion to withstand business risks and is above the minimum requirement of 12% stipulated by the National Housing Bank ("NHB"). In addition, Section 29C of the National Housing Bank Act, 1987, requires a Company to transfer minimum 20% of its net profit to a reserve fund. In accordance with the said provision, your Company has transferred 20.29% of its net profit to the reserve fund in the year under review.

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

The Government of India has set up the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) under Section 21 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) to have a central database of all mortgages created by lending institutions. The object of this registry is to compile and maintain data relating to all transactions secured by mortgages. All Banks & HFCs which fall under the purview of SARFAESI Act are required to register with CERSAI and submit the data in respect of all properties mortgaged in its favour. Accordingly, your Company is registered with CERSAI and has been submitting regular monthly data in respect of its loans.

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

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) has proved to be very useful recovery tool and the Company has been able to successfully initiate recovery action under the SARFAESI Act in case of defaulting borrowers. During the year, your Company initiated action against 348 defaulting borrowers under the SARFAESI Act and recovered ₹2030.56 lacs from borrowers of Non-Performing accounts.

NON-PERFORMING ASSETS AND PROVISIONS FOR CONTINGENCY

The Company recognises impairment allowances using Expected Credit Loss ("ECL") method on all the financial assets that are not measured at FVTPL:

ECL are probability weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit impaired – as the present value of all cash shortfalls that are possible within 12 months after the reporting date.
- Financial assets with significant increase in credit risk but not credit impaired – as the present value of all cash shortfalls that result from all possible default events over the expected life of the financial asset.
- Financial assets that are credit impaired – as the difference between the gross carrying amount and the present value of estimated cash flows
- Undrawn loan commitments – as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive

Your Company carries a provision of ₹ 2298.62 lakh towards impairment allowance under Expected Credit Loss model.

The amount of Gross Non-Performing Assets (Stage 3 Assets) as on 31 March, 2019 is ₹ 3,369.16 lakh, which is equivalent to 1.80% of the loan portfolio of the Company. The total cumulative provision towards GNPA (Stage 3 Assets) as on 31 March, 2019 is ₹ 1153.71 lakh. During the year, the Company has written off ₹ 1,000.24 lacs of loans.

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

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

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

NATIONAL HOUSING BANK (NHB) GUIDELINES

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

KYC & AML STANDARDS

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

The Fair Practices Code framed by NHB seeks to promote good and fair practices by setting minimum standards in dealing with customers, increase transparency so that customers have a better understanding of what services they can reasonably expect, encourage market forces through competition to achieve higher operating standards, promote fair and cordial relationships with its customers and foster confidence in the housing finance system. During the year, your Company has adhered to the Fair Practices Code as adopted by the Board of Directors of the Company.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the year under review, Mr. Ajay Candade (DIN 07090569), Non-Executive Independent Director of the Company relinquished his office as the Director of the Company w.e.f. 19 April 2018, due to his preoccupation with other business activities. The Board has placed on record their deep appreciation for the valuable contribution made by Mr. Candade during his unstinted tenure of services with the Company.

The Directors on the recommendation of the Nomination and Remuneration Committee appointed Mr. Satya Brata Ganguly (DIN 00012220) as an Additional Director in the capacity of Non-Executive Independent Director of the Company who shall hold office upto the date of ensuing Annual General Meeting of the Company or the last date on which the Annual General Meeting should have been held, whichever is earlier and is not liable to retire by rotation. Mr. Ganguly is also proposed to be appointed as an Independent Director of the Company for a period of 2 years with effect from 13 July, 2018, subject to the approval of the shareholders of the Company at the ensuing Annual General Meeting.

Your Company has received notice from a member pursuant to Section 160(1) of the Companies Act, 2013 signifying the intention to propose the candidature of Mr. Satya Brata Ganguly as the Director of the Company.

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 Board of Directors of your Company recommends the re-appointment of the said Director at the ensuing AGM.

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

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

Consequent to the stepping down of Mr. Gauri Shankar Agarwal from the position of Chief Financial Officer of the Company with effect from the close of business hours on 30 September 2018, Mr. Ian Gerard Desouza was appointed as the Chief Financial Officer (Key Managerial Personnel) of the Company with effect from 1 January, 2019 on the recommendation of the Nomination and Remuneration Committee of the Board of Directors of the Company.

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

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 2019-20.

BOARD MEETINGS

During the financial year 2018-19, the Company has held five (5) Board Meetings, i.e. on 30 April 2018, 13 August 2018, 24 October 2018, 2 January 2019 and 22 January, 2019. 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 2018-19, the Board had also decided some of the matters by way of resolutions passed by circulation considering the business exigencies or urgency of matters.

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

Sl No.	Name of the Directors	Number of meetings attended during the year 2018-19
1	Mr. Sanjay Chamria	4/5
2	Mr. Mayank Poddar	5/5
3	Mr. Kailash Baheti	5/5
4	Ms. Mamta Binani	5/5
5	Mr. Ajay Bharat Candade[1]	0/0
6	Mr. Satya Brata Ganguly[2]	4/4
7	Mr. Manish Jaiswal	4/5

[1] Ceased to be a member w.e.f. 19.04.2018

[2] Inducted as a member w.e.f. 13.07.2018

SEPARATE MEETING OF INDEPENDENT DIRECTORS

During the year under review, a separate meeting of the Independent Directors (IDs) was held on 22 January 2019, in terms of Schedule IV of the Companies Act, 2013, without the presence of Non-Independent Directors and members of the management. At this meeting, the IDs inter alia had:

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

All the Independent Directors were present at the Meeting.

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

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

The performance of the Board and individual Directors was evaluated by the Board seeking inputs from all the Directors. The performance of the Committees was evaluated by the Board seeking inputs from the Committee Members. The Nomination and Remuneration Committee ("NRC") reviewed the performance of the individual Directors. A separate meeting of Independent Directors was also held on 22 January 2019 to review the performance of Non-Independent Directors; performance of the Board as a whole and performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non-Executive Directors. The performance of the Board, its Committees and individual Directors taking into consideration of the evaluation done by the NRC and the Independent Directors was then discussed at the Board Meeting held on 22 January, 2019.

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

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

The Executive Director (Managing Director & Chief Executive Officer) is appointed based on terms approved by the Shareholders. The remuneration paid to Managing Director & Chief Executive Officer (MD & CEO) is recommended by the Nomination and Remuneration Committee (NRC) taking into account various parameters included in the Remuneration Policy document. His remuneration comprises of salary, allowances and perquisites as indicated in Related Party Disclosures in Note no 37 in notes to Accounts to the Financial Statements for the year ended 31 March, 2019.

The Non-executive Independent Directors were paid sitting fees of ₹ 40,000/- per meeting of the Board and ₹ 30,000/- per meeting of Audit Committee and Nomination and Remuneration Committee for the year 2018-19. No sitting fees are paid to Non-executive Non Independent Directors.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, as amended from time to time are set out in the **Annexure B** to the Board's Report.

In terms of the provisions of Section 197(12) of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, as amended from time to time a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are provided in Annexure B to the Board's Report.

AUDIT COMMITTEE

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

Terms of reference

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

i. Discuss with the Auditors periodically about the adequacy of Internal Control System, the scope of Audit including the observations of the Auditors and review and examination of the financial statements and the Auditors' report thereon before submission to the Board and also ensure compliance of Internal Control systems and may also discuss any related issues with the internal and statutory auditors and the management of the Company.

ii. Investigate into any matter in relation to the items within the purview of the Terms of Reference of the Audit Committee of Board or referred to it by the Board or Auditor of the Company and for this purpose, shall have full access to information contained in the books, records, facilities, personnel of the Company and power to obtain professional advice from external sources and external professional consultants or from any employee.

iii. Recommend on any matter relating to financial management

iv. The going concern assumption

v. Formulate the scope, functioning, periodicity and methodology for conducting the internal audit.

vi. Discuss with internal auditors and the management of any significant findings, status of previous audit recommendations and follow up there on.

vii. Recommend to the Board for appointment, remuneration and terms of appointment of auditors of the Company.

viii. Ensuring compliance of Anti Money Laundering Policy.

ix. Overseeing Compliance with accounting standards.

x. Review and monitor the auditor's independence and performance, and effectiveness of audit process.

xi. Approve and recommend to the Board the transactions with the related parties of the company including any subsequent modification thereof.

xii. Scrutinise inter-corporate loans and investments.

xiii. Examine the valuation of undertakings or assets of the company, wherever it is necessary.

xiv. Evaluation of internal financial controls and risk management systems.

xv. Monitor the end use of funds raised through public offers and making appropriate recommendations to the Board to take up steps in this matter.

xvi. Approve rendering of services by the statutory auditor other than those expressly barred under section 144 of the Companies Act 2013 and remuneration for the same.

xvii. Oversee the functioning of the whistle blower/ vigil mechanism, if any.

xviii. Appoint registered valuers.

xix. Any other matter as delegated by the Board of Directors of the Company from time to time.

xx. To ensure information system audit of the internal systems and processes at least once in two years to assess operational risk faced by the HFCs.

Composition and Attendance

During the financial year ended 31 March 2019, four (4) Audit Committee Meetings were held on 30 April 2018, 13 August 2018, 24 October 2018 and 22 January 2019. All the recommendations made by the Audit Committee during the year were accepted by the Board. Following table sets out the composition of the Audit Committee as at 31 March, 2019 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 2018-19
1	Mr. Sanjay Chamria	Chairman, Non-executive	4/4
2	Ms. Mamta Binani	Independent, Non- Executive	4/4
3	Mr. Ajay Bharat Candade[1]	Independent, Non- Executive	0/0
4	Mr. Satya Brata Ganguly[2]	Independent, Non- Executive	3/3

[1] Ceased to be a member w.e.f. 19.04.2018

[2] Inducted as a member w.e.f. 13.07.2018

NOMINATION & REMUNERATION COMMITTEE

The Nomination & Remuneration Committee (NRC) is constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and as per the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016. Some of the important clauses of the Charter of the NRC are as follows:

Review of matters by the Committee

1. Carry out evaluation of performance of all the directors of the Company;

2. Review overall compensation philosophy and framework of the Company;

3. Review outcome of the annual performance appraisal of the employees of the Company;
4. Conduct annual review of the Committee's performance and effectiveness at the Board level;
5. Examine and ensure 'fit and proper' status of the directors of the Company.

Approval of matters by the Committee

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

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

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

Composition and Attendance

During the financial year ended 31 March 2019, four (4) NRC Meetings were held on 30 April 2018, 13 August 2018, 24 October, 2018 and 22 January 2019. Following table sets out the composition of the NRC as at 31 March, 2019 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 2018-19
1	Mr. Kailash Baheti	Chairman, Non-executive	4/4
2	Ms. Mamta Binani	Independent, Non- Executive	4/4
3	Mr. Ajay Bharat Candade[1]	Independent, Non- Executive	0/0
4	Mr. Satya Brata Ganguly[2]	Independent, Non- Executive	3/3

[1] Ceased to be a member w.e.f. 19.04.2018

[2] Inducted as a member w.e.f. 13.07.2018

REMUNERATION POLICY

The Board has, on the recommendation of the Nomination & Remuneration Committee adopted the Remuneration Policy as prescribed under Section 178(3) of the Companies Act, 2013, which inter alia includes policy for selection and appointment of Directors, CEO & Managing Director, Key Managerial Personnel, Senior Management Personnel and their remuneration. Familiarisation Program forms part of the Remuneration Policy. The Remuneration Policy adopted by the Company may be referred to, at the web-link https://magmahfc.co.in/regulatory-disclosure/secreterial-disclosures.html. This Policy inter-alia includes:

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

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

1.2 Independent Directors will be selected on the basis of identification of industry/ subject leaders with strong experience. The advisory area and therefore the role, may be defined for each independent director;

1.3 In your Company Senior Management Personnel shall comprises the function and business heads who are directly reporting to MD of the Company and/or VC&MD of Magma Fincorp Limited (Parent Company) as the case may be;

1.4 For any Senior Management Personnel recruitment, it is critical to identify the necessity for that role. In order to validate the requirement –

   i. Job Description (JD) along with profile fitment characteristics from a personality, experience and qualification point of view shall be created;

   ii. Selection shall happen through referrals from Board members, industry leaders or leading search firms;

   iii. The recruitment process shall generally involve meetings with MD and/or VC&MD and/or identified members of the Nomination and Remuneration Committee ("NRC"), basis which the candidature will be finalised;

   iv. On the lines of broad inputs provided by NRC, there shall be a compensation discussion and resulting fitment, based on overall positioning with respect to the market, internal parity and structure of the compensation offer (which includes fixed and variable pay components). Thereafter, the offer shall be rolled out;

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

    2.1 For each Independent Director, the appointment shall be based on the need identified by the Board;

    2.2 The role and duties of the Independent Director shall be clearly specified by highlighting the committees they are expected to serve on, as well as the expectations of the Board from them;

    2.3 At the time of selection, Board shall review the candidature on skill, experience and knowledge to ensure an overall balance in the Board so as to enable the Board to discharge its functions and duties effectively;

    2.4 Any appointment of the Independent Director shall be approved at the meeting of the shareholders, in accordance with extant laws;

    2.5 Director's Independence test shall be conducted as per the conditions specified in the Companies' Act and the rules thereunder;

    2.6 The remuneration of the Directors shall be established on the reasonability and sufficiency of level in order to attract, retain and motivate the Directors; and

    2.7 MD and/or VC & MD as the case may be along with Company Secretary shall be involved in the familiarisation/ induction process for the independent director/s.

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

    3.1 At present, the Independent Directors are not paid any sitting fees. However, the Independent Directors would be paid sitting fees subject to the limits prescribed under the Companies Act, 2013 read with applicable rules thereof, or any amendments thereto, as may be determined by NRC from time to time, for attending each meeting(s) of the Board and Committees thereof.

    3.2 Directors shall be reimbursed any travel or other expenses, incurred by them, for attending the board and committee meetings;

    3.3 The remuneration paid to MD shall be considered by the NRC taking into account various parameters included in this policy document and recommended to the Board for approval. This shall be further subject to the approval of the Members at the next General Meeting of the Company in consonance with the provisions of the Companies Act, 2013 and the rules made thereunder;

    3.4 For KMP and Senior Management Personnel, remuneration shall be based on the KRAs identified and the achievement thereof. The increments shall usually be linked to their performance as well performance of the company.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Pursuant to Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility) Rules, 2014 made thereunder, your directors have constituted the Corporate Social Responsibility (CSR) Committee. As on 31 March 2019, the CSR Committee comprises of Mr. Mayank Poddar, Non-Executive Director who serves as the Chairman of the Committee, Mr. Satya Brata Ganguly, Non-Executive Independent Director and Mr. Manish Jaiswal, Managing Director & Chief Executive Officer. During the year, the CSR Plan for the Financial Year 2018-19 was recommended by the Committee at its meeting held on 13 August, 2018.

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

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

RISK MANAGEMENT

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

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

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

Composition and Attendance

The Risk Management Committee (RMC) is constituted in accordance with the provisions of the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016. During the financial year ended 31 March 2019, four (4) Risk Management Committee Meetings were held on 17 April 2018, 19 July 2018, 24 October 2018 and 22 January 2019. All the recommendations made by the Risk Management Committee during the year were accepted by the Board. Following table sets out the composition of the Risk Management Committee as at 31 March, 2019 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 2018-19
1	Mr. Sanjay Chamria	Chairman, Non-executive	4/4
2	Mr. Kailash Baheti	Non- Executive	4/4
3	Mr. Manish Jasiwal	Managing Director & Chief Executive Officer	4/4

ASSET LIABILITY MANAGEMENT COMMITTEE

The Asset Liability Management Committee (ALCO) is constituted as per the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016

Composition and Attendance

During the financial year ended 31 March 2019, four (4) Asset Liability Management Committee Meetings were held on 6 July 2018, 20 September 2018, 26 December 2018 and 27 March 2019. Following table sets out the composition of the Asset Liability Management Committee as at 31 March, 2019 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 2018-19
1	Mr. Manish Jasiwal	Chairman, Managing Director & Chief Executive Officer	3/4
2	Mr. Sanjay Chamria	Non-executive	3/4
3	Mr. Kailash Baheti	Non- Executive	4/4

MANAGEMENT COMMITTEE

Terms of reference

The Management Committee is authorized by the Board to do all such acts, deeds and things and decide on all such matters as may be delegated to the Committee from time to time. Such authorizations inter-alia includes to decide on matters w.r.t direct assignment deal with various banks from time to time, acceptance of term loans, credit facilities of any type, other borrowings etc., opening and closing of current/cash credit account and inclusion and deletion of the authorized signatories to the said current/ cash credit account opened in the name of the Company.

Composition and Attendance

During the financial year ended 31 March 2019, thirteen (13) Management Committee Meetings were held on 03 April 2018, 05 June 2018, 09 July 2018, 23 August 2018, 23 October 2018, 03 December 2018, 31 December 2018, 30 January 2019, 26 February 2019, 27 February 2019, 11 March 2019, 27 March 2019 and 29 March 2019. Following table sets out the composition of the Management Committee as at 31 March, 2019 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 2018-19
1	Mr. Mayank Poddar	Chairman, Non- Executive	5/13
2	Mr. Kailash Baheti	Non- Executive	13/13
3	Mr. Manish Jasiwal	Managing Director & Chief Executive Officer	10/13

REVIEW COMMITTEE

Terms of reference

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

- Review the order passed by the Identification Committee (IC) w.r.t. classification of wilful defaulters;
- Seek necessary information from the IC;
- Give the borrower, opportunity of being heard, where it deems fit;
- Pass the final order, as to whether to classify a borrower as wilful defaulter or not, after due consideration of all the facts of the case. The order so passed shall be treated binding on the borrower and the Chairman will report to the Board after each Committee meeting and circulate the minutes of the Committee;

Composition and Attendance

During the financial year ended 31 March 2019, one (1) Review Committee Meeting was held on 22.01.2019. Following table sets out the composition of the Review Committee as at 31 March, 2019 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 2018-19
1	Mr. Sanjay Chamira	Chairman, Non- Executive	1/1
2	Mr. Mayank Poddar	Non- Executive	0/1
3	Mr. Kailash Baheti	Non- Executive	1/1
4	Mr. Manish Jasiwal	Managing Director & Chief Executive Officer	1/1

VIGIL MECHANISM

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

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

CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

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

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

FRAUD REPORTING

Fraud reporting, if any, made in terms of National Housing Bank Guidelines and RBI Guidelines, as may be applicable, are reviewed by the Audit Committee of the Board. Further, the Auditors have reported that no material fraud by the Company or by its employees or officers has been noticed or reported during the year except for instances of loan disbursements based on forged documents, in collusion with the customers aggregating to ₹ 280.08 lacs, which has been fully provided for. The services of the concerned employees have been terminated by the Company.

INTERNAL CONTROL SYSTEM

Internal Audit

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

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

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

Internal Financial Control

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

i. Systems have been laid to ensure that all transactions are executed in accordance with management's general and specific authorization. There are well-laid manuals for such general or specific authorisation.

ii. Systems and procedures exist to ensure that all transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for aspects.

iii. Access to assets is permitted only in accordance with management's general and specific authorization. No assets of the Company are allowed to be used for personal purposes, except in accordance with terms of employment or except as specifically permitted.

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

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

TRANSFER OF AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND

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

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

Since the Company is a housing finance Company, the disclosure regarding particulars of loans given, guarantees given and security provided is exempt under the provisions of Section 186(11) of the Companies Act, 2013. The disclosures relating to particulars of loans/advances/investments outstanding during the financial year as per the Regulation 53(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are furnished in Note Nos. 11, 12, 13, 14 and 15 to the financial statement. The Company has not taken any loans and/or advances from the Parent or Holding Company.

EXTRACT OF ANNUAL RETURN

Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of annual return in MGT–9 for the financial year ended 31 March 2019, is annexed as "Annexure D".

DIRECTORS' RESPONSIBILITY STATEMENT

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed by your Company along with proper explanation relating to material departures, if any;
- the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31 March, 2019 and of the profit of the Company for that period;
- the Director had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, if any;
- the Directors had prepared the annual accounts on a going concern basis;
- the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- the directors had devised proper systems to ensure that compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

CORPORATE GOVERNANCE

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

SECRETARIAL STANDARDS

The Company has complied with all applicable Secretarial Standards.

STATUTORY AUDITORS

M/s. Walker Chandiok & Co LLP, Chartered Accountants, Statutory Auditors of the Company having Firm's Registration No.: 001076N/N500013, had been appointed for a period of 5 years from the conclusion of the 13th Annual General Meeting (for FY 2016-17) until the conclusion of the 18th Annual General Meeting (for FY 2021-22) of the Company.

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 2018-19.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed M/s. MR & Associates, (Membership No. of the Partner: 4515), a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company for the financial year 2018-19. The Report of the Secretarial Auditor for the financial year ended 31 March 2019 is annexed herewith as "Annexure E".

Secretarial Auditors' Observations

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark or disclaimer in FY 2018-19.

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 to the Internal Complaints Committee.

HUMAN RESOURCE DEVELOPMENT

Your Company believes that key pillars to business are people, processes, product and technology. Our endeavor is to create conducive environment in which all four pillars work in harmony for the success of organization and its people.

During this year, your Company invested significant resources in scaling up & training the manpower. Your Company launched many new initiatives in the area of training and developing people across various levels. Company also created a culture of recognizing and celebrating each other's success. Your Company ensured all employees complied with mandatory training mandated by the regulator.

Your Company's staff strength as at 31 March, 2019 was 981 employees.

