POONAWALLA
HOUSING

Building Dream Homes Together

ANNUAL REPORT
2020-2021

POONAWALLA HOUSING FINANCE LIMITED

(Formerly known as Magma Housing Finance Limited)

***CORPORATE INFORMATION**
CIN: U65922WB2004PLC229849

BOARD OF DIRECTORS

Mr. Adar Poonawalla
Chairman and Non Executive Director (w.e.f. 08.07.2021)

Mr. Sanjay Chamria
Non Executive Director

Mr. Abhay Bhutada
Non Executive Director (w.e.f. 08.07.2021)

Mr. Amar Deshpande
Non Executive Director (w.e.f. 20.07.2021)

Mr. Manish Jaiswal
Managing Director & Chief Executive Officer

Mr. Prabhakar Dalal
Non-Executive Independent Director (w.e.f. 24.05.2021)

Mr. Sajid Fazalbhoy
Non-Executive Independent Director (w.e.f. 24.05.2021)

Ms. Bhama Krishnamurthy
Non-Executive Independent Director (w.e.f. 24.05.2021)

Ms. Deena Mehta
Non-Executive Independent Director (upto 09.06.2021)

Mr. Raman Uberoi
Non-Executive Independent Director (upto 09.06.2021)

Mr. Satya Brata Ganguly
Non-Executive Independent Director (upto 12.07.2020)

Mr. Mayank Poddar
Non-Executive Director (Retired from 09.06.2020)

Mr. Kailash Baheti
Non-Executive Director (upto 09.06.2020)

CHIEF FINANCIAL OFFICER
Mr. Ian Gerard Desouza (upto 30.06.2020)
Mr. Ajay Arun Tendulkar (w.e.f. 01.07.2020 upto 30.06.2021)
Mr. Pankaj Rathi (w.e.f. 01.07.2021)

COMPANY SECRETARY
Ms. Priti Saraogi

BANKERS

- Union Bank of India (erstwhile Andhra Bank, Corporation Bank)
- Bank of Baroda
- Bank of India
- Bank of Maharashtra
- Indian Bank
- ICICI Bank Ltd.
- IDFC First Bank Ltd.
- Punjab National Bank (erstwhile United Bank of India, Oriental Bank of India)
- State Bank of India
- Canara Bank (erstwhile Syndicate Bank)
- The Federal Bank Limited

OTHER LENDERS
- LIC Housing Finance
- National Housing Bank

STATUTORY AUDITORS
WALKER CHANDIOK & CO. LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013
10C, Hungerford Street, 5th Floor,
Kolkata - 700 017

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

REGISTRAR AND SHARE TRANSFER AGENT
NICHE TECHNOLGIES PRIVATE LIMITED
7th Floor, Room No.7A & 7B
3A, Auckland Place, Kolkata – 700 017

MAS SERVICES LIMITED
T-34, IInd Floor,
Okhla Industrial Area, PhaseII,
New Delhi - 110 020

REGISTERED OFFICE
Development House, 24 Park Street, Kolkata - 700016
Website: www.poonawallahousing.com

CORPORATE OFFICE
602, 6th Floor, Zero One IT Park, Sr. No. 79/1, Ghorpadi, Mundhwa Road
Pune- 411036

*In view of the acquisition of the Holding Company by Poonawalla Group, the name of the Holding Company and the Company has been changed to Poonawalla Housing Finance Limited with effect from 22 July 2021 and accordingly Corporate Information has been updated.

Board's Report & Management and Discussion Analysis Report

Dear Shareholders,

Your Directors have pleasure in presenting the 17th (Seventeenth) Annual Report alongwith the Audited Financial Statements of the Company for the financial year ended 31 March, 2021. The summarized financial results are given below:-

FINANCIAL HIGHLIGHTS

The financial performance of your Company:

(Rs.in Lakh)

Particulars	**2020-21**	**2019-20**
Total Income	47,254.33	35,636.65
Finance Cost	22,585.84	17,668.95
Operating Expenses	23,046.01	12,428.52
Depreciation	186.69	110.62
Total Expenses	45,818.54	30,208.09
Profit/(Loss) before Tax	1,435.79	5,428.56
Provision for Taxation	1,179.79	494.15
Deferred Tax	(832.91)	669.57
Profit/(Loss) after Tax	1,088.91	4,264.84
Balance of profits for earlier years	18,570.06	15,158.76
Profits available for appropriation	19,658.97	19,423.60
Other Comprehensive income/(loss)	7.45	(0.57)
Balance Available for Appropriation	19,668.42	19,423.03
Transfer to Statutory Reserve	608.67	852.97
Balance carried forward	19,057.75	18,570.06

INDUSTRY STRUCTURE AND DEVELOPMENTS

Global Scenario

2020 was the year of Great Disruption in form of Corona Virus Disease (COVID-19) - a viral pandemic which wreaked havoc across the world. It spread like forest fire and severely battered the global economy. As per WHO data, as of Apr'21, there have been 149 million COVID-19 cases across the world and more than 3 million people have lost their lives. Both developed and developing economies faced policy paralysis and economic uncertainty with COVID-19 overwhelming their health and economic systems. Trade and tourism came to a grinding halt with record levels of unemployment and job losses. Income and wealth inequality increased and poverty increased sharply.