APPRECIATION

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

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

For and on behalf of the Board of Directors

Sanjay Chamria
Chairman
(DIN: 00009894)

Place : Mumbai
Date : 08.05.2019

Annexure A to Board's Report

Statement as at 31 March, 2019 pursuant to Section 62 read with Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014

(₹ in Lacs)

Sl No.	Description	MHFL ESOP 2018			MHRSO 2018
		Details (1st tranche)	**Details (2nd tranche)**	**Details (3rd tranche)**	**Tranche 1**
1	Number of options granted	147,748	58,007	140,000	2,960,000
2	Number of options vested	NIL	NIL	NIL	NIL
3	Number of options exercised	NIL	NIL	NIL	NIL
4	The total number of shares arising as a result of exercise of option	NIL	NIL	NIL	NIL
5	Options lapsed	50,853	NIL	NIL	NIL
6	The exercise price	Rs.24.25			Rs.10
7	Variation of terms of options	NIL	NIL	NIL	NIL
8	Money realized by exercise of options	NIL	NIL	NIL	NIL
9	Total number of options in force	96,895	58,007	140,000	2,960,000
10	Employee wise details of options granted to:				
(i)	Key managerial personnel	NIL	NIL	NIL	Managing Director & Chief Executive Officer
(ii)	Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year	Details in Appendix-I			
(iii)	Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	NIL	NIL	NIL	Mr. Manish Jaiswal, Managing Director & Chief Executive Officer

APPENDIX – I

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

(₹ in Lacs)

Sl No.	Name	Options granted – MHFL ESOP 2018			Options granted – MHRSO 2018
		Details (1st tranche)	Details (2nd tranche)	Details (3rd tranche)	Details (Tranche 1)
1	Rajesh Matta	60,130	58,007	-	-
2	Ramachandran V K Ayalur	36,765	-	-	-
3	Vishwas Shrungarpure	-	-	75,000	-
4	Ian Desouza	-	-	65,000	-
5	Manish Jaiswal	-	-	-	2,960,000
	TOTAL	**96,895**	**58,007**	**140,000**	**2,960,000**

For and on behalf of the Board of Directors

Sanjay Chamria
Chairman
(DIN: 00009894)

Place : Mumbai
Date : 08.05.2019

Annexure B to Board's Report

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

i The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during FY 2018-19, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for FY 2018-19 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under:

Sl No.	Name of Director/KMP and Designation	Remuneration of Director/ KMP for FY 2018-19 (Rs. in lakh)	% increase in Remuneration in FY 2018-19	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	Manish Jaiswal Managing Director & Chief Executive Officer	139.00	4.18%		The increments were linked to market and industry information, on performance of the individual employee as well as company performance which impacted the budget for the increments. In the year under review, average increment is 5.36%. The Company PAT has increased by 0.65%
2	Ian Gerard Desouza[1] Chief Financial Officer	41.25	0%		
3	Gauri Shankar Agarwal[2] Chief Financial Officer	62.34	0%		
4	Priti Saraogi Company Secretary	10.53	14.72%		
5	Ajay Bharat Candade[3] Non-Executive Independent Director	-	-		
6	Mamta Binani Non-Executive Independent Director	4.70	-2.08%		
7	Satya Brata Ganguly[4] Non-Executive Independent Director	3.70	0%		
8	Sanjay Chamria Non-Executive Director	-	-	-	
9	Mayank Poddar Non-Executive Director	-	-	-	
10	Kailash Baheti Non-Executive Director	-	-	-	

[1] Appointed as a Chief Financial Officer w.e.f. 01.01.2019

[2] Ceased to be a Chief Financial Officer, upto 30.09.2018

[3] Ceased to be a Director, upto 19.04.2018

[4] Appointed as a Director w.e.f. 13.07.2018

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

2. The Non-Executive Directors are not paid any sitting fees and Mr. Candade has waived off his sitting fees.

ii. The median remuneration of employees of the Company during the financial year was ₹4.60 lakh.

iii. In the financial year, there was an increase of 6.17% in the median remuneration of employees.

iv. There were 850 permanent employees on the rolls of Company as on 31 March 2019.

v. Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2018-19 was 5.33% whereas the increase in the managerial remuneration for the same financial year was 4.89%.

vi. 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

Sanjay Chamria
Chairman
(DIN: 00009894)

Place : Mumbai
Date : 08.05.2019

B. Information as per Section 197(12) of the Companies Act, 2013 read with Rules 5(2) and 5(3) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016 referred to in the Boards' Report for the year ended March 31, 2019 and forming part thereof

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

Name	Age (years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (in ₹ lacs)	Particulars of last employment, last post, employer
Manish Jaiswal	49	Bachelor of Engineering and Fast Track General Management Program from IIM, Bangalore	Managing Director & Chief Executive Officer (President)	26 June 2017	27	139.00	CRISIL Limited - Head of Business (SME Ratings)
Rajesh Matta	43	MBA/PGDBM - Full Time	Chief Credit Officer (Senior Vice President)	12 December 2017	24	112.81	ING/ Kotak Bank - National Credit Manager - SME & Agri SME
Vishwas Shrungarpure	47	MBA/PGDBM - Full Time	Chief Business Officer (Senior Vice President)	04 September 2018	21	74.44	Chief Operating Officer - Easy Home Finance Ltd
Ramachandran Venkata Krishnan Ayalur	49	MBA/PGDBM - Full Time	Associate Vice President	03 December 2012	27	64.50	ING Vysya Bank - National Sales Manager & AVP

Name	Age (years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (in ₹ lacs)	Particulars of last employment, last post, employer
Gauri Shankar Agarwal[1]	52	B.Com (H), Chartered Accountant	Chief Financial Officer (Senior Vice President)	01 July 2014	27	62.34	SREI Infrastructure Finance Limited - Sr VP & Head Resource Mobilisation
Apurva Ajit Shah	39	Chartered Accountant	Associate Vice President	02 April 2018	16	57.30	Assistant Vice President - Edelweiss Housing Finance Ltd
Abbasi Sadikot	40	MBA/PGDBM - Full Time	Head – Process, Analytics & PMO (Associate Vice President)	23 April 2018	15	49.96	Associate Vice President – AXA Business Service
Prakash G M	39	MBA/PGDBM - Full Time	Associate Vice President	10 May 2018	17	46.05	Zonal Credit Manager - L&T Housing Finance Ltd
Amit Kumar Khan	43	Chartered Accountant (INTER)	Vice President	01 November 2012	18	45.09	DHFL - Regional Head
Ravi Kumar L	45	Master of Commerce	Associate Vice President	26 March 2018	22	44.44	VP & National Cr Mgr - Fincare Small Finance Bank

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

Name	Age (years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (in ₹ lacs)	Particulars of last employment, last post, employer
Manish Jaiswal	49	Bachelor of Engineering and Fast Track General Management Program from IIM, Bangalore	Managing Director & Chief Executive Officer (President)	26 June 2017	27	139.00	CRISIL Limited - Head of Business (SME Ratings)
Rajesh Matta	43	MBA/PGDBM - Full Time	Chief Credit Officer (Senior Vice President)	12 December 2017	24	112.81	ING/ Kotak Bank - National Credit Manager - SME & Agri SME

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

Name	Age (years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (in ₹ lacs)	Particulars of last employment, last post, employer
Ian Gerard Desouza[2]	49	Chartered Accountant, ICWA and Master's degree in Finance	Chief Financial Officer (Senior Vice President)	01 January 2019	22	41.25	Chief Finance officer- India Mortgage Guarantee Corporation
Gauri Shankar Agarwal	52	B.Com (H), Chartered Accountant	Chief Financial Officer (Senior Vice President)	01 July 2014	27	62.34	SREI Infrastructure Finance Limited - Sr VP & Head Resource Mobilisation
Vishwas Shrungarpure	47	MBA/PGDBM - Full Time	Chief Business Officer (Senior Vice President)	04 September 2018	21	74.44	Chief Operating Officer - Easy Home Finance Ltd

[1] Ceased to be a Chief Financial Officer, upto 30.09.2018

[2] Appointed as a Chief Financial Officer w.e.f. 01.01.2019

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.
5. None of the employees of the Company were in receipt of remuneration in the year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the Managing director or Whole-time director or Manager.

For and on behalf of the Board of Directors

Sanjay Chamria
Chairman
(DIN: 00009894)

Place : Mumbai
Date : 08.05.2019

Annexure C to Board's Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

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

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

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

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

Web-link of the CSR Policy:

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

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

Sl No.	Name of the Directors	Category
1	Mr. Mayank Poddar	Non-Executive
2	Mr. Ajay Bharat Candade[1]	Independent, Non-executive
3	Mr. Satya Brata Ganguly[2]	Independent, Non-executive
4	Mr. Manish Jaiswal	Executive

[1]Ceased to be member w.e.f. 19.04.2018

[2]Inducted as a member w.e.f. 13.07.2018

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

Average net profit of the Company for last three years is ₹ 4,099.22 lakh.

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

The Company is required to spend ₹ 81.98 lakh based on the average net profit mentioned in Para 3 above.

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

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

   The total amount to be spent by the Company during the year was ₹ 194.66 lakh which included amount brought forward from the previous year's i.e. ₹ 112.68 lakh.

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

   During the year the Company has spent a sum of ₹ 52.9 lakh and the balance unspent amount of ₹ 141.76 lakh is carried forward for the next financial year.

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

(Rs. in 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 (budget) project or programs wise	Amount spent on the projects or programs	Cumulative Expenditure up to the reporting period	Amount spent: Direct or through implementing agency
1	Magma Swayam	Health Care and Education	-	30	3.25	6.85	Both
2	M-Care Mobile Clinic	Health Care and Education		10	-	-	Magma Foundation
3	Mid Day Meal	Education	Delhi	-	7.5	10.31	ISCKON Food Relief Foundation
4	Other Education	Education	Kolkata	5	2.59	7.52	Bijan Banerjee Memorial Charitable Trust
5	M-Scholar	Education	Pan India	5	36.56	36.56	Magma Foundation
6	Highway Hero	Health & Sanitation	Pan India	-	2.99	29.24	Both
	Total			**50**	**52.9**	**90.48**	

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

6. Key CSR activities

Mid Day Meal programme

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

Magma Swayam – Corporate Volunteering Program

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

M Care - Mobile Clinic

The doctor patient ratio in our country is in a pitiable shape and moreover there are remote areas where there is no basic health care center in a radius of 5-7 KM. Looking at the situation Magma has decided to conduct weekly health checkup camps at various locations through Magma Foundation, implementing agency.

Magma Foundation

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

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

Magma provided financial assistance to around 300 meritorious students from low income families across the country to meet a part of their education and related expenses while pursuing higher studies. The scholarship is applicable for the Indian students who have appeared for senior secondary board exams and who wish to pursue Undergraduate studies at a recognised college/ university in India.

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

Magma Green Park

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

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

We had kept the fund aside to purchase the land for developing it into a mini forest. But due to some unavoidable circumstances we could not purchase it in FY19 and same has been postponed to FY20.The unspent CSR amount which could not be utilised by the Company fully shall be carried forward for the next financial year.

8. Responsibility statement of the CSR Committee:

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

For Magma Housing Finance Limited

Manish Jaiswal
(Managing Director and Chief Executive Officer)
DIN: 07859441

Place: Mumbai
Date: 08.05.2019

Mayank Poddar
(Chairman CSR Committee)
DIN: 00009409

Place: Switzerland
Date: 08.05.2019

Annexure D to Board's Report

FORM NO. MGT-9

Extract of Annual Return as on the financial year ended on 31 March, 2019

[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	U65922WB2004PLC229849
ii) Registration Date	21 April, 2004
iii) Name of the Company	Magma Housing Finance Limited [Formerly, Magma Housing Finance (A Public Company with Unlimited Liability)]
iv) Category of the Company/ Sub Category of the Company	Company limited by Shares/Non-Government Company
v) Address of the Registered office and contact details	Magma House, 24 Park Street, Kolkata – 700016 [Presently, Development House, 24 Park Street, Kolkata – 700016] Telephone No.: 033 44017350
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 SEBI Registration No.INR000000049 2. Niche Technologies Private Limited (For Debt securities) Address: 7th Floor, Room No.7A & 7B 3A, Auckland Place, Kolkata – 700 017 Phones – 033-2280-6616/17/18/19/20 SEBI Registration No.INR000003290

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

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

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

i) Category-wise Share Holding

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

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	
Total Shareholding of Promoter (A) = (A)(1)+(A)(2)	**148102450**	**-**	**148102450**	**100**	**148102450**	**-**	**148102450**	**100**	**-**
B. **Public Shareholding**									
I. 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) FIIs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
h) Foreign Venture Capital Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
i) Others (specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (B)(1):-	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2. **Non-Institutions**									
a) Bodies Corp.									
i) Indian	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
ii) Overseas	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	-	50	50	0.0	-	50	50	0.0	

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	
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) Others (specify)									
(i) NRI/ OCB	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(ii) Trust	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(iii) Clearing Member	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (B)(2):-	**-**	**50**	**50**	**0.0**	**-**	**50**	**50**	**0.0**	
Total Public Shareholding (B)=(B)(1)+ (B)(2)	-	50	50	0.0	-	50	50	0.0	NIL
C. Shares held by Custodian for GDRs & ADRs	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**
Grand Total (A+B+C)	**148102450**	**50**	**148102500**	**100**	**148102450**	**50**	**148102500**	**100**	**NIL**

ii) Shareholding of Promoters:

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

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

Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the company (approx.)	No. of Shares	% of total shares of the company (approx.)
At the beginning of the year- **Magma Fincorp 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	Jaideep Sharma	10	0.00	10	0.00
2	Krishna Bahety	10	0.00	10	0.00
3	Raj Kumar Kapoor	5	0.00	5	0.00
4	Sanjiv Jha	5	0.00	5	0.00

v) Shareholding of Directors and Key Managerial Personnel:

Sl No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company (approx.)	No. of Shares	% of total shares of the company (approx.)
1	Mr. Sanjay Chamria, Non Executive Director				
	At the beginning of the year	10	0.00	10	0.00
	Date wise Increase / Decrease in Share Holding during the Year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus / Sweat equity etc.	-	-	-	-
	At the end of the year	10	0.00	10	0.00
2	Mr. Mayank Poddar, Non Executive Director				
	At the beginning of the year	10	0.00	10	0.00
	Date wise Increase / Decrease in Share Holding during the Year specifying the reasons for increase/ decrease (e. g. allotment / transfer / bonus / Sweat equity etc.	-	-	-	-
	At the end of the year	10	0.00	10	0.00

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

v. INDEBTEDNESS

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

(₹ in Lacs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	97,948.41	4,913.71	-	1,02,862.12
ii) Interest due but not paid	422.41	-	-	422.41
iii) Interest accrued but not due	2,113.06	-	-	2,113.06
Total (i+ii+iii)	**1,00,483.88**	**4,913.71**	**-**	**1,05,397.59**
Change in Indebtedness during the financial year				
Addition	1,41,500.00	88930.41	-	2,30,430.34
Reduction	-1,39,172.88	-74,000	-	-2,13,172.88
Net Change	**2,327.12**	**14930.41**	**-**	**17,257.46**
Indebtedness at the end of the financial year				
i) Principal Amount	118571.42	19,768.64	-	1,38,340.06
ii) Interest due but not paid	205.55	-	-	205.55
iii) Interest accrued but not due	703.26	-	-	703.26
Total (i+ii+iii)	**119480.22**	**19,768.64**	**-**	**139248.86**

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 (₹ in Lacs)
		Mr. Manish Jaiswal (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	 70.23 - 54.35	 70.23 - 54.35
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission - as % of profit - others, specify…	-	-
5	Others, please specify	14.41	14.41
	Total (A)	**138.99**	**138.99**
	Ceiling as per the Act	**Rs. 204 lacs** (As per Section II(A) of Part II of Schedule V of the Companies Act, 2013)	

B – Remuneration of other Directors

1. Independent Directors

Sl No.	Particular of Remuneration	Name of Directors		Total Amount (₹in Lacs)
		Satya Brata Ganguly (w.e.f. 13.07.2018)	Mamta Binani	
1	Fee for attending board / committee meetings	3.70	4.70	8.40
2	Commission	N.A.	N.A.	N.A.
3	Others, please specify	N.A.	N.A.	N.A.
	Total (B)(1)			**8.40**

2. Other Non-Executive Directors:

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

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

Sl No.	Particular of Remuneration	Key Managerial Personnel			Total Amount (₹ in Lacs)
		Mr. Gauri Shankar Agarwal (upto 30.09.2018) (Chief Financial Officer)	**Mr. Ian Gerard Desouza (w.e.f. 01.01.2019)** (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	37.87	13.50	4.20	55.57
b)	Value of perquisites u/s 17(2) Income Tax Act, 1961	1.83	-	-	1.83
c)	Profits in lieu of salary under section 17(3) Income Tax Act, 1961	19.53	17.98	5.18	42.69
2	Stock Option	-		-	-
3	Sweat Equity	-		-	-
4	Commission	-		-	-
	- as % of profit	-		-	-
	- others, specify…	-		-	-
5	Others, please specify	3.11	9.77	1.15	14.03
	Total (C)	**62.34**	**41.25**	**10.53**	**114.12**

VII PENALTIES/ PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/ NCLT/ COURT]	Appeal made, if any
A. Company					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment	N.A.	N.A.	N.A.	N.A.	N.A.
Compounding	N.A.	N.A.	N.A.	N.A.	N.A.
B. Directors					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment	N.A.	N.A.	N.A.	N.A.	N.A.
Compounding	N.A.	N.A.	N.A.	N.A.	N.A.
C. Other Officers in default					
Penalty	N.A.	N.A.	N.A.	N.A.	N.A.
Punishment	N.A.	N.A.	N.A.	N.A.	N.A.
Compounding	N.A.	N.A.	N.A.	N.A.	N.A.

For and on behalf of the Board of Directors

Sanjay Chamria
Chairman
(DIN: 00009894)

Place : Mumbai
Date : 08.05.2019

Annexure E to Board's Report

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

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

To, The Board of Directors,

Magma Housing Finance Limited

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **MAGMA HOUSING FINANCE LIMITED [Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]** (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company, books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31stMarch, 2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31stMarch, 2019 according to the provisions of:

i) The Companies Act, 2013 (the Act), amendments 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) 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

   (b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

   (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 :- Not Applicable to the Company ;

   (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;- Not Applicable to the Company

   (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 during the period under review;

   (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998:- Not Applicable during the period under review;

   (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 the basis of representation made by the management of the Company, and on examination of the relevant documents and records in pursuance thereof, the following laws are 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 31st March, 2019.

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

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

i) The Debt Listing Agreements entered into by the Company with BSE Ltd.

ii) Secretarial Standards issued by The Institute of Company Secretaries of India and to the extent amended and notified from time to time.

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

We further report that,

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There are no changes in the composition of the Board of Directors that took place during the period under review.

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

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

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

We further report that during the audit period the Company had;

i) Obtained approval of shareholders in Extra Ordinary General Meeting held on 24.10.2018 for approval of Magma Housing Restricted Award/ RSO Plan 2018 and grant of restricted stock options to the employees of the Company.

ii) Obtained approval of shareholders in Extra Ordinary General Meeting held on 24.10.2018 for approval of the grant of options to the identified employees during any one year, equal to or exceeding one percent of the issued capital of the Company at the time of grant of option.

iii) Obtained approval of shareholders in Extra Ordinary General Meeting held on 15.03.2019 for issuance of Non Convertible Debt Securities pursuant to Sections 42, 71 and 180(1)(c) of the Companies Act 2013 up to an overall ceiling of Rs 600 crores on Private Placement Basis

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

For **MR & Associates**
Company Secretaries

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

Place : Kolkata
Date : 23.04.2019

"ANNEXURE – A"

TO THE SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH 2019

To,

The Members,

MAGMA HOUSING FINANCE LIMITED

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

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

For **MR & Associates**
Company Secretaries

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

Place : Kolkata
Date : 23.04.2019

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of Magma Housing Finance Limited [Formerly Magma Housing Finance (A Public Company with Unlimited Liability)] ('the Company'), which comprise the Balance Sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. 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 Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs (financial position) of the Company as at 31 March 2019, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
First time adoption of Ind AS framework Refer Note 2(a) for significant accounting policies and Note 41(c) for reconciliation. As disclosed in Note 41 to the financial statements, the Company has adopted the Indian Accounting Standards notified under section 133 of the Companies Act 2013, read together with the Companies (Indian Accounting Standards) Rules, 2015 (as amended) ('Ind AS') with effect from 1 April 2018 (1 April 2017 being the transition date) and prepared the first set of financial statements under Ind AS framework in the current year. For periods up to and including the year ended 31 March 2018, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP). This change in the financial reporting framework required an end-to-end evaluation of the potential impact on each component of the financial statement which involved significant efforts required the involvement of accounting experts by the management. This process also required the management to apply significant judgements to identify and elect appropriate accounting policies suitable for various transactions and balances relating to the operations of the Company including electing of available options for transition of balances as at transition date from the previous GAAP to the new GAAP. Further, the first time preparation of the Ind AS financial statements involved preparation and presentation of additional notes and disclosures as required by the Ind AS framework as compared to the previous GAAP in addition to Note 41(c) to the financial statements setting forth the reconciliation of balances from previous GAAP to the new GAAP as at the transition date, and the impact of restatement on the results of the comparative period due to such transition.	Our procedures in respect of the first time adoption of Ind AS financial reporting framework included, but not limited to, the following: • Obtained an understanding of management's processes and controls around adoption of Ind AS. We sought explanations from the management for areas involving complex judgements or interpretations to assess its appropriateness. • Reviewed the diagnostics performed by the management and their experts to assess the impact on Ind AS transition to the individual financial statement line items. • Reviewed the implementation of exemptions availed and options chosen by the Company in accordance with the requirements of Ind AS 101, First Time Adoption of Indian Accounting Standards (Ind AS 101). • Evaluated the accounting policies adopted by the Company on transition to Ind AS and assessed its appropriateness basis our understanding of the entity and its operations and the requirements of relevant accounting standards under the Ind AS framework. • Evaluated whether the presentation and disclosures in the financial statements are in accordance with the requirements of the applicable standards and regulatory requirements. • Evaluated the appropriateness and adequacy of disclosures with respect to the reconciliations prepared and presented by the management in the financial statements in accordance with Ind AS 101.

The areas where there was a significant impact on account of first time adoption of Ind AS; involved the following standards amongst others: a) Ind AS 109, Financial Instruments b) Fair Valuation of Loan Against Properties portfolio covered under Ind AS 113, Fair Value Measurement. Considering the significance of the above transition with respect to the financial statements, the complexities and efforts involved, this matter has been identified as a key audit matter for the current year audit.	
Impairment losses on loans assets Refer Note 2(f) of significant accounting policies and Note 39 for credit risk disclosures. As at 31 March 2019, the Company has reported gross loan assets of ₹189,560.98 lacs against which an impairment loss of ₹2298.62 lacs has been recorded. The calculation of impairment losses on loans is complex and is based on application of significant management judgement and the use of different modelling techniques and assumptions which could have a material impact on reported profits. The Company has applied a three stage approach based on changes in credit quality to measure expected credit loss on loans which is as follows: • If the loan is not credit-impaired on initial recognition, then it is classified in 'Stage 1' and its credit risk is continuously monitored by the Company i.e. the default in repayment is within the range of 0 to 30 days. • If a significant increase in credit risk since initial recognition is identified, it is moved to 'Stage 2' but is not yet deemed to be credit-impaired i.e. the default in repayment is within the range of 31 to 90 days. • If the loan is credit-impaired, it is then moved to 'Stage 3' i.e. the default in repayment is more than 90 days.	Our audit focused on assessing the appropriateness of management's judgment and estimates used in the impairment analysis through procedures that included, but were not limited to, the following: • Obtained an understanding of the modelling techniques adopted by the Company including the key inputs and assumptions. Since modelling assumptions and parameters are based on historical data, we assessed whether historical experience was representative of current circumstances and was relevant in view of the recent impairment losses incurred within the portfolios; • Assessed and tested the design and operating effectiveness of key controls over completeness and accuracy of the key inputs and assumptions considered for calculation, recording and monitoring of the impairment loss recognized. Also evaluated the controls over the modelling process, validation of data and related approvals. • Tested the assumptions underlying the impairment identification and quantification including the forecast of future cash flows by corroborating it with the agreed repayment schedules of the borrowers. We have also examined, on a sample basis, data inputs to the

The Expected Credit Loss ("ECL") is measured at 12-month ECL for Stage 1 loan assets and at lifetime ECL for Stage 2 and Stage 3 loan assets. Significant management judgement and assumptions involved in measuring ECL is required with respect to: • determining the criteria for a significant increase in credit risk • factoring in future economic assumptions • techniques used to determine probability of default, loss given default and exposure at default. These parameters are derived from the Company's internally developed statistical models, other historical data and macro-economic factors. Considering the significance of the above matter to the financial statements and the significant auditor attention required to test such complex accounting estimates, we have identified this as a key audit matter for current year audit.	discounted cash flow models, including the cash flow status of the borrowers, latest collateral valuations in supporting the estimation of future cash flows and present value; • Evaluated the appropriateness of the Company's determination of significant increase in credit risk in accordance with the accounting standard and the basis for classification of various exposures into various stages. For a sample of exposures, we also tested the appropriateness of the Company's categorization across various stages; • Performed an assessment of critical assumptions and input data used in the estimation of expected credit loss models for specific key credit risk parameters, such as the transfer logic between stages, probability of default (PD) or loss given default (LGD); • Performed an assessment of the adequacy of the credit losses expected within 12 months by reference to credit losses actually incurred on similar portfolios historically; • Assessed the appropriateness and adequacy of the related presentation and disclosures of Note 39 "Financial risk management" disclosed in the financial statements in accordance with the applicable accounting standards.
Fair valuation of identified Loan Against Properties ("LAP") portfolio Refer Note 2(e) of significant accounting policies on financial instruments and Note 38 for disclosures. As at 31 March 2019, the Company's loan portfolio comprising of 'Loan again Properties' ('LAP') consists of ₹64,633.46 lac which is 34.10% of the total loan portfolio of the Company.	Our procedures in relation to valuation assessment for loan against properties included, but were not limited to the following: • Assessed and tested the design and operating effectiveness of the key controls over the accuracy of the key inputs and assumptions considered for valuation of LAP portfolio. Further, examined and evaluated the controls over the use of unobservable inputs.

The fair value of Company's LAP portfolio is determined by applying valuation techniques which often involve exercise of judgement by the valuer and use of assumptions, estimates and valuation models. The fair value involves highly uncertain estimates where significant valuation inputs are unobservable inputs, i.e. based on "Level 3 inputs". The Company has engaged valuation experts for valuation of LAP portfolio in order to arrive at the fair value using income method wherein the future cash flows have been discounted at an arm's length interest rate for similar loans. The arm's length interest rate has been determined by computing the weighted average interest rate charged by the Company for new loans disbursed under each customer category (including a separate category of high credit customers) based on independent assessment of the credit risk of the customers and the overall market environment. Considering the significant degree of judgement and subjectivity involved in the estimates and key assumptions used in determining the future cash flows which are used in the fair valuation methodology, we have determined fair valuation of LAP portfolio as a key audit matter for the current year audit.	• Assessed the valuation methodology adopted by the management's valuation expert to understand the assumptions used in the valuation approach where in the future cash flows have been discounted. • Assessed the management expert's qualifications and expertise and read their terms of engagement with the Company to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. • Assessed the appropriateness of valuation methodology adopted, discount rate applied, long-term growth rate considered by benchmarking against available independent data and tested the reconciliation of input data used in the cash flow forecasts to supporting evidence, such as approved budgets and considering the reasonableness of those budgets. • Assessed the appropriateness and accuracy of the related presentation and disclosures of Note 38 "Financial instruments" disclosed in the financial statements in accordance with the applicable accounting standards.
Information Technology system for the financial reporting process: The Company is highly dependent on its Information Technology ("IT") systems for carrying on its operations which require large volume of transactions to be processed in numerous locations. Further, the Company's accounting and financial reporting processes are dependent on automated controls enabled by IT systems which impacts key financial accounting and reporting items such as loans, interest income, impairment on loans amongst others. The controls implemented by the Company in its IT environment determine the integrity, accuracy, completeness and validity of data that is processed by the applications and is ultimately used for financial reporting.	Our key audit procedures with the involvement of our IT specialists included, but were not limited to the following: • Obtained an understanding of the Company's IT related control environment and conducted risk assessment and identified IT applications, data bases and operating systems that are relevant to our audit. Also, obtained an understanding of the changes that were made to the identified IT applications during the audit period and tested those changes that had a significant impact on financial reporting.

Our areas of audit focus included user access management, developer access to the production environment and changes to the IT environment. Further, we focused on key automated controls relevant for financial reporting. Accordingly, since our audit strategy included focus on key IT systems and controls due to pervasive impact on the financial statements, we have determined the same as a key audit matter for current year audit.	• Tested the design and operating effectiveness of the Company's IT controls over the IT applications as identified above; • Tested IT general controls particularly, logical access, change management and aspects of IT operational controls. Tested that requests for access to systems were appropriately reviewed and authorized; tested controls around Company's periodic review of access rights; inspected requests of changes to systems for appropriate approval and authorization. • Tested related interfaces, configuration and other application layer controls identified during our audit and report logic for system generated reports relevant to the audit mainly for loans, interest income and impairment of loan assets for evaluating completeness and accuracy. • Where deficiencies were identified, tested compensating controls or performed alternative procedures.

Information other than the Financial Statements and Auditor's Report thereon

6. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

   Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

   Responsibilities of Management and Those Charged with Governance for the Financial Statements

7. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring 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.

8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

9. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

15. The comparative financial information for the transition date opening balance sheet as at 1 April 2017 prepared in accordance with Ind AS included in these financial statements, is based on the previously issued statutory financial statements for the year ended 31 March 2017 prepared in accordance with Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) which were audited by the predecessor auditor whose report dated 03 May 2017 expressed an unmodified opinion on those financial statements, and have been adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS, which have been audited by us. Further, the Company had prepared a separate set of statutory financial statements for the year ended 31 March 2018 in accordance with Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) on which we issued auditor's report to the shareholders of the Company dated 30 April 2018. These financial statements have been adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS, which have also been audited by us. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

16. As required by section 197(16) of the Act, we report that the Company has paid remuneration to its directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act.
17. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
18. Further to our comments in Annexure A, as required by Section 143(3) of the Act, we report that:

    a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

    b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

    c. the financial statements dealt with by this report are in agreement with the books of account;

    d. in our opinion, the aforesaid financial statements comply with the Ind AS prescribed under Section 133 of the Act;

    e. on the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act;

    f. we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 08 May 2019 as per Annexure B expressed our unmodified opinion on adequacy and operative effectiveness of internal controls over financial reporting; and

g. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

   i. the Company, as detailed in Note 50 to the financial statements, has disclosed the impact of pending litigations on its financial position;

   ii. the Company did not have any long-term contracts including derivatives contract for which there were any material foreseeable losses;

   iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and

   iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016 which are not relevant to these financial statements. Hence, reporting under this clause is not applicable.

For Walker Chandiok & Co LLP

Chartered Accountants
Firm Registration No.: 001076N/N500013

Manish Gujral

Partner
Membership No.: 105117

Place: Mumbai

Date: 08 May 2019

"ANNEXURE – A"

TO THE INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH 2019

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

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

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) The title deeds of all the immovable properties (which are included under the head 'fixed assets') are held in the name of the Company.

(ii) The Company is a housing finance company, primarily engaged in the business of lending for housing loans and does not hold any inventories. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.

(iii) The Company has granted secured loan to a party covered in the register maintained under section 189 of the Act, and with respect to the same:

(a) in our opinion the terms and conditions of grant of such loans are not, prima facie, prejudicial to the Company's interest.

(b) the schedule of repayment of principal and payment of interest has been stipulated and the repayment/receipts of the principal amount and the interest are regular;

(c) there is no overdue amount in respect of loans granted to such party.

(iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not undertaken any transaction in respect of loans, guarantees and security covered under section 185 of the Act. In our opinion, the Company has not undertaken any transaction in respect of investments, guarantees and security covered under section 186 of the Act. Further, in our opinion, the Company has complied with the provisions of section 186 of the Act in respect of loans given.

(v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, except for delays upto 315 days with respect to deposit of professional tax with appropriate authorities due to pending registration. This was subsequently regularized during the year ended 31 March 2019 after the registration was obtained, except for two branches. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

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

Name of the statute	Nature of dues	Amount (₹ lacs)	Amount paid under protest (₹ lacs)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994	Service tax	80.72	12.00	2005-06 to 2008-09	CESTAT, Chennai

(viii) The Company has not defaulted in repayment of loans or borrowings to any bank or any dues to debenture-holders during the year. The Company has no loans or borrowings payable to any financial institution or government.

(ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the Company has applied the term loans for the purposes for which these were raised.

(x) According to the information and explanations given to us, we report that no material fraud by the Company or by its employees or officers has been noticed or reported during the year except for instances of loan disbursements based on forged documents, in collusion with the customers aggregating to ₹ 280.08 lacs, which has been fully provided for. The services of the concerned employees have been terminated by the Company.

(xi) Managerial remuneration has been paid/provided by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable Ind AS.

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.

(xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For Walker Chandiok & Co LLP

Chartered Accountants
Firm Registration No.: 001076N/N500013

Manish Gujral

Partner
Membership No.: 105117

Place: Mumbai

Date: 08 May 2019

"ANNEXURE – B"

TO THE INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH 2019

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

1. In conjunction with our audit of the financial statements of Magma Housing Finance Limited [Formerly Magma Housing Finance (A Public Company with Unlimited Liability)] ("the Company") as of and for the year ended 31 March 2019, we have audited the internal financial controls over financial reporting (IFCoFR) of the company of as that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

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

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For Walker Chandiok & Co LLP

Chartered Accountants
Firm's Registration No.: 001076N/N500013

Manish Gujral

Partner
Membership No.: 105117

Place: Mumbai
Date: 08 May 2019

Independent Auditor's Additional Report pursuant to the requirement of Housing Finance Companies - Auditor's Report (National Housing Bank) Directions, 2016 issued by the National Housing Bank

To

The Board of Directors

Magma Housing Finance Limited

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

24, Park Street, Development House

Kolkata – 700 016

This report is issued in accordance with the terms of our engagement letter dated 03 October 2018 with Magma Housing Finance Limited [Formerly Magma Housing Finance (A Public Company with Unlimited Liability)] ('the Company') and issued in accordance with the requirements of Housing Finance Companies - Auditor's Report (NHB) Directions, 2016 ('the Auditor's Report Directions') issued by the National Housing Bank ('the NHB').

We have audited the accompanying financial statements of the Company which comprise the Balance Sheet as at 31 March 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information and have issued an unmodified opinion vide our report dated 08 May 2019.

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 state of affairs (financial position), profit or loss (financial performance including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ('Ind AS') specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

The management of the Company is also responsible for compliance with the provisions of the National Housing Bank Act, 1987, (the 'NHB Act'), the Housing Finance Companies (NHB) Directions, 2010 ('the 2010 Directions'), and other circulars and directions issued by the NHB thereunder and for providing all the required information to the NHB.

Auditor's Responsibility

Pursuant to the requirements of Auditor's Report Directions, it is our responsibility to provide reasonable assurance on the matters specified in paragraph 3 of the Auditor's Report Directions, to the extent applicable to the Company, basis our audit of the accompanying financial statements of the Company and examination of the books of account and other records maintained by the Company for the year ended 31 March 2019.

We conducted our examination of the aforementioned matters in accordance with the 'Guidance Note on Reports or Certificates for Special Purposes' ('Guidance Note') issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

We have complied with the relevant applicable requirements of the Standard on Quality Control ('SQC') 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, issued by the ICAI.

Opinion

Based on our audit of the accompanying financial statements for the year ended 31 March 2019 and explanations of books of accounts and other records maintained by the Company for the year ended 31 March 2019 and the information given to us by the management, we report that:

The Company has obtained a revised Certificate of Registration ('CoR') dated 12 July 2017 (issued in lieu of earlier certificate dated 25 October 2004) pursuant to change of its name to Magma Housing Finance Limited issued by the Delhi office of the NHB;

The Company has complied with the net owned fund requirement during the year ended 31 March 2019 as prescribed under section 29A of the NHB Act;

The Company has complied with the provisions of section 29C of the NHB Act with respect to statutory reserves during the year ended 31 March 2019;

The Board of Directors of the Company have passed a resolution by circulation on 18 April 2018 for non-acceptance of any public deposits during the year ended 31 March 2019;

The Company has not accepted any public deposits during the year ended 31 March 2019;

The total borrowings of the Company are within the limits prescribed under paragraph 3(2) of the NHB Directions during the year;

The financial statements of the Company for the year ended 31 March 2019 have been prepared in accordance with Ind AS notified by Ministry of Corporate Affairs ('MCA') under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 (as amended). In preparation of the financial statements, the prudential norms relating to the income recognition, asset classification, and provisioning which are specified in the NHB Directions; are followed as per the applicable Ind AS. Further, the Company has complied with the prudential norms on disclosure in balance sheet, loan-to-value ratio, investment in real estate, exposure to capital market and engagement of brokers and concentration of credit/investments as specified in the NHB Directions as maybe applicable;

The capital adequacy ratio as at 31 March 2019 as disclosed in the Schedule II return submitted to the NHB in terms of the NHB Directions on 08 May 2019 was correctly determined and this ratio is in compliance with the minimum capital to risk weighted asset ratio ('CRAR') prescribed therein;

The Company has furnished the Schedule–II return during the year ended 31 March 2019 to the NHB within the stipulated period as specified in the NHB Directions;

The Company has furnished the Schedule–III return on Statutory Liquid Assets to the NHB for the year ended 31 March 2019 within the stipulated period as specified in the NHB Directions;

In case of opening of new branches/offices or in the case of closure of existing branches/offices, the Company has complied with the requirements of the NHB Directions; and

The Company has complied with the provisions contained in paragraph 38 and 38A of the NHB Directions.

Restriction on Distribution or Use

Our work was performed solely to assist you for compliance with Auditor's Report Directions by the Company. Our obligations in respect of this report are entirely separate from, and our responsibility and liability is in no way changed by any other role we may have as statutory auditors of the Company or otherwise. Nothing in this report, nor anything said or done in the course of or in connection with the services that are subject of this report, will extend any duty of care we may have in our capacity as statutory auditors of the Company.

This report is addressed to and provided to the Board of Directors of the Company pursuant to our obligations under the Auditor's Report Directions requiring us to submit a report on the additional matters as stated in the aforesaid directions and should not be used, referred to or distributed for any other purpose or to any other party without our prior written consent. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm Registration No.: 001076N/N500013

Manish Gujral

Partner

Membership No.: 105117

UDIN No.:

Place: Mumbai

Date: 20 June 2019

Balance Sheet

as at 31st March, 2019

MAGMA HOUSING FINANCE LIMITED

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

(₹ in lacs)

	Notes	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
ASSETS				
Financial Assets				
Cash and cash equivalents	3	357.18	889.78	768.87
Other bank balances	4	2,058.19	-	-
Loans	5	1,87,270.17	1,41,606.08	1,53,105.05
Other financial assets	6	5,435.25	5,034.02	3,990.41
		1,95,120.79	**1,47,529.88**	**1,57,864.33**
Non-financial Assets				
Current tax assets (net)	7	17.89	118.30	233.63
Property, plant and equipment	8	70.73	44.82	47.21
Capital work in progress	9	31.05	-	-
Other intangible assets	10	56.84	76.92	92.17
Other non-financial assets	11	981.72	661.03	397.16
		1,158.23	**901.07**	**770.17**
Total Assets		**1,96,279.02**	**1,48,430.95**	**1,58,634.50**
LIABILITIES AND EQUITY				
LIABILITIES				
Financial Liabilities				
Payables	12			
Trade payables				
(i) total outstanding dues of micro enterprises and small enterprises		-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		478.94	348.38	142.95
Other payables				
(i) total outstanding dues of micro enterprises and small enterprises		-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		973.85	770.09	526.61
Debt securities	13	12,971.28	10,455.03	10,437.85
Borrowings (other than debt securities)	14	1,15,443.72	92,407.09	1,13,645.84
Subordinated liabilities	15	9,925.06	-	-
Other financial liabilities	16	20,301.31	11,330.29	4,749.89
		1,60,094.16	**1,15,310.88**	**1,29,503.14**
Non-financial Liabilities				
Current tax liabilities (net)	17	95.71	280.00	81.88
Provisions	18	67.38	51.29	72.83
Deferred tax liabilities (net)	19	839.15	708.89	309.16
Other non-financial liabilities	20	1,096.62	855.87	1,349.24
		2,098.86	**1,896.05**	**1,813.11**
EQUITY				
Equity share capital	21	14,810.25	14,810.25	14,810.25
Other equity	22	19,275.75	16,413.77	12,508.00
		34,086.00	**31,224.02**	**27,318.25**
Total Liabilities and Equity		**1,96,279.02**	**1,48,430.95**	**158,634.50**

Notes 1 to 52 form an integral part of these financial statements.

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

For and on behalf of the Board of Directors
Magma Housing Finance Limited

For **Walker Chandiok & Co. LLP**
Chartered Accountants
Firm Registration No.: 001076N/N500013

Manish Gujral
Partner
Membership No.: 105117

Place : Mumbai
Date : 08 May 2019

Manish Jaiswal
Managing Director & Chief Executive Officer
(DIN: 07859441)

Ian Gerard Desouza
Chief Financial Officer

Sanjay Chamria
Chairman
(DIN: 00009894)

Priti Saraogi
Company Secretary

Place : Mumbai
Date : 08 May 2019

Statement of Profit and Loss

for the year ended 31st March, 2019

MAGMA HOUSING FINANCE LIMITED

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

(₹ in lacs)

	Notes	Year ended 31 March 2019	Year ended 31 March 2018
Revenue from operations			
Interest income	23	22,342.04	19,816.24
Fees and commission income	24	829.55	785.83
Net gain on fair value changes	25	-	233.49
Net gain on de-recognition of financial instruments	26	979.51	2,281.48
Total Revenue from operations		**24,151.10**	**23,117.04**
Other income	27	525.61	222.84
Total income		**24,676.71**	**23,339.88**
Expenses			
Finance costs	28	11,334.26	10,892.12
Net loss on fair value changes	25	118.82	-
Impairment on financial instruments	29	298.43	1,935.92
Employee benefits expenses	30	5,099.81	3,381.41
Depreciation, amortization and impairment	31	30.76	23.85
Other expenses	32	3,094.35	1,917.42
Total Expenses		**19,976.43**	**18,150.72**
Profit before tax		**4,700.28**	**5,189.16**
Tax expense			
Current tax	33	875.00	1,693.00
Deferred taxes		430.45	119.14
Prior year taxes		(6.68)	(2.39)
		1,298.77	**1,809.75**
Profit for the year		**3,401.51**	**3,379.41**
Other comprehensive income			
(a) Items that will not be reclassified to profit or loss			
(i) Re-measurements benefits of the defined benefit plans		(19.78)	5.83
(ii) Income tax relating to these items		7.20	(2.10)
		(12.58)	**3.73**
(b) Items that will be reclassified to profit or loss			
(i) Changes in fair valuation of financial assets (loan against properties)		(931.31)	801.16
(ii) Income tax relating to these items		293.03	(278.53)
		(638.28)	**522.63**
Other comprehensive income		**(650.86)**	**526.36**
Total comprehensive income for the year		**2,750.65**	**3,905.77**
Earnings per equity share			
Basic (₹)	34	2.30	2.28
Diluted (₹)		2.27	2.28

Notes 1 to 52 form an integral part of these financial statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For and on behalf of the Board of Directors
Magma Housing Finance Limited

For **Walker Chandiok & Co. LLP**
Chartered Accountants
Firm Registration No.: 001076N/N500013

Manish Gujral
Partner
Membership No.: 105117

Place : Mumbai
Date : 08 May 2019

Manish Jaiswal
Managing Director & Chief Executive Officer
(DIN: 07859441)

Ian Gerard Desouza
Chief Financial Officer

Sanjay Chamria
Chairman
(DIN: 00009894)

Priti Saraogi
Company Secretary

Place : Mumbai
Date : 08 May 2019

Cash Flow Statement

for the year ended 31st March, 2019

MAGMA HOUSING FINANCE LIMITED

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

(₹ in lacs)

	Particulars	Year ended 31 March 2019	Year ended 31 March 2018
A	**Cash flow from operating activities**		
	Profit before tax	4,700.28	5,189.16
	Adjustments for:		
	Depreciation and amortisation expense	30.76	23.85
	Net gain/(loss) on financial instruments at fair value through profit or loss	118.82	(233.49)
	Allowance for impairment loss	298.43	1,935.92
	Miscellaneous income	(251.63)	-
	Liability no longer required written back	(126.52)	(7.82)
	Share based payments to employees	111.33	-
	Operating profit before working capital changes	**4,881.47**	**6,907.62**
	Adjustment for change in working capital:		
	(Increase)/Decrease in loans	(46,893.14)	10,366.26
	(Increase) in other financial assets	(520.70)	(812.21)
	(Increase) in other non financial assets	(145.52)	(223.89)
	Increase in trade and other payables	460.84	456.73
	Increase in other financial liabilities	8,971.02	6,580.40
	Increase in other bank balances	(2,058.19)	-
	Increase/(Decrease) in other non financial liabilities	240.75	(493.37)
	Decrease in provisions	(3.69)	(15.71)
	Cash generated from/(used in) operating activities	**(35,067.16)**	**22,765.83**
	Income tax paid (net of refunds)	(952.20)	(1,377.16)
	Net cash generated from/(used in) operating activities (A)	**(36,019.36)**	**21,388.67**
B	**Cash flow from investing activities**		
	Purchase of property, plant and equipment, including CWIP and capital advances	(69.57)	(3.29)
	Purchase of intangible assets	-	(4.36)
	Net cash generated from/(used in) investing activities (B)	**(69.57)**	**(7.65)**
C	**Cash flow from financing activities**		
	Debt securities issued	6,500.00	-
	Debt securities repaid	(4,000.00)	-
	Amount borrowed other than debt securities	2,31,060.02	1,09,427.02
	Amount repaid other than debt securities	(2,08,003.69)	(1,30,687.13)
	Loan received from holding company	35,000.00	-
	Loan repaid to holding company	(35,000.00)	-
	Subordinated debt taken	10,000.00	-
	Net cash generated from/(used in) financing activities (C)	**35,556.33**	**(21,260.11)**
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(532.60)**	**120.91**
	Cash and cash equivalents at the beginning of the year	**889.78**	**768.87**
	Cash and cash equivalents at the closing of the year	**357.18**	**889.78**
	Components of cash and cash equivalents:		
	Cash on hand	0.40	0.40
	Balances with banks in current account	356.78	889.38
		357.18	**889.78**
	The above Statement of Cash Flows has been prepared under the 'Indirect Method' as set out in Ind AS 7, "Statement of Cash Flows".		
	This is the Statement of Cash Flows referred to in our report of even date.		

For and on behalf of the Board of Directors
Magma Housing Finance Limited

For **Walker Chandiok & Co. LLP**
Chartered Accountants
Firm Registration No.: 001076N/N500013

Manish Gujral
Partner
Membership No.: 105117

Place : Mumbai
Date : 08 May 2019

Manish Jaiswal
Managing Director & Chief Executive Officer
(DIN: 07859441)

Ian Gerard Desouza
Chief Financial Officer

Sanjay Chamria
Chairman
(DIN: 00009894)

Priti Saraogi
Company Secretary

Place : Mumbai
Date : 08 May 2019

Notes to the financial statements

MAGMA HOUSING FINANCE LIMITED

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

A Equity share capital

(₹ in lacs)

	As at 31 March 2019	As at 31 March 2018
Balance at the beginning of the reporting period	14,810.25	14,810.25
Changes in equity share capital during the year	-	-
Balance at the end of the reporting period	**14,810.25**	**14,810.25**

B Other Equity

(₹ in lacs)

Particulars	Reserves and Surplus			Other Comprehensive Income	Total
	Statutory reserve	Retained earnings	Share option outstanding reserve	Debt instruments through Other Comprehensive Income	
Balance as at 1 April 2017	**3,240.00**	**9,546.69**	**-**	**(278.69)**	**12,508.00**
Profit for the year	-	3,379.41	-	-	3,379.41
Items of other comprehensive income, net of tax:					-
- Re-measurements of defined benefit plans	-	3.73	-	-	3.73
- Changes in fair value of financial assets (loan against properties)	-	-	-	522.63	522.63
Transfer to statutory reserve	470.00	(470.00)	-	-	-
Balance as at 31 March 2018	**3,710.00**	**12,459.83**	**-**	**243.94**	**16,413.77**
Profit for the year	-	3,401.51	-	-	3,401.51
Items of other comprehensive income, net of tax:					
- Re-measurements of defined benefit plans	-	(12.58)	-	-	(12.58)
- Changes in fair value of financial assets (loan against properties)	-	-	-	(638.28)	(638.28)
Transfer to statutory reserve	690.00	(690.00)	-	-	-
Employee stock option expense	-	-	111.33	-	111.33
Balance as at 31 March 2019	**4,400.00**	**15,158.76**	**111.33**	**(394.34)**	**19,275.75**

Notes 1 to 52 form an integral part of these financial statements

For and on behalf of the Board of Directors
Magma Housing Finance Limited

For **Walker Chandiok & Co. LLP**
Chartered Accountants
Firm Registration No.: 001076N/N500013

Manish Jaiswal
Managing Director & Chief Executive Officer
(DIN: 07859441)

Sanjay Chamria
Chairman
(DIN: 00009894)

Manish Gujral
Partner
Membership No.: 105117

Ian Gerard Desouza
Chief Financial Officer

Priti Saraogi
Company Secretary

Place : Mumbai
Date : 08 May 2019

Place : Mumbai
Date : 08 May 2019

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

Note 1

Company Overview:

Magma Housing Finance Limited ("MHFL", or, "the Company") was incorporated on 21 April 2004 under the provisions of Companies Act, 1956, to carry on the business of housing finance in India. The Company was registered as a non-deposit taking housing finance company with the National Housing Bank ("NHB") in October 2004. The Company commenced business operations in November 2004. On 11 February 2013, 100% shares of the Company were acquired by Magma Advisory Services Limited. Magma Advisory Services Limited was subsequently merged with Magma Fincorp Limited with effect from 1 April 2017, consequent to which the Company became a wholly owned subsidiary of Magma Fincorp Limited. During the Financial Year 2018-19, the Company has shifted its registered office from New Delhi to Kolkata.

Note 2

Significant Accounting Policies And Key Accounting Estimates And Judgements:

a) Basis of preparation

The financial statements for the year ended 31 March 2019 have been prepared by the Company in accordance with Indian Accounting Standards ('Ind AS') notified under section 133 of the Companies Act 2013 ("the Act"), read together with Companies (Indian Accounting Standards) Rules, 2016 (as amended), the provisions of the Act (to the extent notified and applicable) and the directions prescribed in the Housing Finance Companies (NHB) Directions, 2010 (as amended) ("the NHB guidelines") issued by the NHB.

For all periods up to and including the year ended 31 March 2018, the Company has prepared its financial statements in accordance with Accounting Standards notified under the section 133 of the Act, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (as amended) (""Previous GAAP"").

These financial statements for the year ended 31 March 2019 are the first financials with comparatives prepared in accordance with Ind AS. Detailed explanation on how the transition from previous GAAP to Ind AS has affected the Company's balance sheet, financial performance and cash flows is given in Note 41.

These financial statements have been prepared and presented under the historical cost convention, on the accrual basis of except for certain financial assets and financial liabilities that are measured at fair values at the end of each reporting period, as stated in the accounting policies set out below.

The accounting policies have been applied consistently over all the periods presented in these financial statements, except where the Company has applied certain accounting policies and exemptions upon transition to Ind AS

b) Property, Plant and Equipment

Property, plant and equipment held for use or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses. The cost includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation:

Depreciation on each part of an item of property, plant and equipment is provided using the straight line method based on the useful life of the asset as prescribed in Schedule II to the Act. Depreciation is calculated on a pro-rata basis from the date of installation till date the assets are sold or disposed.

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

De-recognition:

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds and the carrying amount of the item and is recognized in the Statement of Profit and Loss when the item is derecognised.

Transition to Ind AS:

The Company has elected to measure all its property, plant and equipment at the previous GAAP carrying amount as its deemed cost on the date of transition of Ind AS i.e. 1 April 2017.

c) Intangible assets

Measurement at recognition:

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. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment cost, if any.

Amortization:

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.

De-recognition:

The carrying amount of an intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and is recognized in the Statement of Profit and Loss when the asset is derecognised.

Transition to Ind AS:

The Company had elected to consider the carrying value of all its intangible assets at the previous GAAP carrying amount as its deemed cost on the date of transition of Ind AS i.e. 1 April 2017.

d) Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication based on internal/external factors, that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or the cash generating unit is estimated. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount. The carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognized in the Statement of Profit and Loss. If, at the reporting date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognized are accordingly reversed in the Statement of Profit and Loss.

e) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

Financial assets

<u>Initial recognition and measurement:</u>

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Classifications

Financial assets

On initial recognition, a financial asset is classified as subsequently measured at either amortised cost or fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL'), depending on the contractual cash flow characteristics of the financial assets and the Company's business model for managing the financial assets. Subsequently, financial instruments are measured according to the category in which they are classified.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

<u>Financial assets at Amortised Cost</u>

A financial asset is measured at amortised cost only if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

<u>Financial assets at Fair Value through Other Comprehensive Income (FVOCI)</u>

A financial asset is measured at FVOCI only if both of the following conditions are met:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

<u>Financial assets at Fair Value through Profit and Loss (FVTPL)</u>

Any financial instrument, which does not meet the criteria for categorisation as at amortized cost or as FVOCI, is classified as at FVTPL.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or amortised cost, as appropriate.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company is recognised at the proceeds received, net of directly attributable transaction costs.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset de-recognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

f) Impairment of Financial Assets

The Company recognises impairment allowances using Expected Credit Loss (ECL) method on all the financial assets that are not measured at FVTPL:

ECL are probability weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit impaired – as the present value of all cash shortfalls that are possible within 12 months after the reporting date.
- Financial assets with significant increase in credit risk but not credit impaired – as the present value of all cash shortfalls that result from all possible default events over the expected life of the financial asset.
- Financial assets that are credit impaired – as the difference between the gross carrying amount and the present value of estimated cash flows
- Undrawn loan commitments – as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive

Notes to the financial statements (Continued)

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For financial assets at FVOCI, the loss allowance is recognised in OCI.

Financial assets are written off/fully provided for when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

However, financial assets that are written off could still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the Statement of Profit or Loss.

g) Fair value

The Company measures financial instruments at fair value in accordance with the accounting policies mentioned above. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy that categorizes into three levels, described as follows, the inputs to valuation techniques used to measure value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: inputs that are unobservable for the asset or liability.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period and discloses the same.

h) Revenue recognition

<u>Interest income:</u>

Interest income from financial assets (assets on finance) is recognised on accrual basis using Effective Interest Rate ("EIR") method. The EIR is the rate that discounts the estimated future cash flows through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset adjusted for upfront expenses and incomes attributable to the acquisition of the financial asset. The interest income is recognized on EIR method on a time proportion basis applied on the carrying amount for financial assets including credit impaired financial assets.

Overdue interest and other charges are treated to accrue on realisation, due to uncertainty of realisation and is accounted for accordingly.

Interest on fixed deposits is recognized on a time proportion basis taking into account the amount outstanding and the applicable rate.

Security Receipts:

Fair value changes from security receipts is recognized in the revenue from operations.

Income from assignment transactions:

Income from direct assignment transactions represents the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset de-recognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI.

Dividend income:

Dividend is recognised when the right to receive the dividend is established.

Other income:

Recovery from bad debts written off is recognised as income on actual realization from customers.

In case of sale of non-performing asset, any excess or shortfall is recognised in line with Ind-AS and RBI guidelines.

All other items of income are accounted for on accrual basis."

i) Borrowing cost

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs are charged to the Statement of Profit and Loss on accrual basis as per the EIR method.

j) Income Taxes

Tax expense is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current tax:

Current tax is the amount of income taxes payable in respect of taxable profit for a period. Taxable profit differs from 'profit before tax' as reported in the Statement of Profit and Loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible under the Income-tax Act, 1961 ("the IT Act"). Current tax is measured using tax rates that have been enacted by the end of reporting period for the amounts expected to be recovered from or paid to the taxation authorities.

Deferred tax:

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit under the IT Act.

Deferred tax liabilities are generally recognized for all taxable temporary differences. However, in case of temporary differences that arise from initial recognition of assets or liabilities in a transaction (other than business combination) that affect neither the taxable profit nor the accounting profit, deferred tax liabilities are not recognized. Also, for temporary differences if any that may arise from initial recognition of goodwill, deferred tax liabilities are not recognized.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary difference can be utilized. In case of temporary

Notes to the financial statements (Continued)

differences that arise from initial recognition of assets or liabilities in a transaction (other than business combination) that affect neither the taxable profit nor the accounting profit, deferred tax assets are not recognized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefits of part or all of such deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Presentation of current and deferred tax:

Current and deferred tax are recognized as income or an expense in the Statement of Profit and Loss, except when they relate to items that are recognized in Other Comprehensive Income, in which case, the current and deferred tax income/ expense are recognized in Other Comprehensive Income.

The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. In case of deferred tax assets and deferred tax liabilities, the same are offset if the Company has a legally enforceable right to set off corresponding current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the Company.

k) Provisions and contingencies

The Company recognizes provisions when a present obligation (legal or constructive) as a result of a past event exists and it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and the amount of such obligation can be reliably estimated.

If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources embodying economic benefits or the amount of such obligation cannot be measured reliably. When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resources embodying economic benefits is remote, no provision or disclosure is made.

l) Cash and cash equivalents

Cash and cash equivalents for the purpose of Cash Flow Statement comprise cash and cheques in hand, bank balances, demand deposits with banks where the original maturity is three months or less and other short term highly liquid investments (original maturity less than 3 months) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

m) Employee Benefits

Short Term Employee Benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and they are recognized in the period in which the employee renders the related service. The Company recognizes the undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense) after deducting any amount already paid.

Notes to the financial statements (Continued)

Post-employment benefit plans are classified into defined benefits plans and defined contribution plans as under:

a. Defined contribution plans:

Defined contribution plans are provident fund scheme, employee state insurance scheme and Government administered pension fund scheme for all applicable employees and superannuation scheme for eligible employees.

Recognition and measurement of defined contribution plans:

The Company recognizes contribution payable to a defined contribution plan as an expense in the Statement of Profit and Loss when the employees render services to the Company during the reporting period. If the contributions payable for services received from employees before the reporting date exceeds the contributions already paid, the deficit payable is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the reporting date, the excess is recognized as an asset to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

b. Defined benefits plans:

- Gratuity scheme:

  The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets (if any). The defined benefit obligation is calculated annually by actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

  The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of Profit and Loss. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the financial statements. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in Statement of profit and loss as past service cost.

c. Other long-term employee benefits:

- Compensated absences:

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

  Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to statement of profit and loss in the period in which such gains or losses are determined.

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

n) Share based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

o) Operating Lease

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

p) Earnings per share

Basic earnings per share is computed by dividing the net profit for the period attributable to the equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per share has been computed using the weighted average number of shares and dilutive potential shares, except where the result would be anti-dilutive.

For the purpose of calculating diluted earnings per share, net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company. The Company is in a single business segment (primary segment) of providing financial services to customers in India.

r) Events after reporting date

Where events occurring after the balance sheet date provide evidence of conditions that existed at the end of the reporting period, the impact of such events is adjusted within the financial statements. Otherwise, events after the balance sheet date of material size or nature are only disclosed.

Significant areas of estimation uncertainty, critical judgements and assumptions in applying accounting policies:

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities (including contingent liabilities and assets) as on the date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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Key sources of estimation uncertainty at the date of financial statements, which may cause a material adjustment to the carrying amount of assets and liabilities within the next financial year are included in the following notes:

Note 29 - Impairment of financial instruments

Note 38 - determination of the fair value of financial instruments with significant unobservable inputs

Note 30 - measurement of defined benefit obligations: key actuarial assumptions

Note 19 - recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used

Note 8 - determination of the estimated useful lives of tangible assets and the assessment as to which components of the cost may be capitalised

Standards issued but not yet effective as on date

Ind AS 116 Leases

Ind AS 116 Leases was notified on 30 March 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The Company is currently assessing the impact of adopting Ind AS 116 on the Company's financial statements.

Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments:

On 30 March 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition - i) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and ii) Retrospectively with cumulative effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after April 1, 2019. The Company will adopt the standard on April 1, 2019.

The Company is currently evaluating the effect of this amendment on the financial statements

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED
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Amendment to Ind AS 12 – Income taxes:

On 30 March 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes. The amendment clarifies that an entity shall recognize the income tax consequence of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. Effective date for application of this amendment is annual period beginning on or after 1 April 2019. The Company is evaluating the impact on account of this amendment.

Amendment to Ind AS 19 – plan amendment, curtailment or settlement-

On 30 March 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements. The amendments require an entity:

- to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. Effective date for application of this amendment is annual period beginning on or after 1 April 2019. The Company is evaluating the impact on account of this amendment.

3 Cash and cash equivalents (₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Cash on hand	0.40	0.40	0.40
Balances with banks			
- In Current Accounts	356.78	889.38	768.47
Total	**357.18**	**889.78**	**768.87**

4 Other bank balances (₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
- In deposits with original maturity of less than 3 months*	2,058.19	-	-
Total	**2,058.19**	**-**	**-**

*Held as cash collateral for securitization of receivables.

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED
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5 Loans

(₹ in lacs)

	As at 31 March 2019			As at 31 March 2018			As at 1 April 2017		
	Amortized cost	At fair value through other comprehensive income (OCI)	Total	Amortized cost	At fair value through other comprehensive income (OCI)	Total	Amortized cost	At fair value through other comprehensive income (OCI)	Total
(A)									
(i) Term loans									
- Housing loans*	124,927.52	-	124,927.52	76,548.97	-	76,548.97	85,744.65	-	85,744.65
- Loan against properties	-	64,633.44	64,633.44	-	69,980.43	69,980.43	-	67,293.47	67,293.47
(ii) Loan repayable on demand**	-	-	-	-	-	-	3,500.00	-	3,500.00
(iii) Loans to staff	7.83	-	7.83	17.58	-	17.58	33.68	-	33.68
Total (A) - Gross	**124,935.35**	**64,633.44**	**189,568.79**	**76,566.55**	**69,980.43**	**146,546.98**	**89,278.33**	**67,293.47**	**156,571.80**
Less: Impairment loss allowance	1,474.38	824.24	2,298.62	3,362.90	1,578.00	4,940.90	2,449.74	1,017.01	3,466.75
Total (A) - Net	**123,460.97**	**63,809.20**	**187,270.17**	**73,203.65**	**68,402.43**	**141,606.08**	**86,828.59**	**66,276.46**	**153,105.05**
(B)									
(i) Secured by tangible assets	124,927.52	64,633.44	189,560.96	76,548.97	69,980.43	146,529.40	85,744.65	67,293.47	153,038.12
(ii) Unsecured	7.83	-	7.83	17.58	-	17.58	3,533.68	-	3,533.68
Total (B) - Gross	**124,935.35**	**64,633.44**	**189,568.79**	**76,566.55**	**69,980.43**	**146,546.98**	**89,278.33**	**67,293.47**	**156,571.80**
Less: Impairment loss allowance	1,474.38	824.24	2,298.62	3,362.90	1,578.00	4,940.90	2,449.74	1,017.01	3,466.75
Total (B) - Net	**123,460.97**	**63,809.20**	**187,270.17**	**73,203.65**	**68,402.43**	**141,606.08**	**86,828.59**	**66,276.46**	**53,105.05**
(C) Loans in India									
(i) Public sector	-	-	-	-	-	-	-	-	-
(ii) Others	124,935.35	64,633.44	189,568.79	76,566.55	69,980.43	146,546.98	89,278.33	67,293.47	156,571.80
Total (C) - Gross	**124,935.35**	**64,633.44**	**189,568.79**	**76,566.55**	**69,980.43**	**146,546.98**	**89,278.33**	**67,293.47**	**156,571.80**
Less: Impairment loss allowance	1,474.38	824.24	2,298.62	3,362.90	1,578.00	4,940.90	2,449.74	1,017.01	3,466.75
Total (C) - Net	**123,460.97**	**63,809.20**	**187,270.17**	**73,203.65**	**68,402.43**	**141,606.08**	**86,828.59**	**66,276.46**	**153,105.05**

* It includes loan given to related parties, for details refer Note - 37.

** This represents the loan given to fellow subsidiary-Magma ITL Finance Limited which has been merged with Magma Fincorp Limited(holding company) with effect from 1 April 2017.

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

6 Other financial assets

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Excess interest spread receivable	4,387.92	3,746.25	2,749.96
Security deposits	26.19	14.22	9.35
Security receipts	983.33	1,280.51	1,225.46
Others	46.31	0.90	11.41
Total	**5,443.75**	**5,041.88**	**3,996.18**
Less: Allowance for impairment loss	8.50	7.86	5.77
Total (Net)	**5,435.25**	**5,034.02**	**3,990.41**

7 Current tax assets (net)

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Advance tax and tax deducted at source (net of provisions)	17.89	118.30	233.63
Total	**17.89**	**118.30**	**233.63**

8 Property, plant and equipment

(₹ in Lacs)

	Buildings	Furniture and fixtures	Office equipment	Leasehold improvements	Total
Gross block					
Deemed cost as at 1 April 2017*	**20.08**	**8.11**	**4.97**	**14.05**	**47.21**
Additions	-	1.63	0.22	-	1.85
Disposals/adjustments	-	-	-	-	-
Balance as at 31 March 2018	**20.08**	**9.74**	**5.19**	**14.05**	**49.06**
Additions	-	10.63	15.46	10.50	36.59
Disposals/adjustments	-	-	-	-	-
Balance as at 31 March 2019	**20.08**	**20.37**	**20.65**	**24.55**	**85.65**
Accumulated depreciation					
Balance as at 1 April 2017	**-**	**-**	**-**	**-**	**-**
Depreciation charge for the year	0.36	0.96	0.98	1.94	4.24
Disposals/adjustments	-	-	-	-	-
Balance as at 31 March 2018	**0.36**	**0.96**	**0.98**	**1.94**	**4.24**
Depreciation charge for the year	0.36	4.30	3.47	2.55	10.68
Disposals/adjustments	-	-	-	-	-
Balance as at 31 March 2019	**0.72**	**5.26**	**4.45**	**4.49**	**14.92**
Net Block					
Balance as at 1 April 2017	20.08	8.11	4.97	14.05	47.21
Balance as at 31 March 2018	19.72	8.78	4.21	12.11	44.82
Balance as at 31 March 2019	**19.36**	**15.11**	**16.20**	**20.06**	**70.73**

* Represents deemed cost as on the date of transition to Ind AS. Gross block and accumulated depreciation have been netted off.

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

9 Capital work in progress

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Capital work in progress	31.05	-	-
Total	**31.05**	**-**	**-**

For contractual obligations, refer note 50 of capital commitment for acquisition of property, plant & equipment and other intangible assets

10 Other intangible assets

(₹ in Lacs)

	Computer Software
Gross block	
Deemed cost as at 1 April 2017*	**92.17**
Additions	4.36
Disposals/adjustments	-
Balance as at 31 March 2018	**96.53**
Additions	-
Disposals/adjustments	-
Balance as at 31 March 2019	**96.53**
Accumulated amortization	
Balance as at 1 April 2017	**-**
Amortization for the year	19.61
Disposals/adjustments	-
Balance as at 31 March 2018	**19.61**
Amortization for the year	20.08
Disposals/adjustments	-
Balance as at 31 March 2019	**39.69**
Net Block	
As at 1 April 2017	92.17
As at 31 March 2018	76.92
As at 31 March 2019	**56.84**

* Represents deemed cost as on the date of transition to Ind AS. Gross block and accumulated amortization have been netted off.

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED
[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

11 Other non-financial assets

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Unamortized borrowing costs	62.65	85.47	67.73
Prepaid expenses	494.36	328.66	161.31
Balance with statutory/Government authorities	421.17	227.16	158.49
Gratuity (excess of plan assets over obligation)	-	18.13	9.46
Capital advances	3.54	1.61	0.17
Total	**981.72**	**661.03**	**397.16**

12 Payables

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Trade payables			
Total outstanding dues of micro enterprises and small enterprises [Refer note (i) below]	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	478.94	348.38	142.95
Total	**478.94**	**348.38**	**142.95**
Other payables			
Total outstanding dues of micro enterprises and small enterprises [Refer note (i) below]	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	973.85	770.09	526.61
Total	**973.85**	**770.09**	**526.61**

Note : The Company has no dues to micro, small and medium enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006, as at 31 March 2019, 31 March 2018 and 1 April 2017. This information is required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006, and has been determined to the extent such parties have been identified on the basis of information available with the Company and has been relied upon by the auditors.

13 Debt securities

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
(Measured at Amortized Cost -Secured)			
Redeemable non-convertible debentures [refer notes (a) & (b) below]	12,971.28	10,455.03	10,437.85
Total	**12,971.28**	**10,455.03**	**10,437.85**
Debt securities in India	12,971.28	10,455.03	10,437.85
Total	**12,971.28**	**10,455.03**	**10,437.85**

Notes to the financial statements (Continued)

(a) Nature of security

Debentures are (except for 650 no's of debentures allotted in february 19 & march 19 which are secured by exclusive first charge by way of hypothecation on the company's book debts and loan installments receivables along with pari -passu mortgage created over the immovable property situated at Barasat, Dist - 24 Parganas (N)) secured by first charge ranking pari-passu on the Company's book debts and loan installments receivables along with mortgage created over the immovable property situated at Barasat, Dist - 24 Parganas (N). The total asset cover is hundred percent or above of the principal amount of the said debentures.

(b) Terms of repayment for Secured redeemable non-convertible debentures (₹ in Lacs)

Number of Debentures	Face Value (₹ in lacs)	Month of Allotment	Month of Redemption	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
100	10	Mar-16	Mar-23	999.43	999.29	999.14
200	10	Mar-15	Mar-22	1,985.04	1,980.08	1,975.14
400	10	Feb-19	Feb-21	3,999.52	-	-
250	10	Mar-19	Sep-20	2,499.50	-	-
350	10	Mar-15	Mar-20	3,487.79	3,475.66	3,463.57
400	10	Feb-15	Apr-18	-	4,000.00	4,000.00
Total				**12,971.28**	**10,455.03**	**10,437.85**

The above debentures carry interest rates ranging from 10.00% p.a. to 11.06% p.a. (31 March 2018: from 10.00% p.a. to 10.33% p.a, 1 April 2017: from 10.00% p.a. to 10.33% p.a)

14 Borrowings (other than debt securities) (₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
(Measured at Amortized Cost)			
(Secured)			
(a) Term loans [refer note (a)(i) & (b)(i) below]			
- from banks	58,347.10	61,039.14	82,233.22
(b) Loan from PTC Investors [refer note (a)(ii) & (b)(ii) below]	16,648.57	-	-
(c) Loans repayable on demand [refer note (a)(iii) & (b)(iii) below]			
- from banks	30,604.48	26,454.24	21,525.64
(Unsecured)			
(d) Commercial paper [refer note (b)(iv) below]	9,843.57	4,913.71	9,886.98
Total	**1,15,443.72**	**92,407.09**	**1,13,645.84**
Borrowings in India	1,15,443.72	92,407.09	1,13,645.84
Total	**1,15,443.72**	**92,407.09**	**1,13,645.84**

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED
[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

(a) Nature of security

(i) All term loans from banks (except for two term loans which are secured by way of exclusive charge over receivables arising out of assets financed against the said term loan) are secured by way of first charge ranking pari-passu over the entire current assets, both present & future, including the entire book debts, loan installments, receivables and underlying assets arising out of finance (except those assets exclusively financed by other loans) of the Company.

(ii) Term loans from PTC investors represents amounts received in respect of securitization transactions (net of repayments & investment therein) as these transactions do not meet the de-recogniton criteria specified under Ind AS. These are secured by way of hypothecation of designated assets on finance receivables.

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

(b) Terms of repayment

(i) Schedule of repayment for term loans from banks (₹ in Lacs)

Frequency	Repayment commencing from	Repayment Maturity month	No. of instalments payable	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Monthly	Apr-20	Mar-24	48	15,000.00	-	-
Quarterly	Jun-18	Mar-25	28	4,256.69	4,960.83	4,950.06
Quarterly	Sep-17	Jun-24	25	3,738.83	4,448.59	4,979.05
Quarterly	Jun-19	Mar-23	16	7,489.87	7,485.13	-
Quarterly	Jun-17	Mar-21	12	5,000.00	7,500.00	10,000.00
Quarterly	Mar-17	Dec-20	11	8,746.54	13,741.84	18,735.20
Quarterly	Aug-17	May-20	9	2,082.95	3,748.80	4,997.54
Quarterly	Jun-17	Mar-20	8	4,999.12	9,991.04	19,990.73
Quarterly	Sep-16	Jun-19	5	833.30	4,166.25	7,498.71
Quarterly	Feb-17	Nov-20	0	-	-	2,341.02
Quarterly	Mar-20	Mar-22	9	4,950.27	-	-
Half-Yearly	Jun-16	Dec-19	4	1,249.53	2,498.08	3,745.68
Half-yearly	Sep-15	Mar-19	2	-	2,498.58	4,995.23
Total				**58,347.10**	**61,039.14**	**82,233.22**

The above term loans carry interest rates ranging from 9.00% p.a. to 12.50% p.a. (31 March 2018: from 8.90% p.a. to 9.40% p.a, 1 April 2017: from 9.30% p.a. to 10.10% p.a)

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

(ii) Terms of maturity of Loan from PTC Investors

(₹ in lacs)

Maturity schedule	Interest rate range (p.a.)			Amount		
	31 March 2019	31 March 2018	1 April 2017	31 March 2019	31 March 2018	1 April 2017
> 5 years	9.75% - 9.90%	-	-	12,664.37	-	-
3 - 5 Years	9.75% - 9.90%	-	-	902.55	-	-
1 - 3 Years	9.75% - 9.90%	-	-	1,432.41	-	-
0 - 1 Years	9.75% - 9.90%	-	-	1,649.24	-	-
Total				**16,648.57**	**-**	**-**

(iii) The cash credit facilities are repayable on demand and carries interest rate at 8.90% p.a. to 10.70% p.a.(31 March 2018: from 8.95% p.a. to 10.50% p.a, 1 April 2017: from 9.50% p.a. to 10.50% p.a) Working capital demand loans are repayable on demand and carry interest rates ranging from 8.55% p.a. to 9.45% p.a.(31 March 2018: from 8.15% p.a. to 8.30% p.a, 1 April 2017: from 8.15% p.a. to 8.70% p.a). As per the prevalent practice, cash credit facilities and working capital demand loans are renewed on a year to year basis and therefore, are revolving in nature.

(iv) Terms of repayment of commercial paper

(₹ in Lacs)

Number of units	Face Value (₹ in lacs)	Repayment Terms	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
1,000	5	at Par	-	4,913.71	-
2,000	5	at Par	9,843.57	-	9,886.98
Total			**9,843.57**	**4,913.71**	**9,886.98**

Commercial papers carry interest rate ranging from 9.25% p.a. to 9.70% p.a. with maturity ranging between 2 months to 3 months.(31 March 2018: from 7.90% p.a. to 8.50% p.a. with maturity in 3 months, 1 April 2017: from 7.79% p.a. to 7.80 % p.a., with maturity ranging from 1 to 3 months)

15 Subordinated liabilities

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
(Measured at Amortized Cost)			
Others (Tier II capital) :			
- From banks (subordinated debts)	9,925.06	-	-
Total	**9,925.06**	**-**	**-**
Subordinated liabilities in India	9,925.06	-	-
Total	**9,925.06**	**-**	**-**

(i) Terms of repayment of subordinated liabilities

(₹ in Lacs)

Frequency	Repayment commencing from	Repayment Maturity date	No. of instalments payable	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
On maturity	Mar-26	Mar-26	1	9,925.06	-	-
Total				**9,925.06**	**-**	**-**

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

16 Other financial liabilities

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Interest accrued	908.81	2,535.47	955.17
Pending remittance on assignment transactions	1,316.11	1,534.37	1,937.36
Temporary overdraft from banks	18,076.39	7,260.45	1,857.36
Total	**20,301.31**	**11,330.29**	**4,749.89**

17 Current tax liabilities (net)

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Provision for tax (net of advance tax and TDS)	95.71	280.00	81.88
Total	**95.71**	**280.00**	**81.88**

18 Provisions

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Provision for employee benefits:			
- Provision for gratuity	8.22	-	-
- Provision for compensated absences	59.16	51.29	72.83
Total	**67.38**	**51.29**	**72.83**

19 Deferred tax liabilities (net)

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Deferred tax liability arising on account of:			
Statutory reserve	808.96	860.45	725.29
Fair valuation of financial assets	1,115.75	1,521.71	951.71
Recognition of interest income of non performing assets	-	223.67	132.18
Depreciation reserve	12.01	18.66	19.45
Provision for expenses	-	6.34	-
Total	**1,936.72**	**2,630.83**	**1,828.63**
Deferred tax asset arising on account of:			
Impairment loss allowance on loan assets	671.84	1,729.29	1,201.76
Amortization of transaction cost/income on assets on finance as per EIR model	271.17	35.57	15.75
Recognition/de-recognition of income and expenses pertaining to direct assignment transactions	136.06	94.77	78.51
Fair valuation of financial assets	0.22	0.18	147.61
Provision for expenses	18.28	62.13	75.84
Total	**1,097.57**	**1,921.94**	**1,519.47**
Total deferred tax liability (net)	**839.15**	**708.89**	**309.16**

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED
[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

Deferred tax liabilities (net) (Continued)

i) Movement in deferred tax liabilities for year ended 31 March 2018:

(₹ in Lacs)

Particulars	As at 1 April 2017	Statement of Profit or Loss	Other Comprehensive Income	As at 31 March 2018
Deferred tax liabilities for taxable temporary differences on:				
Statutory reserve	725.29	135.16	-	860.45
Fair valuation of financial assets	951.71	291.47	278.53	1,521.71
Recognition of interest income of NPA assets	132.18	91.49	-	223.67
Depreciation reserve	19.45	(0.79)	-	18.66
Provision for expenses	-	4.24	2.10	6.34
Total	**1,828.63**	**521.59**	**280.63**	**2,630.83**
Deferred tax assets for deductible temporary differences on:				
Impairment loss allowance on loan assets	1,201.76	527.53	-	1,729.29
Amortization of transaction cost/ income on assets on finance as per EIR model	15.75	19.82	-	35.57
Recognition/de-recognition of income and expenses pertaining to DA assets	78.51	16.26	-	94.77
Fair valuation of financial assets	147.61	(147.43)	-	0.18
Provision for expenses	75.84	(13.71)	-	62.13
Total	**1,519.47**	**402.46**	**-**	**1,921.94**
Deferred tax liabilities, net	**309.16**	**119.14**	**280.63**	**708.89**

ii) Movement in deferred tax liabilities for year ended 31 March 2019:

(₹ in Lacs)

Particulars	As at 1 April 2018	Statement of Profit or Loss	Other Comprehensive Income	As at 31 March 2019
Deferred tax liabilities for taxable temporary differences on:				
Statutory reserve	860.45	(51.49)	-	808.96
Fair valuation of EIS receivables	1,521.71	(112.93)	(293.03)	1,115.75
Recognition of interest income of NPA assets	223.67	(223.67)	-	-
Depreciation reserve	18.66	(6.65)	-	12.01
Provision for expenses	6.34	0.86	(7.20)	-
Total	**2,630.83**	**(393.90)**	**(300.23)**	**1,936.72**

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

(₹ in Lacs)

Particulars	As at 1 April 2018	Statement of Profit or Loss	Other Comprehensive Income	As at 31 March 2019
Deferred tax assets for deductible temporary differences on:				
Impairment loss allowance on loan assets	1,729.29	(1,057.45)	-	671.84
Amortization of transaction cost/ income on assets on finance as per EIR model	35.57	235.60	-	271.17
Recognition/de-recognition of income and expenses pertaining to DA assets	94.77	41.29	-	136.06
Fair valuation of financial assets	0.18	0.04	-	0.22
Provision for expenses	62.13	(43.85)	-	18.28
Total	**1,921.94**	**(824.35)**	**-**	**1,097.57**
Deferred tax liabilities, net	**708.89**	**430.45**	**(300.23)**	**839.15**

Note:

Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

20 Other non-financial liabilities

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Advances from customers	885.28	757.21	1,281.85
Statutory dues	211.34	98.66	67.39
Total	**1,096.62**	**855.87**	**1,349.24**

21 Equity share capital

(₹ in Lacs)

	As at 31 March 2019		As at 31 March 2018		As at 1 April 2017	
	Number	Amount	Number	Amount	Number	Amount
Authorized share capital						
Equity shares of ₹ 10 each	20,00,00,000	20,000.00	20,00,00,000	20,000.00	20,00,00,000	20,000.00
Total	**20,00,00,000**	**20,000.00**	**20,00,00,000**	**20,000.00**	**20,00,00,000**	**20,000.00**
Issued, subscribed and fully paid up						
Equity shares of ₹ 10 each	14,81,02,500	14,810.25	14,81,02,500	14,810.25	14,81,02,500	14,810.25
Total	**14,81,02,500**	**14,810.25**	**14,81,02,500**	**14,810.25**	**14,81,02,500**	**14,810.25**

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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(a) Reconciliation of the number of equity shares outstanding and the amount of share capital:

There is no movement in the equity share capital during the current and comparative periods.

(b) Terms and rights attached to equity shares

The Company has only one class of equity share having a par value of ₹ 10 each. Each shareholder of the Company is entitled to one vote per share. The dividend as and when proposed by the Board of Directors will be subject to the approval of the shareholders to be obtained in the Annual General Meeting, which shall be paid in Indian rupees. In the event of liquidation of the Company, the equity shareholders of the Company are entitled to receive the remaining assets of the Company after discharging all liabilities of the Company in proportion to the number of equity shares held by the equity shareholders. Dividend on shares is recorded as a liability on the date of approval by the shareholders at the ensuing Annual General Meeting.

(c) Shares held by Holding company and details of shareholders holding more than 5% shares in the Company

	As at 31 March 2019		As at 31 March 2018		As at 1 April 2017	
	Number	**Percentage**	**Number**	**Percentage**	**Number**	**Percentage**
Equity shares of ₹ 10 each:						
Magma Fincorp Limited	14,81,02,450	100%	14,81,02,450	100%	14,81,02,450	100%

22 Other equity

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Retained earnings	15,158.76	12,459.83	9,546.69
Statutory reserve	4,400.00	3,710.00	3,240.00
Share options outstanding account	111.33	-	-
Other comprehensive income	(394.34)	243.94	(278.69)
Total	**19,275.75**	**16,413.77**	**12,508.00**

Nature and purpose of reserves:

(a) Retained earnings

Retained earnings are the profits that the Company has earned till date, less any transfer to general reserves, statutory reserve, dividends and other distributions made to the shareholders.

(₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Balance at the beginning of the year	12,459.83	9,546.69
Add: Profit for the year	3,401.51	3,379.41
Items of other comprehensive income, net of tax:		
- Re-measurements of defined benefit plans	(12.58)	3.73
Less: Transfer to statutory reserve	690.00	470.00
Balance at the end of the year	**15,158.76**	**12,459.83**

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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(b) Statutory reserve

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 utilized for the purposes as may be specified by the National Housing Bank from time to time.

(₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Balance at the beginning of the year	3,710.00	3,240.00
Add: Transfer from surplus in the Statement of Profit and Loss	690.00	470.00
Balance at the end of the year	**4,400.00**	**3,710.00**

(c) Share options outstanding account

"The Company instituted the Magma Housing Finance Limited - Employee Stock Option Plan (MESOP) in 2018 and Magma Housing Finance - Restricted Stock Option Plan 2018 (MHRSO) in 2018, which were approved by the Board of Directors.

Refer Note 42 for further details on employee stock options.

(d) Other comprehensive income

The Company has recognized changes in fair value of certain loan assets in other comprehensive income. These changes are accumulated within fair valuation of Debt instruments through other comprehensive income under other equity. The Company transfers amounts from this reserve to retained earnings when the relevant financial asset is derecognised. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income.

23 Interest income

(₹ in Lacs)

	Year ended 31 March 2019			Year ended 31 March 2018		
	On financial assets measured at fair value through OCI	On financial assets measured at amortized cost	Total	On financial assets measured at fair value through OCI	On financial assets measured at amortized cost	Total
Interest on loans	10,972.52	11,364.36	22,336.88	9620.21	9,796.23	19,416.44
Interest on deposit with banks	-	3.73	3.73	-	-	-
Other interest income	-	1.43	1.43	-	399.80	399.80
Total	**10,972.52**	**11,369.52**	**22,342.04**	**9,620.21**	**10,196.03**	**19,816.24**

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

24 Fees and commission income

(₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Collection and support services	52.03	49.46
Foreclosure charges	237.98	430.97
Commitment fees	515.78	280.36
Others	23.76	25.04
Total	**829.55**	**785.83**

25 Net gain/(loss) on fair value changes

(₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Net gain/(loss) on financial instruments at fair value through profit or loss - Security receipts	(118.82)	233.49
Total net gain/(loss) on fair value changes	**(118.82)**	**233.49**
Fair value changes:		
Realized	-	-
Unrealized	(118.82)	233.49
Total net gain/(loss) on fair value changes	**(118.82)**	**233.49**

26 Net gain on de-recognition of financial instruments

(₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Income from de-recognition on account of direct assignment transactions	1,351.84	2,281.48
Loss on sale of non performing assets*	(372.33)	-
Total	**979.51**	**2,281.48**

*Net of reversal of provision of ₹ 1,774.10 lacs

27 Other income

(₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Bad debts recovered	125.33	97.83
Liabilities no longer required written back	126.52	7.82
Miscellaneous income	273.76	117.19
Total	**525.61**	**222.84**

28 Finance costs

(₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Interest on borrowings	10,296.90	9,453.36
Interest on debt securities	750.43	1,184.76
Other borrowing costs	286.93	254.00
Total	**11,334.26**	**10,892.12**

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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29 Impairment on financial instruments

(₹ in Lacs)

	Year ended 31 March 2019			Year ended 31 March 2018		
	On financial assets measured at fair value through OCI	On financial assets measured at amortized cost	Total	On financial assets measured at fair value through OCI	On financial assets measured at amortized cost	Total
Impairment on loans	106.28	(808.09)	(701.81)	922.80	553.40	1,476.20
Bad debts written off	544.62	455.62	1,000.24	108.72	351.00	459.72
Total	**650.90**	**(352.47)**	**298.43**	**1,031.52**	**904.40**	**1,935.92**

30 Employee benefits expenses

(₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Salaries and wages	4,632.72	3,162.10
Contribution to provident and other funds	245.99	144.10
Share based payments to employees	111.33	-
Staff welfare expenses	109.77	75.21
Total	**5,099.81**	**3,381.41**

(30 a) Defined contribution plans:

Eligible employees of the Company receive benefits under the Provident Fund which is a defined contribution plan wherein both the employee and the Company make monthly contributions equal to a specific percentage of covered employees' salary. These contributions are made to the Fund administered and managed by the Government of India and the Company has no further obligation beyond making its contribution. The Company's monthly contributions are charged to Statement of profit and loss in the period in which they are incurred.

(b) Defined benefits plans:

Gratuity (funded)

Gratuity is a post employment benefit and is a defined benefit plan. The gratuity plan is governed by the Payment of Gratuity Act, 1972. The liability recognized in the Balance Sheet represents the present value of the defined benefit obligation at the Balance Sheet date, less the fair value of plan assets (if any), together with adjustment for unrecognized actuarial gains or losses and past service cost. Independent actuaries calculate the defined benefit obligation annually using the Projected Unit Credit Method. Actuarial gains/losses are credited/ charged to the Statement of Other Comprehensive Income in the year in which such gains or losses arise.

The following table summarizes the components of defined benefit expense recognized in the Statement of Profit and Loss/Other Comprehensive Income ('OCI') and the funded status and amounts recognized in the Balance Sheet for the respective plans:

Notes to the financial statements (Continued)

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(i) Change in present value of the defined benefit obligation: (₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Present value of the obligations at the beginning of the year	75.72	85.53
Current service cost	36.70	23.11
Interest cost	4.00	5.07
Past service cost	-	-
Actuarial (gain)/loss arising from assumption changes	1.01	(4.75)
Actuarial (gain)/loss arising from experience adjustments	18.77	(1.14)
Benefits paid	(40.11)	(32.10)
Present value of the obligations at the end of the year	**96.09**	**75.72**

(ii) Change in fair value of plan assets: (₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Plan assets at the beginning of the year	93.85	94.99
Actual return on plan assets	6.75	6.64
Actual company contributions	27.38	24.38
Excess / (insufficient) return on plan assets (excluding interest income)	-	(0.06)
Benefits paid	(40.11)	(32.10)
Plan assets at the end of the year	**87.87**	**93.85**

(iii) Reconciliation of present value of defined benefit obligation and the fair value of plan assets (₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Present value obligation as at the end of the year	96.09	75.72
Fair value of plan assets as at the end of the year	87.87	93.85
Net liabilities recognized in balance sheet	**8.22**	**(18.13)**

(iv) Components of net cost charged to the Statement of profit and loss (₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Employee benefits expense:		
Service cost	36.70	23.11
Past service cost	-	-
Interest costs	4.00	5.07
Interest income	(6.75)	(6.64)
Net impact on profit before tax	**33.95**	**21.54**

Notes to the financial statements (Continued)

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(v) (₹ in Lacs)

Components re-measurement losses / (gains) in other comprehensive income	Year ended 31 March 2019	Year ended 31 March 2018
Actuarial (gain)/loss arising from assumption changes	1.01	(4.75)
Actuarial (gain)/loss arising from experience adjustments	18.77	(1.14)
Return on plan assets, excluding amount recognized in net interest expense	-	0.06
Re-measurement losses / (gains) in other comprehensive income	**19.78**	**(5.83)**

(vi) The Company's gratuity scheme for permanent employees is administered through a trust with the Life Insurance Corporation of India. The funding requirements are based on the gratuity funds actuarial measurement framework set out in the funding policies of the plan. The funding is based on a separate actuarial valuation for funding purpose for which assumptions are same as set out below. Employees do not contribute to the plan.

(vii) Assumptions used

With the objective of presenting plan assets and obligations of the defined benefit plans at their fair value at Balance Sheet date, assumptions used under Ind AS 19 are set by reference to market conditions at the valuation date.

	Year ended 31 March 2019	Year ended 31 March 2018
Discount rate (per annum)	7.64%	7.72%
Salary escalation rate (per annum)	5%	5%
Expected average remaining working lives of employees (years)	24.62	23.53
Mortality	"IALM(2006-08) ultimate table"	"IALM(2006-08) ultimate table"

(viii) Sensitivity analysis

A quantitative sensitivity analysis for significant assumption is as shown below:

(₹ in Lacs)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
DBO with discount rate +0.25pt	92.99	73.12
DBO with discount rate -0.25pt	99.34	78.44
DBO with +0.5% salary escalation	102.87	81.40
DBO with -0.5% salary escalation	89.84	70.48
DBO with +2% withdrawal rate	96.1	75.73
DBO with -2% withdrawal rate	96.09	75.71
DBO with +1% mortality rate	96.1	75.73
DBO with -1% mortality rate	96.08	75.71

Notes to the financial statements (Continued)

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Methods and assumptions used in preparing sensitivity analysis and their limitations:

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the Balance Sheet.

(ix) Maturity analysis of the benefit payments:

(₹ in Lacs)

Particulars	Gratuity	
	As at 31 March 2019	As at 31 March 2018
Year 1	0.56	0.41
2 to 5 years	3.56	5.17
6 to 10 years	54.87	22.42
More than 10 years	260.88	233.34

(c) Aforesaid defined benefit plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Credit Risk	If the scheme is insured and fully funded on PUC basis there is a credit risk to the extent the insurer(s) is/ are unable to discharge their obligations including failure to discharge in timely manner.
Pay-as-you-go Risk	For unfunded schemes financial planning could be difficult as the benefits payable will directly affect the revenue and this could be widely fluctuating from year to year. Moreover there may be an opportunity cost of better investment returns affecting adversely the cost of the scheme.
Discount Rate risk	The Company is exposed to the risk of fall in discount rate. A fall in discount rate will eventually increase in the ultimate cost of providing the above benefit thereby increasing the value of the liability.
Liquidity Risk	This risk arises from the short term asset and liability cash-flow mismatch thereby causing the company being unable to pay the benefits as they fall due in the short term. Such a situation could be the result of holding large illiquid assets disregarding the results of cash-flow projections and cash outgo inflow mismatch. (Or it could be due to insufficient assets/cash.)

(d) Aforesaid defined benefit plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Future Salary Increase Risk	The Scheme cost is very sensitive to the assumed future salary escalation rates for all final salary defined benefit Schemes. If actual future salary escalations are higher than that assumed in the valuation actual Scheme cost and hence the value of the liability will be higher than that estimated.
Demographic Risk	If the scheme is insured and fully funded on PUC basis there is a credit risk to the extent the insurer(s) is/ are unable to discharge their obligations including failure to discharge in timely manner.
Regulatory Risk	Gratuity Benefit must comply with the requirements of the Payment of Gratuity Act, 1972 (as amended up-to-date). There is a risk of change in the regulations requiring higher gratuity payments (e.g. raising the present ceiling of ₹ 2,000,000, raising accrual rate from 15/26 etc.)

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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31 Depreciation, amortization and impairment

(₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Depreciation on property, plant and equipment	10.68	4.24
Amortization of intangible assets	20.08	19.61
Total	**30.76**	**23.85**

32 Other expenses

(₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Rent, taxes and energy costs	314.73	260.74
Repairs and maintenance	110.55	99.19
Communication costs	72.28	58.52
Printing and stationery	69.45	51.28
Advertisement and publicity	80.06	44.40
Director's fees, allowances and expenses	9.07	5.30
Auditor's fees and expenses	28.35	19.06
Legal and professional charges	1,022.03	500.68
Travelling and conveyance	377.41	250.69
Corporate social responsibility expenditure	52.90	6.51
Outsourcing expense	570.16	393.74
Office maintenance	89.84	82.29
Record retention charges	55.60	31.14
Meeting and seminar expense	28.34	29.66
Miscellaneous Expense	213.58	84.22
	3,094.35	**1,917.42**

(a) Payment to auditors(excluding taxes)

(₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Audit fees	18.00	15.00
Limited review	7.00	3.00
Other services	1.20	-
Reimbursement of expenses	2.15	1.06
Total	**28.35**	**19.06**

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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33 Tax expenses

(a) Income tax in the Statement of Profit and Loss:

(₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Current tax	875.00	1,693.00
Deferred tax	430.45	119.14
Tax pertaining to previous years	(6.68)	(2.39)
Total	**1,298.77**	**1,809.75**

(b) Income tax recognized in other comprehensive income comprises:

(₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Taxes on re-measurement of defined benefit plans	7.20	(2.10)
Taxes on fair valuation of financial assets (loan against properties)	293.03	(278.53)
Total	**300.23**	**(280.63)**

(c) Reconciliation of income tax expense and the accounting profit for the year:

(₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Profit before tax	4,700.28	5,189.16
Enacted tax rates (%)	**29.12%**	**34.61%**
Income tax expense calculated at corporate tax rate	1,368.72	1,795.86
Impact on account of non-deductible expenses	(11.83)	14.22
Adjustment of tax relating to earlier years	(6.68)	(2.39)
Impact due to change in enacted tax rate	(96.32)	(1.50)
Other adjustments	44.84	3.56
Total income tax expense as per the statement of profit and loss	**1,298.77**	**1,809.75**

34 Earnings per share (EPS)

	Units	Year ended 31 March 2019	Year ended 31 March 2018
Net profit attributable to equity shareholders	(₹ in Lacs)	3,401.51	3,379.41
Nominal value of equity share	₹	10	10
Weighted average number of equity shares considered for computation of basic EPS	Nos.	14,81,02,500	14,81,02,500
Add: Effect of shares issued under ESOP scheme	Nos.	20,39,177	-
Weighted average number of equity shares considered for computation of diluted EPS	Nos.	15,01,41,677	14,81,02,500
Earnings per share			
- Basic earnings per share	₹	2.30	2.28
- Diluted earnings per share	₹	2.27	2.28

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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35 Lease transactions in the capacity of Lessee

Lease rental expense under non-cancellable operating lease during the year ended 31 March 2019 and 31 March 2018 amounted to ₹ 34.09 lacs and ₹ 29.56 lacs respectively. Future minimum lease payments under non cancellable operating lease is as below:

(₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Not later than one year	17.60	34.09
Later than one year but not later than five years	3.52	21.12
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 2019 and 31 March 2018 was ₹ 24.19 lacs and ₹ 9.98 lacs respectively.

36 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company. The Company is in a single business segment (primary segment) of providing financial services to customers in India. The entire revenues are billable within India and there is only one geographical segment (secondary segment).

37 Related party disclosures

Information on related party transactions as required by Ind AS - 24 - Related Party Disclosures are as follows :

(a) List of related parties

(i) Parties where control exists

Name of the related party	Nature of Relationship	Country of incorporation	% of holding as on		
			31 March 2019	31 March 2018	1 April 2017
Magma Fincorp Limited	Holding Company	India	100%	100%	100%

(ii) Joint venture of holding company

Magma HDI General Insurance Company

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED
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(iii) Key management personnel

Name of the related party	Nature of Relationship
Sanjay Chamria	Chairman, Non Executive Director
Manish Jaiswal	Managing Director and Chief Executive Officer (w.e.f. 26.06.17)
Sachin Khandelwal	Managing Director and Chief Executive Officer (upto 12.06.17)
Kailash Baheti	Director
Mayank Poddar	Non-Executive Director
Mamta Binani	Non Executive Independent Director
Ajay Bharat Candade	Non Executive Independent Director (upto 19.04.2018)
Satya Brata Ganguly	Non Executive Director (w.e.f 13.07.2018)
Gauri Shankar Agarwal	Chief Financial Officer (upto 30.09.2018)
Ian Gerard Desouza	Chief Financial Officer (w.e.f 01.01.2019)
Priti Saraogi	Company Secretary

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

Name of the related party	Nature of Relationship
CLP Business LLP	LLP in which Director is a Designated partner
Moh Jaiswal	Relative of Key Managerial Personnel
Anita Agarwal	Relative of Key Managerial Personnel (upto 30.09.2018)

(b) Transactions with related parties

(i) Holding Company

(₹ in Lacs)

Name of the party	Nature of transaction	Year ended 31 March 2019	Year ended 31 March 2018
Magma Fincorp Limited	Common cost allocation (expense)	1,334.01	947.32
	Loan taken	35,000.00	-
	Loan taken refunded	35,000.00	3,500.00
	Interest expense	870.41	398.62
	Sale of financial assets through direct assignment	22,802.95	
	Collection & support fees	1.81	

(ii) Joint venture of holding company

(₹ in Lacs)

Name of the party	Nature of transaction	Year ended 31 March 2019	Year ended 31 March 2018
Magma HDI General Insurance Company	Advance recoverable	561.73	158.54
	Adjustments of loans and advances given	493.00	156.95

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED
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(iii) Key management personnel (₹ in Lacs)

Name of the party	Nature of transaction	Year ended 31 March 2019	Year ended 31 March 2018
Sachin Khandelwal	Directors' remuneration	-	224.68
Manish Jaiswal	Directors' remuneration	139.00	95.23
	Loan given	639.56	-
	Repayment of loan	375.78	-
	Installment received in advance	2.41	-
	Interest income	13.69	-
Gauri Shankar Agarwal	Salary	62.34	106.30
	Loan given	-	33.75
	Repayment of loan	1.08	2.49
	Installment received in advance	-	0.24
	Interest income	1.50	0.17
Ian Gerard Desouza	Salary	41.25	-
Priti Saraogi	Salary	10.53	9.18
Mamta Binani	Sitting Fees	4.70	4.80
Satya Brata Ganguly	Sitting Fees	3.70	-

(iv) Others (₹ in Lacs)

Name of the party	Nature of transaction	Year ended 31 March 2019	Year ended 31 March 2018
CLP Business LLP	Security deposit given	-	6.45
	Rent expense	15.22	11.42
Anita Agarwal	Car hire charges paid	-	1.65
Moh Jaiswal	Loan given	221.12	-
	Repayment of loan received	1.56	-
	Installment Received in advance	1.95	-
	Interest income	8.17	-

(c) Balances with related parties

(i) Holding Company (₹ in Lacs)

Name of the party	Nature of balance	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Magma Fincorp Limited	Loans and advances given	-	-	3,500.00
	Collection fees receivable	1.32		

(ii) Joint venture of holding company (₹ in Lacs)

Name of the party	Nature of balance	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Magma HDI General Insurance Company	Loans and advances given	117.48	48.75	47.16

Notes to the financial statements (Continued)

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(iii) Key management personnel (₹ in Lacs)

Name of the party	Nature of balance	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Manish Jaiswal	Loan given	263.79	-	-
	Installment received in advance	2.41	-	-
Gauri Shankar Agarwal	Loan given	34.19	35.27	4.01
	Installment received in advance	-	0.24	-

(iv) Others (₹ in Lacs)

Name of the party	Nature of balance	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
CLP Business LLP	Security deposit given	6.45	6.45	-
Moh Jaiswal	Loan given	219.56	-	-
	Installment received in advance	1.95	-	-

(d) Compensation of key managerial personnel (₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Short-term employee benefits	249.58	440.36
Post-employment defined benefit*	3.54	3.52

*As provisions for gratuity and leave benefits are made for the company as a whole, the amount pertaining to key management personnel are not specifically identified and hence are not included above

38 Financial instruments

A Financial assets and liabilities

The carrying amounts and fair values of financial instruments by category are as follows: (₹ in Lacs)

Particulars	Note	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Financial assets measured at fair value				
(i) Fair value through profit and loss - other financial assets(Security receipts)	6	983.33	1,280.51	1,225.46
Loans				
(ii) Fair value through other comprehensive income	5	63,809.20	68,402.43	66,276.46
Financial assets measured at amortized cost				
Cash and cash equivalents	3	357.18	889.78	768.87
Other bank balances	4	2,058.19	-	-
Loans	5	1,23,460.97	73,203.65	86,828.59
Other financial assets	6	4,451.92	3,753.51	2,764.95
Total		**1,95,120.79**	**1,47,529.88**	**1,57,864.33**

Notes to the financial statements (Continued)

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(₹ in Lacs)

Particulars	Note	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Financial liabilities measured at amortized cost				
Trade payables	12	478.94	348.38	142.95
Other payables	12	973.85	770.09	526.61
Debt securities	13	12,971.28	10,455.03	10,437.85
Borrowings (other than debt securities)	14	1,15,443.72	92,407.09	1,13,645.84
Subordinated liabilities	15	9,925.06	-	-
Other financial liabilities	16	20,301.31	11,330.29	4,749.89
Total		**1,60,094.16**	**1,15,310.88**	**1,29,503.14**

B Fair values hierarchy

Financial assets and financial liabilities measured at fair value in the Statement of Profit and Loss are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) for identical instruments in an active market;

Level 2: Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs, other than Level 1 inputs; and

Level 3: Inputs which are not based on observable market data (unobservable inputs).

B.1 Financial assets and liabilities measured at fair value - recurring fair value measurements

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 March 2019, 31 March 2018 and 1 April 2017:

(₹ in Lacs)

As at 31 March 2019	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through other comprehensive income				
Financial assets	-	-	63,809.20	**63,809.20**
Fair value through profit and loss				
Other financial assets - security receipts	-	983.33	-	**983.33**

As at 31 March 2018	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through other comprehensive income				
Financial assets	-	-	68,402.43	**68,402.43**
Fair value through profit and loss				
Other financial assets - security receipts	-	1,280.51	-	**1,280.51**

Notes to the financial statements (Continued)

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As at 1 April 2017	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through other comprehensive income				
Financial assets	-	-	66,276.46	**66,276.46**
Fair value through profit and loss				
Other financial assets - security receipts	-	1,225.46	-	**1,225.46**

B.2 Fair value of instruments measured at amortized cost

Fair value of instruments measured at amortized cost for which fair value is disclosed is as follows:

(₹ in Lacs)

Particulars	As at 31 March 2019		As at 31 March 2018		As at 1 April 2017	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets						
Cash and cash equivalents	357.18	357.18	889.78	889.78	768.87	768.87
Other bank balances	2,058.19	2,058.19	-	-	-	-
Loans	1,23,460.97	1,22,937.60	73,203.65	76,830.78	86,828.59	91,766.41
Other financial assets	4,451.92	4,451.92	3,753.51	3,753.51	2,764.95	4,074.14
Total	**1,30,328.26**	**1,29,804.89**	**77,846.94**	**81,474.07**	**90,362.41**	**96,609.42**
Financial liabilities						
Trade payables	478.94	478.94	348.38	348.38	142.95	142.95
Other Payables	973.85	973.85	770.09	770.09	526.61	526.61
Debt securities	12,971.28	12,847.26	10,455.03	10,504.10	10,437.85	11,442.90
Borrowings (other than debt securities)	1,15,443.72	1,15,751.09	92,407.09	92,407.09	1,13,645.84	1,13,645.84
Subordinated liabilities	9,925.06	10,340.25	-	-	-	-
Other financial liabilities	20,301.31	20,301.31	11,330.29	11,330.29	4,749.89	4,749.89
Total	**1,60,094.16**	**1,60,692.70**	**1,15,310.88**	**1,15,359.95**	**1,29,503.14**	**1,30,508.19**

The management assessed that fair values of cash and cash equivalents, other financial assets, trade payables and other financial liabilities approximate their respective carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

B.3 Financial instruments measured at fair value and fair value of financial instruments carried at amortized cost

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value and sensitivity
Financial assets and liabilities measured at amortized cost	Discounted cash flows: The valuation model considers the present value of expected receipt/payment discounted using appropriate discounting rates	Not applicable	Not applicable
Financial assets measured at FVTPL	NAV based method.	Not applicable	Not applicable
Financial assets measured at FVOCI	Discounted cash flows: The valuation model considers the present value of expected receipt/payment discounted using appropriate discounting rates	The discount rate is the average lending rate at which the loans are disbursed	There is an inverse correlation. Higher the discount rate i.e average lending rate for the disbursed loans, lower the fair value of the assets.

B.4 Movement in Level 3 financial instruments measured at fair value (₹ in Lacs)

Particulars	At 1 April 2018	Purchase	Sales	Transfer into Level 3	Transfer from Level 3	Interest income	Other Comprehensive Income	At 31 March 2019
Financial instruments at FVOCI*	69,980.43	39,107.79	54,789.02	-	-	10,972.52	(638.28)	64,633.44
	69,980.43	39,107.79	54,789.02	-	-	10,972.52	(638.28)	64,633.44
Particulars	**At 1 April 2017**	**Purchase**	**Sales**	**Transfer into Level 3**	**Transfer from Level 3**	**Interest income**	**Other Comprehensive Income**	**At 31 March 2018**
Financial instruments at FVOCI*	67,293.47	34,776.47	42,232.35	-	-	9,620.21	522.63	69,980.43
	67,293.47	34,776.47	42,232.35	-	-	9,620.21	522.63	69,980.43

* The above numbers are gross carrying amount. Refer Note 4

39 Financial risk management

The Company assumes credit risk, market risk, compliance risk, operational risk and reputational risk in the normal course of it business. This exposes the Company to a substantial level of inherent financial risk.

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

Efficient and timely management of risks involved in the Company's activities is critical for the financial soundness and profitability of the Company. Risk management involves the identifying, measuring, monitoring and managing of risks on a regular basis. The objective of risk management is to increase shareholders' value and achieve a return on equity that is commensurate with the risks assumed. To achieve this objective, the Company employs leading risk management practices and recruits skilled and experienced people.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

A Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's asset on finance.

The carrying amounts of financial assets represent the maximum credit risk exposure.

a) Credit risk management

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit impaired asset and significant increase in credit risk is assessed by the following observable data:

- a breach of contract such as a default or past due event;
- when a borrower becomes 90 days past due in its contractual payments;

The risk management committee has established a credit policy under which each new customer is analyzed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, background verification, financial statements, income tax returns, credit agency information, industry information, etc.

b) Probability of default (PD)

Days past due (DPD) analysis is the primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by jurisdictions or region and type of product or borrower as well as by DPD. The Company employs statistical models to analyze the data collected and generate estimates of the PD of exposures and how these are expected to change as a result of passage of time.

c) Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for Expected Credit Loss (ECL) calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

The Company considers probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Following indicators are incorporated:

Notes to the financial statements (Continued)

- Days Past Due analysis as on each reporting date

- significant increase in credit risk on other financial instruments of same borrower

- significant changes in value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements.

An asset migrates down the ECL Stage based on the change in the risk of a default occurring since initial recognition. If in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loan loss provision Stage reverses to 12-months ECL from lifetime ECL.

d) Exposure at default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation; to calculate the ECL for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12 month ECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

e) Loss given default (LGD)

Loss given default (LGD) represents estimated financial loss the Company is likely to suffer in respect of default account and it is used to calculate provision requirement on EAD along with PD. The Company uses collection details on previously defaulted cases for calculating LGD including estimated direct cost of collection from default cases. Appropriate discounting rates are applied to calculate present value of future estimated collection net of direct collection cost. LGD thus calculated is used for all Stages, i.e. Stage 1, Stage 2 and Stage 3.

f) Significant increase in credit risk

The Company continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition; if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

The Company has applied a three-Stage approach to measure expected credit losses (ECL) on loans and other credit exposures accounted for at amortized cost and FVOCI. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive Stages of delinquency to write-off. Assets migrate through following three Stages based on the changes in credit quality since initial recognition:

(a) Stage 1: 12- months ECL, for exposures where there is no significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12- months is recognized.

(b) Stage 2: Lifetime ECL, not credit-impaired: For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL is recognized.

(c) Stage 3: Lifetime ECL, credit-impaired: Financial assets are assessed as credit impaired upon occurrence of one or more events that have a detrimental impact on the estimated future cash flows of that asset. For financial assets that have become credit-impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost

h) Expected credit loss on Loans

The Company assesses whether the credit risk on a financial asset has increased significantly on collective basis. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk

Notes to the financial statements (Continued)

characteristics, taking into account instrument type, product type, collateral type, and other relevant factors.

The Company considers defaulted assets as those which are contractually past due 90 days, other than those assets where there is empirical evidence to the contrary. Financial assets which are contractually past due 30 days are classified under Stage 2 - life time ECL, not credit impaired, barring those where there is empirical evidence to the contrary. An asset migrates down the ECL Stage based on the change in the risk of a default occurring since initial recognition. If in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loan loss provision Stage reverses to 12-months ECL from lifetime ECL.

The Company measures the amount of ECL on a financial instrument in a way that reflects an unbiased and probability-weighted amount. The Company considers its historical loss experience and adjusts the same for current observable data. The key inputs into the measurement of ECL are the probability of default, loss given default and exposure at default. These parameters are derived from the Company's internally developed statistical models and other historical data. In addition, the Company uses reasonable and supportable information on future economic conditions including macroeconomic factors. Since incorporating these forward looking information increases the judgment as to how the changes in these macroeconomic factor will affect ECL, the methodology and assumptions are reviewed regularly.

The following table provides information about the exposure to credit risk and expected credit loss for assets on finance:

Loans measured at amortized cost

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit - impaired
As at 31 March 2019				
Current (not past due)	1,14,627.06	0.22%	251.07	No
1-30 days past due	3,276.82	1.64%	53.63	No
31-60 days past due	2,450.63	4.93%	120.86	No
61-90 days past due	2,631.29	9.42%	247.94	No
More than 90 days past due	1,941.72	41.25%	800.88	Yes
Total	**1,24,927.52**	**1.18%**	**1,474.38**	
As at 31 March 2018				
Current (not past due)	60,876.83	0.33%	202.09	No
1-30 days past due	4,330.62	2.97%	128.61	No
31-60 days past due	3,141.80	8.78%	275.76	No
61-90 days past due	4,090.66	11.60%	474.60	No
More than 90 days past due	4,109.06	55.53%	2,281.84	Yes
Total	**76,548.97**	**4.39%**	**3,362.90**	
As at 1 April 2017				
Current (not past due)	69,298.90	0.72%	498.18	No
1-30 days past due	6,584.09	2.72%	179.34	No
31-60 days past due	3,054.30	8.27%	252.71	No
61-90 days past due	3,032.55	10.29%	312.05	No
More than 90 days past due	3,774.81	31.99%	1,207.46	Yes
Total	**85,744.65**	**2.86%**	**2,449.74**	

Notes to the financial statements (Continued)

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Loans at fair value through OCI

(₹ in Lacs)

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit - impaired
As at 31 March 2019				
Current (not past due)	54,093.66	0.20%	110.85	No
1-30 days past due	3,105.01	1.32%	41.11	No
31-60 days past due	2,710.50	3.63%	98.46	No
61-90 days past due	3,296.83	6.70%	220.99	No
More than 90 days past due	1,427.44	24.72%	352.83	Yes
Total	**64,633.44**	**1.28%**	**824.24**	
As at 31 March 2018				
Current (not past due)	53,953.48	0.21%	112.64	No
1-30 days past due	4,456.86	1.42%	63.25	No
31-60 days past due	3,135.03	3.87%	121.31	No
61-90 days past due	4,658.17	6.15%	286.57	No
More than 90 days past due	3,776.89	26.32%	994.23	Yes
Total	**69,980.43**	**2.25%**	**1,578.00**	
As at 1 April 2017				
Current (not past due)	50,752.53	0.21%	106.95	No
1-30 days past due	5,925.36	1.41%	83.68	No
31-60 days past due	4,816.45	3.84%	184.79	No
61-90 days past due	2,243.42	6.15%	137.92	No
More than 90 days past due	3,555.71	14.17%	503.67	Yes
Total	**67,293.47**	**1.51%**	**1,017.01**	

Expected credit loss on other financial assets

Other financial assets primarily includes excess interest spread receivable and security receipts. Credit risk on excess interest spread receivable is low as it primarily falls in Stage 1. Security receipts are measured at FVTPL and hence the credit risk is already factored in the fair value.

Cash and cash equivalents and other Bank Balance

The Company has cash and cash equivalents and bank balance of ₹ 2415.47 lacs at 31 March 2019 (31 March 2018: ₹ 889.78 lacs; 1 April 2017: ₹ 768.87 lacs). These are held with bank and financial institution counterparties with acceptable credit ratings to reduce the credit risk.

An analysis of changes in gross carrying amount and corresponding ECL allowances is as follows :

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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(i) Movements in the gross carrying amount in respect of loans and other financial assets

Loans measured at amortized cost

(₹ in Lacs)

Reconciliation of gross carrying amount	Stage 1	Stage 2	Stage 3
Gross carrying amount on 1 April 2017	**75,882.99**	**6,086.81**	**3,774.85**
Transfer to Stage 1	1,825.53	(1,178.45)	(647.08)
Transfer to Stage 2	(3,822.81)	4,530.54	(707.73)
Transfer to Stage 3	(1,458.46)	(1,659.52)	3,117.98
New financial assets originated or purchased	19,225.76	226.76	20.78
Financial assets that have been derecognised/ repaid(excluding write offs)	(20,401.13)	(302.82)	(305.96)
Write offs	(6,044.44)	(470.90)	(1,143.73)
Gross carrying amount on 31 March 2018	**65,207.44**	**7,232.42**	**4,109.11**
Transfer to Stage 1	2,618.17	(2,281.42)	(336.75)
Transfer to Stage 2	(2,182.12)	2,587.87	(405.75)
Transfer to Stage 3	(357.89)	(794.64)	1,152.53
New financial assets originated or purchased	65,154.88	225.47	4.53
Financial assets that have been derecognised/ repaid(excluding write offs)	(9,276.75)	(1,220.19)	(1,577.31)
Write offs	(3,259.86)	(667.61)	(1,004.61)
Gross carrying amount on 31 March 2019	**1,17,903.87**	**5,081.90**	**1,941.75**

The contractual amount outstanding on loans measured at amortized cost that were written off during the year ended 31 March 2019 and are still subject to enforcement activity is ₹ 455.62 (31 March 2018 - ₹ 351.00 , 1 April 2017 - ₹ Nil)

Loans at fair value through OCI

(₹ in Lacs)

Reconciliation of gross carrying amount	Stage 1	Stage 2	Stage 3
Gross carrying amount on 1 April 2017	**56,677.89**	**7,059.87**	**3,555.71**
Transfer to Stage 1	2,310.92	(1,554.61)	(756.31)
Transfer to Stage 2	(3,991.16)	4,558.28	(567.12)
Transfer to Stage 3	(908.48)	(1,250.29)	2,158.77
New financial assets originated or purchased	34,398.01	180.93	197.53
Financial assets that have been derecognised/ repaid(excluding write offs)	(26,937.92)	(898.59)	(66.01)
Write offs	(3,143.71)	(302.39)	(740.89)
Gross carrying amount on 31 March 2018	**58,405.55**	**7,793.20**	**3,781.68**
Transfer to Stage 1	1,495.14	(1,112.27)	(382.87)
Transfer to Stage 2	(2,366.53)	2,756.39	(389.86)
Transfer to Stage 3	(378.57)	(507.02)	885.59
New financial assets originated or purchased	39,044.43	0.00	63.36
Financial assets that have been derecognised/ repaid(excluding write offs)	(36,469.22)	(2,412.87)	(1,878.92)
Write offs	(2,532.11)	(510.10)	(651.56)
Gross carrying amount on 31 March 2019	**57,198.69**	**6,007.33**	**1,427.42**

The contractual amount outstanding on loans measured at FVOCI that were written off during the year ended 31 March 2019 and are still subject to enforcement activity is ₹ 543.51 (31 March 2018 - ₹ 108.72 , 1 April 2017 - ₹ Nil)

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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ii) Movements in the allowance for impairment in respect of loans and other financial assets

The movement in the allowance for impairment in respect of asset on finance is as follows:

Loans measured at amortized cost

(₹ in Lacs)

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses	
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired
Loss allowance on 1 April 2017	**677.52**	**564.76**	**1,207.46**
Transfer to Stage 1	341.66	(127.71)	(213.95)
Transfer to Stage 2	(52.77)	305.71	(252.94)
Transfer to Stage 3	(23.33)	(97.06)	120.39
Net re-measurement of loss allowance	(571.84)	138.70	1,844.56
New financial assets originated or purchased	72.86	21.87	7.45
Financial assets that have been derecognised/repaid(excluding write offs)	(84.66)	(21.52)	(34.73)
Write offs	(28.75)	(34.38)	(396.40)
Loss allowance on 31 March 2018	**330.69**	**750.37**	**2,281.84**
Transfer to Stage 1	425.72	(247.09)	(178.63)
Transfer to Stage 2	(29.68)	307.50	(277.82)
Transfer to Stage 3	(2.84)	(60.09)	62.93
Net re-measurement of loss allowance	(501.56)	(210.48)	190.33
New financial assets originated or purchased	134.65	13.87	0.00
Financial assets that have been derecognised/repaid(excluding write offs)	(38.68)	(114.09)	(829.60)
Write offs	(14.25)	(71.18)	(447.53)
Loss allowance on 31 March 2019	**304.05**	**368.81**	**801.52**

Notes to the financial statements (Continued)

Loans at fair value through OCI

(₹ in Lacs)

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses	
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired
Loss allowance on 1 April 2017	**190.63**	**322.72**	**503.66**
Transfer to Stage 1	188.19	(71.89)	(116.30)
Transfer to Stage 2	(32.25)	117.26	(85.01)
Transfer to Stage 3	(7.24)	(56.30)	63.54
Net re-measurement of loss allowance	(169.47)	126.37	747.68
New financial assets originated or purchased	79.15	7.30	3.69
Financial assets that have been derecognised/repaid(excluding write offs)	(67.18)	(23.95)	(7.17)
Write offs	(7.96)	(13.65)	(113.82)
Loss allowance on 31 March 2018	**173.87**	**407.86**	**996.27**
Transfer to Stage 1	168.39	(59.88)	(108.51)
Transfer to Stage 2	(15.39)	107.91	(92.52)
Transfer to Stage 3	(4.21)	(28.91)	33.12
Net re-measurement of loss allowance	(150.44)	32.86	287.37
New financial assets originated or purchased	80.86	0.00	0.00
Financial assets that have been derecognised/repaid(excluding write offs)	(93.01)	(111.44)	(608.85)
Write offs	(8.14)	(28.95)	(154.02)
Loss allowance on 31 March 2019	**151.93**	**319.45**	**352.86**

i) Concentration risk

Pursuant to the guidelines of the National Housing Board, credit exposure of banks to an individual borrower must not exceed 15% of owned fund and 25% of owned fund of the Company to any single group of borrower. The Company is in compliance with these guidelines. In addition, the Company views the concentration of risk on the basis of below product type category.

(₹ in Lacs)

Loans and advances to customers	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Home Loan	1,20,649.28	74,697.88	76,300.46
Construction Finance	4,278.24	1,851.09	9,444.19
Loan against property	64,633.44	69,980.43	67,293.47

Notes to the financial statements (Continued)

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Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by the Company during the year by taking possession of collateral held as security against loans and advances and held at the year end, are shown below:

(₹ in Lacs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Property (Unit)	32	19
ODPOS	1961.07	855.76

The Company's policy is to pursue timely realization of the collateral in an orderly manner. The Company does not generally use the non-cash collateral for its own operations.

B) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due. Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates.

Maturities of financial liabilities

The tables below analyze the Company's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows : (₹ in Lacs)

March 31, 2019	Less than 1 year	1-3 year	More than 3 years	Total
Non-derivatives				
Debt Securities	7,428.71	7,378.72	1,100.00	15,907.43
Borrowings (other than debt securities)	67,516.24	44,404.19	32,881.47	1,44,801.90
Subordinated liabilities	1,253.42	2,500.00	15,000.00	18,753.42
Trade payables	1,452.79	-	-	1,452.79
Other financial liabilities	20,301.31	-	-	20,301.31
Total	**97,952.47**	**54,282.91**	**48,981.47**	**2,01,216.85**

March 31, 2018	Less than 1 year	1-3 year	More than 3 years	Total
Non-derivatives				
Debt Securities	6,148.14	5,100.65	3,402	14,650.79
Borrowings (other than debt securities)	58,317.11	39,591.10	6,821.33	1,04,729.54
Subordinated liabilities	-	-	-	-
Trade and other payables	1,118.47	-	-	1,118.47
Other financial liabilities	11,330.29	-	-	11,330.29
Total	**76,914.01**	**44,691.75**	**10,223.33**	**1,31,829.09**

Notes to the financial statements (Continued)

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(₹ in Lacs)

April 1, 2017	Less than 1 year	1-3 year	More than 3 years	Total
Non-derivatives				
Debt Securities	-	10,946.78	3,704	14,650.78
Borrowings (other than debt securities)	56,616.58	63,537.52	7,185.34	1,27,339.44
Subordinated liabilities	-	-	-	-
Trade payables	669.56	-	-	669.56
Other financial liabilities	4,749.89	-	-	4,749.89
Total	**62,036.03**	**74,484.30**	**10,889.34**	**1,47,409.67**

C) Market risk

Market risk is the risk that changes in market prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company – primarily INR. In addition, interest on borrowings is denominated in the currency of the borrowing.

D) Interest rate risk

Exposure to interest rate risk :

The interest rate profile of the Company's interest-bearing financial instruments is as follows: (₹ in Lacs)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Fixed rate instruments			
Financial assets	7,850.62	5,923.80	4,759.28
Financial liabilities	59,650.44	22,903.79	15,857.30
Variable rate instruments			
Financial assets	1,87,270.17	1,41,606.08	1,53,105.05
Financial liabilities	1,00,443.72	92,407.09	1,13,645.84

Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rates. Any movement in the reference rates could have an impact on the Company's cash flows as well as costs. The Company is subject to variable interest rates on some of its interest bearing liabilities. The Company's interest rate exposure is mainly related to debt obligations. The Company also uses a mix of interest rate sensitive financial instruments to manage the liquidity and fund requirements for its day to day operations like short-term loans.

Notes to the financial statements (Continued)

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Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rate at the reporting date would have increased or decreased equity and profit or loss by the amounts shown below :

(₹ in Lacs)

	Profit or loss	
	100 bp increase	**100 bp decrease**
31 March 2019		
Variable rate instruments	868.26	(868.26)
Cash flow sensitivity (net)	**868.26**	**(868.26)**
31 March 2018		
Variable rate instruments	491.99	(491.99)
Cash flow sensitivity (net)	**491.99**	**(491.99)**

The model assumes that interest rate changes are instantaneous parallel shifts in the yield curve. Although some assets and liabilities may have similar maturities or periods to re-pricing, these may not react correspondingly to changes in market interest rates. Also, the interest rates on some types of assets and liabilities may fluctuate with changes in market interest rates, while interest rates on other types of assets may change with a lag. The risk estimates provided assume a parallel shift of 100 basis points interest rate across all yield curves. This calculation also assumes that the change occurs at the balance sheet date and has been calculated based on risk exposures outstanding as at that date. The period end balances are not necessarily representative of the average debt outstanding during the period. This analysis assumes that all other variables remain constant.

E) Legal and operational risk

Legal risk

Legal risk is the risk relating to losses due to legal or regulatory action that invalidates or otherwise precludes performance by the end user or its counterparty under the terms of the contract or related netting agreements. The Company has developed preventive controls and formalized procedures to identify legal risks so that potential losses arising from non-adherence to laws and regulations, negative publicity, etc. are significantly reduced. The Company also has well established legal procedures to scrutinize product offerings and manage risks arising out of its transactions.

As at 31 March 2019, there were legal cases pending against the Company aggregating ₹ Nil (31 March 2018: Nil and 1 April 2017: ₹ Nil). Based on the opinion of the Company's legal advisors, the management believes that no liability is likely to arise from these cases.

Operational risk

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

The framework, at its core, has the following elements

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

The Company has adopted the internationally accepted 3-lines of defense approach to operational risk management. First line - Each function/vertical undergoes transaction testing to evaluate internal compliance and thereby lay down processes for further improvement. Thus, the approach is “bottom-up”, ensuring acceptance of findings and faster adoption of corrective actions, if any, to ensure mitigation of perceived risks.

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

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

40 Capital management

The Company maintains an actively managed capital base to cover risks inherent in the business and meets the Capital Adequacy Requirements (CRAR) of the National Housing Board (NHB) of India. The adequacy of the Company’s capital is monitored using, among other measures, the regulations issued by NHB. The Company has complied in full with all its externally imposed capital requirements over the reported period. The primary objectives of the Company’s capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholder value. The funding requirements are met through equity, non-convertible debentures and other long-term/ short-term borrowings. The Company’s policy is aimed at appropriate combination of short-term and long term borrowings. The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

i. Regulatory capital

The Company’s regulatory capital consists of the sum of the following elements :

Tier 1 capital, which includes ordinary share capital, retained earnings and reserves and deduction for intangible assets and other regulatory adjustments relating to items that are not included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital, which includes qualifying subordinated liabilities and impairment provision in respect of standard assets.

	As at 31 March 2019	As at 31 March 2018
CRAR (%)	34.98	30.92
CRAR -Tier I Capital (%)	26.82	29.35
CRAR -Tier II Capital (%)	8.16	1.57

Note : CRAR has been calculated based on Ind AS financials including restatement of comparative numbers; However, for the limited purpose of CRAR calculation, securitization transactions(PTC) have been treated as off balance sheet and accordingly reduced from risk weighted assets.

ii. Capital allocation

Management uses regulatory capital ratios to monitor its capital base. There is no allocation of capital required as Company is operating primarily in a single segment i.e. financing. The Company’s policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

Notes to the financial statements (Continued)

41 First time adoption of Ind AS

These are the Company's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in Note 1-2 have been applied consistently in preparing the opening Ind AS Balance Sheet as on 1 April 2017 (the Company's date of transition), the comparative information presented in these financial statements for the year ended 31 March 2018 and in preparing these financial statements for the year ended 31 March 2019. In preparing its opening Ind AS Balance Sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standard Rules), 2006 (as amended) and other relevant provisions of the Act (Indian GAAP). An explanation of how the transition from previous Indian GAAP to Ind AS has impacted the Company's financial position, financial performance and cash flows is set out in the foot notes to first time adoption.

Ind AS 101 has set out certain mandatory exceptions and optional exemptions to be applied for transition from the existing Indian GAAP to Ind AS. The Company has adopted the following in preparing its opening Ind AS Balance Sheet.

(a) Ind AS optional exemptions

Indian Accounting Standard 101 First time adoption Indian Accounting Standards (Ind AS 101) allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions:

Deemed cost for property, plant and equipment

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognized in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Asset. Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

(b) Ind AS mandatory exceptions

Estimates

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 1 April 2017 are consistent with the estimates as at the same date made in conformity with previous GAAP, other than estimates for impairment of financial assets based on Expected Credit Loss model in accordance with Ind AS at the date of transition as these were not required under previous GAAP.

Classification and measurement of financial assets and liabilities

The classification and measurement of financial assets will be made considering whether the conditions as per Ind AS 109 are met based on facts and circumstances existing at the date of transition.

Financial assets can be measured using effective interest method by assessing its contractual cash flow characteristics only on the basis of facts and circumstances existing at the date of transition and if it is impracticable to assess elements of modified time value of money i.e. the use of effective interest method, fair value of financial asset at the date of transition shall be the new carrying amount of that asset. The measurement exemption applies for financial liabilities as well.

Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. It is impracticable to apply the changes retrospectively if:

Notes to the financial statements (Continued)

(i) The effects of the retrospective application or retrospective restatement are not determinable;

(ii) The retrospective application or restatement requires assumptions about what management's intent would have been in that period;

(iii) The retrospective application or retrospective restatement requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that existed at that time.

De-recognition of financial assets and liabilities

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of the entity's choice, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Company has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS. Thus, the Company continues to record security receipts, received on sale of Non-Performing Assets, in its Balance Sheet.

(c) Reconciliations between previous GAAP and Ind AS

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for the prior periods. The following tables represent the reconciliation from previous Indian GAAP to Ind AS.

(i) Effect of Ind AS adoption of total equity: (₹ in Lacs)

Particulars	Notes	As at 31 March 2018	As at 1 April 2017
Equity as per previous GAAP		**29,821.81**	**27,501.82**
Adjustments:			
Impact of application of expected credit loss method for loan loss provisioning	4	(870.38)	(1,311.84)
Net gain on de-recognition of financial assets sold under direct assignment transactions	2	3,729.92	2,647.59
Recognition of financial assets by application of effective interest rate method	3	(1,312.09)	(1,189.95)
Fair valuation of financial assets	5	607.95	(426.52)
Tax impact on above transition items	7	(753.19)	97.16
Total adjustments		1,402.21	(183.57)
Total equity as per Ind AS		**31,224.02**	**27,318.25**

(ii) Reconciliation of total comprehensive income: (₹ in Lacs)

Particulars	Notes	Year ended 31 March 2018
Profit after tax as per previous GAAP		**2,319.99**
Adjustments:		
Impact of application of expected credit loss method for loan loss provisioning	4	441.46

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

(₹ in Lacs)

Particulars	Notes	Year ended 31 March 2018
Net gain on de-recognition of loans sold under direct assignment transactions	2	1,082.34
Recognition of financial assets/liabilities at amortized cost by application of effective interest rate method	3	(122.14)
Fair valuation of financial assets	5	233.31
Re-measurements of the defined benefit plans to other comprehensive income	6	(5.83)
Tax impact on above transition items	7	(569.72)
Profit after tax as per Ind AS		**3,379.41**
Other comprehensive income:		
Re-measurements benefits of the defined benefit plans	6	5.83
Net gain/(loss) on fair valuation of financial assets (loan against properties)		801.16
Tax relating to these items	7	(280.63)
		526.36
Total comprehensive income as per Ind AS		**3,905.77**

(iii) Effect of Ind AS adoption on the Statement of Cash flows for the year ended 31 March 2018: (₹ in Lacs)

Particulars	Previous GAAP*	Adjustments	Ind AS
Net cash flow from operating activities	24,796.39	(3,407.72)	21,388.67
Net cash flow from investing activities	170.79	(178.44)	(7.65)
Net cash flow from financing activities	(24,846.27)	3,586.15	(21,260.12)
Net increase in cash and cash equivalents	**120.91**	**-**	**120.91**
Cash and cash equivalents as at 1 April 2017	768.87	-	768.87
Cash and cash equivalents as at 31 March 2018	**889.78**	**-**	**889.78**

(*) The Indian GAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purposes of this note.

(iv) Foot notes to first time adoption:

1 Borrowings

Ind AS 109 requires transaction costs incurred towards origination of borrowings to be deducted from the carrying amount of borrowings on initial recognition. These costs are recognized in the profit or loss over the tenure of the borrowing as part of the interest expense by applying the effective interest rate method. Under previous GAAP, these transaction costs were shown as prepaid expense under non-current/ current assets as and when incurred. Accordingly, borrowings have been reduced with a corresponding adjustment to prepaid expense.

2 Gain on de-recognition of loans sold under direct assignment transactions

Under Ind AS, present value of excess interest spread receivables on de-recognized assets has been computed by discounting net cash flows from such assigned pools with respective pool IRR. Under previous GAAP, such spread was being recognized as and when received in cash.

Notes to the financial statements (Continued)

3 Loan to customers

Ind AS 109 requires transaction costs/fees that are directly attributable to the origination of loan assets to be added or deducted from the carrying amount of loans on initial recognition. These costs/fees are recognized in the profit or loss over the tenure of the loan assets as part of the interest income by applying the effective interest rate method. Under previous GAAP, these fees income were booked as income in profit and loss account as and when incurred & transaction cost was amortized over the tenure of the loan. Accordingly, loan assets have been increased/decreased.

4 Application of expected credit loss method for loan loss provisioning

Under previous GAAP, loans are classified as per NHB guidelines into standard and non-performing assets. Provision and write-offs are carried out in accordance with the requirements of the NHB guidelines. As per Ind AS 109, the Company is required to apply expected credit loss method for recognizing impairment in financial assets.

5 Fair valuation of financial instruments through FVTPL

Under previous GAAP, the Security Receipts were measured at cost. Under Ind AS, the Company has designated these investments at fair value through profit or loss (FVTPL). Accordingly, these instruments are required to be measured at fair value. At the date of transition to Ind AS, difference between the fair value of the instruments and its previous GAAP carrying amount has been recognized in retained earnings. Fair value changes are recognized in the Statement of Profit and Loss for the year ended 31 March 2018.

6 Re-measurement of post-employment benefit obligations

Under Ind AS, actuarial gains and losses on defined benefit plan liabilities and plan assets are recognized in other comprehensive income instead of profit or loss. Under the previous GAAP, such measurements were charged to profit or loss for the respective year. As a result of this change, the profit for the year ended 31 March 2018 decreased. There is no impact on the total equity as at 31 March 2018.

7 Tax impact on adjustments

Retained earnings and statement of profit and loss has been adjusted consequent to the Ind AS transition adjustments with corresponding impact to deferred tax, wherever applicable.

8 Retained earnings

Retained earnings as at 1 April 2017 has been adjusted consequent to the above Ind AS transition adjustments.

9 Other comprehensive income

Under Ind AS, all items of income and expense recognized in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognized in profit or loss but are shown in the statement of profit and loss as 'other comprehensive income' includes re-measurements of defined benefit plans, fair value gain or loss on FVOCI debt instruments and their corresponding income tax effects. The concept of other comprehensive income did not exist under previous GAAP.

42 Employee Stock Option Plan / Scheme (ESOP/ RSO)

A Description of share-based payment arrangements

The company instituted the Magma Housing Finance Limited - Employee Stock Option Plan (MESOP) in 2018 and Magma Housing Finance - Restricted Stock Option Plan 2018 (MHRSO) in 2018, which were approved by the Board of Directors.

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

Pursuant to a resolution passed by the members holding Equity shares vide Extra Ordinary General Meeting held on 31.03.2018, the Company has approved the Employee Stock Option Plan-2018 (MHFL ESOP 2018). The members has approved the grant of 3,45,755 options, which can be granted to eligible employees of the Company in 3 tranches. The options shall vest in three equal instalments every year, after expiry of one year from the date of grant of option. The Options are not yet due for vesting, hence no allotment made during the year.

Further, pursuant to a resolution passed by the members holding Equity shares vide Extra Ordinary General Meeting held on 24.10.2018, the Company has approved the Restricted Stock Option Plan-2018 (MHRSO 2018). The members has approved the grant of 29,60,000 options granted to eligible employee of the Company. The options shall vest in three equal instalments every year, after expiry of one year from the date of grant of option. The Options are not yet due for vesting, hence no allotment made during the year.

Particulars	MHFL ESOP 2018	MHRSO 2018
Vesting conditions	The actual vesting of options will depend on continuation to hold the services being provided to the Company at the time of exercise of options and such other conditions as mentioned in the ESOP Scheme.	The vesting conditions are linked to profitability
Vesting period	30% of the options shall vest on the expiry of one year from the date of the Grant 30% of the options shall vest on the expiry of two year from the date of the Grant 40% of the options shall vest on the expiry of three year from the date of the Grant.	The RSO as granted will vest in 3 tranches i.e. 14,80,000 units to be vested at the end of 3rd year from the date of joining and balance i.e. 14,80,000 units at the end of 5th year from the date of joining. The vesting of the RSO options is subject to achievement of specific targets.

B Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under the share option plans were as follows:

MESOP, 2018 :

Particulars	As at 31 March 2019	As at 31 March 2018
	No. of options	No. of options
Outstanding options at the beginning of the year	-	-
Granted during the year	3,45,755	-
Forfeited during the year	-	-
Exercised during the year	-	-
Expired/ lapsed during the year	50,853	-
Outstanding options at the end of the year	2,94,902	-
Exercisable at the end of the year		-

The options outstanding at 31 March 2019 have an exercise price of ₹ 24.25(31 March 2018: NIL) and a weighted average remaining contractual life of 2 years (31 March 2018: NIL years)

Notes to the financial statements (Continued)

MHRSO, 2018 :

Particulars	As at 31 March 2019 No. of options	As at 31 March 2018 No. of options
Outstanding options at the beginning of the year	-	-
Granted during the year	29,60,000	-
Forfeited during the year	-	-
Exercised during the year	-	-
Expired/ lapsed during the year	-	-
Outstanding options at the end of the year	29,60,000	-
Exercisable at the end of the year		-

The options outstanding at 31 March 2019 have an exercise price of ₹ 10 (31 March 2018: NIL) and a weighted average remaining contractual life of 2 years (31 March 2018: NIL years)

(i) There are no identified employees who were granted ESOP, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.

(ii) There are is 1 identified employee who was granted RSO, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.

C The fair value of the options granted is determined on the date of the grant using the "Black-Scholes option pricing model"and the inputs used in the measurement of the grant-date fair values are as follows:

Particulars	MHFL ESOP 2018			MHRSO 2018
	Tranche 1	Tranche 2	Tranche 3	Tranche 1
Fair market value of option on the date of grant	19.72	19.72	16.33	16.33
Exercise price	24.25	24.25	24.25	10
Expected volatility (%)	39.85%	39.85%	42.69%	42.69%
Expected forfeiture percentage on each vesting date				
Expected option life (weighted average)	2.00	2.00	2.00	2.00
Expected dividends yield	-	-	-	-
Risk free interest rate	6.85%	6.85%	7.70%	7.70%

The expected volatility was determined based on historical volatility data of the listed peer Company's shares for the said period.

(i) Company has recognized expense from option plan of ₹ 111.33 lacs (March 31, 2018: NIL) during the year as proportionate cost.

43 The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Derivatives have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products. With regard to loans and advances to customers, the company uses the same basis of expected repayment behaviour as used for estimating the EIR. Issued debt reflect the contractual coupon amortisations.

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

(₹ in Lacs)

	31 March 2019		31 March 2018		1 April 2017	
	Within 12 months	More than 12 months	Within 12 months	More than 12 months	Within 12 months	More than 12 months
ASSETS						
Financial assets						
Cash and cash equivalents	357.18	-	889.78	-	768.87	-
Other bank balances	2,058.19	-	-	-	-	-
Loans	8,745.40	1,78,524.77	8,909.52	1,32,696.56	14,361.96	1,38,743.09
Other financial assets	1,630.35	3,804.90	1,497.00	3,537.02	1,034.62	2,955.79
	12,791.12	**1,82,329.67**	**11,296.30**	**1,36,233.58**	**16,165.45**	**1,41,698.88**
Non Financial assets						
Current tax assets (net)	-	17.89	-	118.30	-	233.63
Property, plant and equipment	-	70.73	-	44.82	-	47.21
Capital work in progress	-	31.05	-	-	-	-
Other intangible assets	-	56.84	-	76.92	-	92.17
Other non-financial assets	978.18	3.54	634.26	26.77	382.59	14.57
	978.18	**180.05**	**634.26**	**266.81**	**382.59**	**387.58**
TOTAL	**13,769.30**	**1,82,509.72**	**11,930.56**	**1,36,500.39**	**16,548.04**	**1,42,086.46**

(₹ in Lacs)

	31 March 2019		31 March 2018		1 April 2017	
	Within 12 months	More than 12 months	Within 12 months	More than 12 months	Within 12 months	More than 12 months
LIABILITIES AND EQUITY						
LIABILITIES						
Financial Liabilities						
Payables						
Trade payables						
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	478.94	-	348.38	-	142.95	-
Other payables						
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

(₹ in Lacs)

	31 March 2019		31 March 2018		1 April 2017	
	Within 12 months	More than 12 months	Within 12 months	More than 12 months	Within 12 months	More than 12 months
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	973.85	-	770.09	-	526.61	-
Debt securities	5,482.17	7,489.11	3,982.77	6,472.26	-	10,437.85
Borrowings (other than debt securities)	61,413.49	54,030.23	54,010.29	38,396.80	57,715.14	55,930.70
Subordinated liabilities	-	9,925.06	-	-	-	-
Other financial liabilities	20,301.31	-	11,330.29	-	4,749.89	-
	88,649.76	**71,444.40**	**70,441.82**	**44,869.06**	**63,134.59**	**66,368.55**
Non Financial Liabilities						
Current tax liabilities (net)	95.71	-	280.00	-	81.88	-
Provisions	0.97	66.41	0.74	50.55	0.83	72.00
Deferred tax liabilities (net)	-	839.15	-	708.89	-	309.16
Other non-financial liabilities	1,096.62	-	855.87	-	1,349.24	-
	1,193.30	**905.56**	**1,136.61**	**759.44**	**1,431.95**	**381.16**
EQUITY						
Equity share capital	-	14,810.25	-	14,810.25	-	14,810.25
Other equity	-	19,275.75	-	16,413.77	-	12,508.00
	-	**34,086.00**	**-**	**31,224.02**	**-**	**27,318.25**
TOTAL	**89,843.06**	**1,06,435.96**	**71,578.43**	**76,852.52**	**64,566.54**	**94,067.96**

44 Transferred financial assets

A Transferred financial assets that are not derecognised in their entirety

The following tables provide a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

(₹ in Lacs)

Securitisations	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Carrying amount of transferred assets measured at amortised cost	17,206.27	-	-
Carrying amount of associated liabilities (Debt securities - measured at amortised cost)	16,648.57	-	-
Fair value of assets	17,206.27	-	-
Fair value of associated liabilities	16,648.57	-	-
Net position at fair value	557.70	-	-

Notes to the financial statements (Continued)

The nature of the risks and rewards of ownership to which the entity is exposed.

A description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions arising from the transfer on the reporting entity's use of the transferred assets.

Loans and advances to customers are sold by the Company to securitisation vehicles, which in turn issue PTCs to investors collateralised by the purchased assets. In securitisation transactions entered, the Company transfers loans and advances to an unconsolidated securitisation vehicle, however it retains credit risk (principally through credit enhancement provided by the Company).

Since substantially all the risks and rewards of the loans transferred has been retained by the Company, it does not derecognise the loans transferred in its entirety and recognise an associated liability for the consideration received.

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

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

(₹ in Lacs)

	As at 31 March 2019				As at 31 March 2018			
	Standard assets	Sub-standard assets	Doubtful assets	Total assets	Standard assets	Sub-standard assets	Doubtful assets	Total assets
Balances outstanding								
Housing loans								
- Individuals	1,22,717.89	1,207.12	520.28	1,24,445.29	71,669.82	3,248.72	371.99	75,290.53
- Corporate	267.92	92.62	121.69	482.23	768.85	489.59	-	1,258.44
Other loans against property	63,205.98	1,085.67	341.79	64,633.44	66,199.94	2,773.63	1,006.86	69,980.43
Total	**1,86,191.79**	**2,385.41**	**983.76**	**1,89,560.96**	**1,38,638.61**	**6,511.94**	**1,378.85**	**1,46,529.40**
Provisions								
Opening provision	1,662.79	2,769.69	508.42	4,940.90	1,755.12	1,631.51	80.12	3,466.75
Provision made/ (written back) during the year*	(518.55)	(2,142.42)	18.69	(2,642.28)	(92.33)	1,138.18	428.30	1,474.15
Closing provision	**1,144.24**	**627.27**	**527.11**	**2,298.62**	**1,662.79**	**2,769.69**	**508.42**	**4,940.90**

* Provision made/ (written back) during the year includes reversal of ₹ 1,774.10 (31 March 2018: ₹ Nil lacs) for sale of non performing assets

46 Additional disclosures for the Housing Finance Companies pursuant to NHB circular no. NHB/ND/DRS/Pol-No. 35/2010-11 dated 11 October 2010:

(a) Capital to Risk Assets Ratio (CRAR)*

(₹ in Lacs)

		As at 31 March 2019	As at 31 March 2018
(i)	CRAR (%)	35.0	30.9
(ii)	CRAR -Tier I Capital (%)	26.8	29.4
(iii)	CRAR -Tier II Capital (%)	8.2	1.6
(iv)	Amount of subordinated debt raised as Tier- II Capital	9925.06	-
(v)	Amount raised by issue of Perpetual Debt Instruments	-	-

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

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

(i) Direct exposure- (net of provisions for non performing assets) (₹ in Lacs)

		As at 31 March 2019	As at 31 March 2018
1	Residential mortgages		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;		
	(a) Housing loans up to ₹ 15 lacs	62,811.24	31,757.28
	(b) Housing loans greater than ₹ 15 lacs	57,312.80	40,874.96
	(c) Others	54,951.00	56,636.57
	Total	**1,75,075.04**	**1,29,268.81**
2	Commercial real estate**		
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	3,935.10	1,402.01
3	Investments in Mortgage Backed Securities (MBS) and other securitized exposures***		
	(a) Residential,	-	-
	(b) Commercial real estate	983.33	1,280.51

(ii) Indirect Exposure (₹ in Lacs)

		As at 31 March 2019	As at 31 March 2018
1	Fund based exposures		
	(a) on National Housing Bank (NHB)	-	-
	(b) on Housing Finance Companies (HFCs)	-	-
2	Non-fund based exposures		
	(a) on National Housing Bank (NHB)	-	-
	(b) on Housing Finance Companies (HFCs)	-	-

Amounts included above are based on financials prepared under Ind AS including previous year numbers which has been restated. However for the limited purpose of CRAR calculation securitization transactions(PTC) have been treated as off balance sheet and accordingly reduced from risk weighted assets.

** Commercial Real estate - Residential housing

***It is included in "Other Financial Assets"

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED
[Formerly Magma Housing Finance (A Public Company with Unlimited Liability)]

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

(a) Investments (₹ in Lacs)

		As at 31 March 2019	As at 31 March 2018
1	Value of Investments		
	(i) Gross Value of Investments		
	(a) In India*	-	-
	(b) Outside India	-	-
	(ii) Provisions for Depreciation		
	(a) In India	-	-
	(b) Outside India	-	-
	(iii) Net Value of Investments		
	(a) In India*	-	-
	(b) Outside India	-	-
*Security Receipts of ₹ 983.33 lacs (March 18 ₹ 1280.51 lacs) inlcuded in "Other Financial Assets"			
2	Movement of provisions held towards depreciation on investments		
	(i) Opening balance	-	-
	(ii) Add : Provisions made during the year	-	-
	(iii) Less : Write-off / write-back of excess provisions during the year	-	-
	(iv) Closing balance	-	-

(b) Derivatives

The Company does not have any exposure to derivatives as at 31 March 2019 and 31 March 2018 including forward rate agreement / interest rate swap, exchange traded interest rate (IR) derivatives. The Company does not have any Disclosures (qualitative and quantitative) on Risk Exposure in Derivatives as at 31 March 2019 and 31 March 2018.

(c) Disclosures relating to securitization*

(i) Outstanding amount of Securitized assets as per books of the SPVs # (₹ in Lacs)

		As at 31 March 2019	As at 31 March 2018
1	No. of Special Purpose Vehicles (SPVs) sponsored by the NBFC for securitization transactions **	3	-
2	Total amount of securitized assets as per books of the SPVs sponsored	17,340.11	-
3	Total amount of the exposures retained by the NBFC to comply with MRR as on the date of balance sheet		
	a) Off-balance sheet exposures		
	First loss	-	-
	Others	-	-
	b) On-balance sheet exposures		
	First loss	1,057.90	-

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018
Others	680.25	-
4 Amount of exposures to securitization transactions other than MRR		
a) Off-balance sheet exposures		
(i) Exposure to own securitization		
First loss	-	-
Others	1,000.21	-
(ii) Exposure to third party securitizations		
First loss	-	-
Others	-	-
b) On-balance sheet exposures		
(i) Exposure to own securitization		
First loss	-	-
Others	4,855.35	-
(ii) Exposure to third party securitizations		
First loss	-	-
Others	-	-

* Securitization(PTC) transaction do not meet the de-recognition criteria under Ind AS and accordingly are recognized on books. Accordingly income and discounting charges are included in revenue from operations and finance cost respectively. Amounts stated above are for the limited purpose of disclosure.

The above figures are being reported based on certificate issued by the auditors of the SPV, as required by revised guidelines on transfer of assets through securitization.

** Only the SPVs relating to outstanding securitization transactions are reported here.

(iii) The value of "excess interest spread receivable" and "unrealized gain" on securitization transactions undertaken in terms of guidelines on securitization transaction issued by Reserve Bank of India on 21 August 2012 is given below:

		As at 31 March 2019	As at 31 March 2018
1	Excess interest spread receivable	2,500.51	-
2	Unrealized gain on securitization transactions	2,500.51	-

(d) Details of Financial Assets sold to Securitization / Reconstruction Companies (₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018
(i) No of Accounts	195	-
(ii) Aggregate value (net of provisions) of accounts sold to SC / RC	2,714.95	-
(iii) Aggregate consideration	2,342.62	-
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain / (loss) over net book value	(372.33)	-

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

	As at 31 March 2019	As at 31 March 2018
(i) Backed by NPAs sold by the Company as underlying*	-	-
(ii) Backed by NPAs sold by other banks/ financial institutions/ non-banking financial companies as underlying	-	-
*Security Receipts of ₹ 983.33 lacs (March 18 ₹ 1280.51 lacs) inlcuded in "Other Financial Assets"		

(f) Details of Assignment transactions undertaken by HFCs (₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018
(i) No of Accounts	2615	1627
(ii) Aggregate value (net of provisions) of accounts assigned	29,308.71	18,116.38
(iii) Aggregate Consideration	29,308.71	18,116.38
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain / loss over net book value	-	-

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

The Company did not purchase any non-performing financial assets during the year ended 31 March 2019 and 31 March 2018.

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

	As at 31 March 2019	As at 31 March 2018
(i) No of Accounts sold	195	-
(ii) Aggregate outstanding	2,714.95	-
(iii) Aggregate Consideration received	2,342.62	-

(i) Exposure to capital market

The Company does not have any exposure to capital market as at the financial year ended 31 March 2019 and 31 March 2018.

(j) Details of financing of parent company products

The Company has not financed any products of parent company in the financial year ended 31 March 2019 and 31 March 2018.

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

The Company has not exceeded the prudential exposure limits during the financial year ended 31 March 2019 and 31 March 2018.

(l) Unsecured advances

The Company has not given any advances against intangible securities such as charge over the rights, licenses, authority, etc. in the financial year ended 31 March 2019 and 31 March 2018.

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

(m) Registration obtained from other financial sector regulators

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

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

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

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

Facilities	Date of rating assigned*	Rating assigned	Previous Rating assigned
(i) Long term bank facilities	06-Jul-18	CARE AA-	CARE AA-
	17-Apr-18	ICRA AA-	ICRA AA-
(ii) Secured non-convertible debentures	06-Jul-18	CARE AA-	CARE AA-
	17-Apr-18	ICRA AA-	ICRA AA-
	25-Feb-19	BWR AA	-
(iii) PTC (on account os securitisation transaction)	01-Feb-19	AA (SO)	-
	01-Mar-19	AA (SO)	-
(iv) Commercial papers	17-Apr-19	CRISIL A1+	CRISIL A1+

* Date of rating assigned relates to rating valid on 31 March 2019

(p) Remuneration of Directors

(₹ in Lacs)

Name of the non-executive directors	Nature of transaction	Year ended 31 March 2019	Year ended 31 March 2018
(i) Mamta Binani	Director sitting fee	4.70	4.80
(ii) Satya Brata Ganguly	Director sitting fee	3.70	-

(q) Provisions and contingencies

Break up of 'Provisions and contingencies' shown under the head expenditure in profit and loss Account

(₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
Provision for depreciation on investment	-	-
Under "Employee Benefit Expenses"		
(i) Provision for compensated absences	56.78	30.05
Under "Impairment for Loss Allowances"		
(i) Provision towards non-performing assets (NPAs)	(182.03)	1,564.45
(ii) Provision for standard assets	(519.78)	(88.25)
Under "Tax expenses"		
(i) Provision made towards Income tax(includes deferred tax)	1,298.77	1,809.75

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

(r) Provisions and contingencies

(₹ in Lacs)

Break up of Loan and Advances and Provisions thereon	As at 31 March 2019		As at 31 March 2018	
	Housing	Non Housing	Housing	Non Housing
Standard Assets				
(i) Total outstanding amount	1,22,985.81	63,205.98	72,438.69	66,199.94
(ii) Provision made	672.84	471.40	1,079.85	582.94
Sub-Standard Assets				
(i) Total outstanding amount	1,299.74	1,085.67	3,738.29	2,773.63
(ii) Provision made	387.30	239.97	2,109.14	660.55
Doubtful Assets-Category-I				
(i) Total outstanding amount	641.97	206.20	317.27	888.44
(ii) Provision made	414.24	33.57	157.20	322.28
Doubtful Assets-Category-II				
(i) Total outstanding amount	-	135.59	54.72	118.42
(ii) Provision made	-	79.30	16.71	12.23
Doubtful Assets-Category-III				
(i) Total outstanding amount	-	-	-	-
(ii) Provision made	-	-	-	-
Loss Asset				
(i) Total outstanding amount	-	-	-	-
(ii) Provision made	-	-	-	-
Total				
(i) Total outstanding amount	**1,24,927.52**	**64,633.44**	**76,548.97**	**69,980.43**
(ii) Provision made	**1,474.38**	**824.24**	**3,362.90**	**1,578.00**

(s) Draw down from Reserves

The Company has not drawn any amount from Reserves during the financial year ended 31 March 2019 and 31 March 2018 respectively.

(t) Concentration of Public Deposits, Advances, Exposures and NPAs.

(i) Concentration of Public Deposits (for Public Deposit taking/holding HFCs)

The Company has not taken any public deposits during the financial years ended 31 March 2019 and 31 March 2018 respectively.

(ii) Concentration of Loans and Advances

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018
Total Loans and Advances to twenty largest borrowers	7,789.64	5,590.92
Percentage of Loans and Advances to twenty largest borrowers to Total Advances of the HFC	4.11%	3.82%

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

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

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018
Total Exposure to twenty largest borrowers / customers	7,624.16	5,458.19
Percentage of Exposures to twenty largest borrowers / customers to total Exposure of the HFC on borrowers / customers	4.02%	3.87%

(iv) Concentration of NPAs

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018
Total Exposure to top ten NPA accounts	1,231.48	1,776.32

(v) Sector-wise NPAs

Sector	% of NPAs to Total Advances in that sector	
	As at 31 March 2019	As at 31 March 2018
(A) Housing Loan		
1 Individuals	0.97%	4.31%
2 Builders/Project Loans	15.85%	49.52%
3 Corporates	25.69%	0.00%
4 Others (specify)	0.00%	0.00%
(B) Non-Housing Loan		
1 Individuals	2.27%	5.43%
2 Builders/Project Loans	0.00%	0.00%
3 Corporates	0.00%	4.69%
4 Others (specify)	0.00%	0.00%

(u) Movement of NPAs

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018
i) Net NPAs to Net Advances (%)	1.18%	3.26%
ii) Movement of NPAs (Gross)		
a) Opening balance	**7,890.79**	**7,183.45**
b) Additions during the year	2,052.44	5,382.23
c) Reductions during the year	(6,574.06)	(4,674.89)
d) Closing balance	**3,369.17**	**7,890.79**
iii) Movement of Net NPAs		
a) Opening balance	**4,612.68**	**5,472.01**
b) Additions during the year	1,500.35	2,678.68
c) Reductions during the year	(3,898.24)	(3,538.01)
d) Closing balance	**2,214.79**	**4,612.68**

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

(₹ in Lacs)

		As at 31 March 2019	As at 31 March 2018
iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a) Opening balance	**3,278.11**	**1,711.44**
	b) Provisions made during the year	552.09	2,703.55
	c) Write-off / (write-back) of excess provisions	(2,675.82)	(1,136.88)
	d) Closing balance	**1,154.38**	**3,278.11**

(v) Overseas Assets

The company does not have any overseas assets as at 31 March 2019 and 31 March 2018.

(w) Off- Balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

The company does not have any exposure to off balance sheet SPVs sponsored as at 31 March 2019 and 31 March 2018.

(x) Customer Complaints

	Year ended 31 March 2019	Year ended 31 March 2018
No. of complaints pending at the beginning of the year	0	1
No. of complaints received during the year	15	14
No. of complaints redressed during the year	12	15
No. of complaints pending at the end of the year	3	0

Notes to the financial statements (Continued)

48 Asset Liability Management:

Maturity pattern of certain items of assets and liabilities as at 31 March 2019

(₹ in Crores)

	Upto 1 month	Over 1 Months upto 2 Months	Over 2 Months upto 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Years to 3 Years	Over 3 Years to 5 Years	Over 5 Year to 7 Year	Over 7 Year to 10 Year	Over 10 Years	Total
Liabilities											
Borrowings from banks *	2.94	4.62	54.59	45.19	408.36	265.70	138.50	127.19	30.42	77.74	1,155.25
Market borrowings **	24.83	29.69	48.91	5.00	44.82	64.89	10.00	-	-	-	228.15
Foreign Currency Liabilities											
Assets											
Advances	50.42	38.34	37.40	109.17	202.43	740.30	375.12	188.57	133.73	30.92	1,906.41
Investments***	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-	-

* Includes Cash credit facilities and working capital demand loans from banks which are usually for a period of 1 year. As per the prevalent practice, these facilities are renewed on a year to year basis and therefore, are revolving in nature. It also includes loan from PTC investors.

** Includes secured redeemable non-convertible debentures.

***Security Receipts of ₹ 983.33 lacs (March 18 ₹ 1280.51 lacs) included in "Other Financial Assets"

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

Notes to the financial statements (Continued)

MAGMA HOUSING FINANCE LIMITED

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

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

(₹ in Lacs)

		As at 31 March 2019	As at 31 March 2018
	Balance at the beginning of the year		
a)	Statutory reserve u/s 29C of the National Housing Bank Act ("NHB Act"), 1987	1,247.63	1,144.27
b)	Amount of Special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory reserve u/s 29C of the NHB Act, 1987	2,462.37	2,095.73
c)	**Total**	**3,710.00**	**3,240.00**
	Additions/Appropriation/Withdrawal during the year		
	Add:		
a)	Amount transferred u/s 29C of the NHB Act, 1987	340.00	103.36
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*	350.00	366.64
	Less:		
a)	Amount appropriated from the Statutory reserve u/s 29C of the NHB Act, 1987	-	-
b)	Amount withdrawn from the Special reserve u/s 36(1)(viii) Income Tax Act, 1961 which has been taken into account for the purpose of provision u/s 29C of the NHB Act, 1987	-	-
	Balance at the end of the year		
a)	Statutory reserve u/s 29C of the NHB Act, 1987	1,587.63	1,247.63
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	2,812.37	2,462.37
c)	**Total**	**4,400.00**	**3,710.00**

*During the year 2018-19, there was a additional transfer to special reserve under Sec- 36(1)(viii) of Income Tax Act, 1961 of ₹ 20.57 lacs. This additional reserve is created for 2017-18 in line with requirement of Sec- 36(1)(viii) of Income Tax Act, 1961.

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

(a) Contingent liabilities

(₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Claims against the Company not acknowledged as debt			
(i) Service tax matters under dispute	80.72	40.36	40.36

(b) Commitments (₹ in Lacs)

	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for	7.19	0.75	0.17
(ii) Undisbursed housing / other loans	12,850.15	1,257.86	3,747.15

(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/Ind AS/ NHB Regulations for material foreseeable losses on such long term contracts has been made in the books of account. The Company has certain litigations pending with income tax authorities, service tax authorities and other litigations which have arisen in the ordinary course of business. The Company has reviewed all such pending litigations having an impact on the financial position, and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements.

(d) The Hon'ble supreme court has in a recent decision dated 28 february 2019, ruled that special allowance would form part of basic wages for computing the provident fund contribution . Management believes that there are numerous interpretative issues on inclusion of allowances for the purpose of provident fund contribution as well as its applicability of effective rates. While the Company is evaluating the implications of the order, no reliable estimate can be made as the amount is not determinable due to which it is disclosed as contingent liability.

51 Details of Corporate Social Responsibility ('CSR') expenditure (₹ in Lacs)

	Year ended 31 March 2019	Year ended 31 March 2018
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 Act.		
Gross amount required to be spent by the Company during the year:	81.98	69.21
Amount spent during the year:	52.90	6.51
'Construction/ acquisition of any assets	-	-
'Purposes other than above	52.90	6.51
	52.90	**6.51**

52 Disclosures relating to fraud

During the year ended 31 March 2019, 15 cases (March 2018: 4 cases) of frauds have been detected and reported. The un-recovered amount aggregating to ₹594.71 lacs (March 2018: ₹ 132.40 lacs) have been fully provided for / written-off as the case may be.

For and on behalf of the Board of Directors
Magma Housing Finance Limited

For **Walker Chandiok & Co. LLP**
Chartered Accountants
Firm Registration No.: 001076N/N500013

Manish Gujral
Partner
Membership No.: 105117

Place : Mumbai
Date : 08 May 2019

Manish Jaiswal
Managing Director & Chief Executive Officer
(DIN: 07859441)

Ian Gerard Desouza
Chief Financial Officer

Sanjay Chamria
Chairman
(DIN: 00009894)

Priti Saraogi
Company Secretary

Place : Mumbai
Date : 08 May 2019

ANNUAL REPORT YEAR 2018 2019

MAGMA HOUSING FINANCE LIMITED

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