World gross product fell by 4.3% in 2020- recording sharpest dip since Great Depression. For developed and developing economies, output shrank by 5.6% and 2.5% respectively.

Global and domestic supply chains remained choked in 2020. However, shock to consumption and income led demand side has been more adverse as compared to supply side. Same has been reflected in performance of Central banks across the world. They were largely successful in pumping massive liquidity in the economic system but were relatively less successful in meeting their inflation targets with inflation remaining muted below expectations.

Governments around the world were challenged to strike a balance between difficult policy choices of saving lives or saving livelihoods, between short term cost and long term impact, between pace of response vs effectiveness. Limited fiscal capability and burgeoning public debt limited the ability of several developing economies to respond to pandemic. However, with unprecedented US led fiscal response of the major developed economies and continued monetary accommodation is expected to uplift the economic outlook for 2021.

Global Economy Outlook for FY 2022

International Monetary Fund's (IMF) World Economic Outlook (WEO) report projects recovery for the global economy with 6% increase in 2021 and moderating to 4.4% growth rate in 2022. Nonetheless, path to recovery is expected to be divergent for different countries and regions linked to stark differences between speed of vaccine rollouts, extent of fiscal and monetary support and structural factors.

Future growth will also depend on path the health crisis takes including whether the new mutant strains of the virus are susceptible to vaccines or prolong the length of pandemic.

On international stage, it would be imperative for the countries to coordinate a global response to fight pandemic. Vaccine industry is producing three times the level of vaccines produced in a normal year. To wade the pandemic in the past, equitable and universal vaccine access is a must. With COVID-19 coming in successive waves, measures necessary to limit the contagion and protect lives will continue and investment in public healthcare to remain priority for world.

New virus mutations and aggravating human toll raises concerns on economic recovery. Outlook would hold out given favorable outcome of the battle between the vaccines and the virus and how effectively resources are deployed by economies to limit the damage caused by such great disruption.

*Source- UN World Economic Situation and Prospects 2021, World Economic Outlook April 2021

India Economic Overview

With the revival in demand across the world, Indian economy also moved on the path to recovery. The rebound in the economic activity in the latter half of the FY2021 has been sharper than anticipated on the back of turnaround in gross fixed capital formation and smaller contraction in private consumption over earlier period. Indian economy picked up the momentum driven by launch of world's largest vaccination program. However, vaccination drive came under severe stress starting second week of Apr'21 with spike in cases under second wave of pandemic in India.

The Gross Domestic Product (GDP) shrugged off the contractions of preceding quarters and moved into expansion zone in Q3 FY21. High frequency indicators pointed to the growth momentum gaining strength in Q4 although the surge in COVID-19 infections in a few states in Mar'21 imparted uncertainty to the assessment.

The second advance estimates for FY2021 released by the National Statistical Office (NSO) on Feb 26, 2021 placed India's real GDP contraction at 8.0% during the year. High frequency indicators – vehicle sales; railway freight traffic; toll collections; goods and services tax (GST) revenues; e-way bills; and steel consumption – suggest that gains in manufacturing and services activity in Q3FY21 extended into Q4FY21.

Purchasing managers' index (PMI) manufacturing at 55.4 in Mar'21 remained in expansion zone, but lower than its level in Feb'21. The index of industrial production slipped into marginal contraction in January 2021, dragged down by manufacturing and mining. Core industries also contracted in Feb'21. The resilience of agriculture is evident from food grains and horticulture production for 2020-21, which are expected to be 2.0% and 1.8% higher respectively than the final estimates of 2019-20.

Inflation receded into the tolerance band beginning Dec'20 post breach of the upper limit of 6% for six consecutive months (Jun-Nov'20). However by Feb'21, core inflation reached a level of 6% reflecting pass-through to retail prices from higher crude oil and non-oil commodity prices, high fuel and other taxes post-COVID and increased operating costs.

India Economic Outlook for FY 2021-22

On positive side, as per Reserve Bank of India (RBI), rural demand in India remains buoyant and record agriculture production for 2020-21 bodes well for the economy. Whereas, with COVID-19 reaching the rural areas, demand may see setback. Similarly, demand in urban areas almost returned to normalcy by end of FY21 with pick-up in economic activity. However, since Apr'21, second wave battered the urban areas may lead to subdued demand in the first half of FY22.

Consumer demand is seeing traction with consumer goods recording sales double digits in Q4FY21 and average daily generation of electricity and rail freight saw 40% and 76% growth respectively in Apr'21 year-on-year basis. The Purchasing Managers' Index (PMI) for manufacturing reported expansion and was at 55.5 in Apr'21 compared to 55.4 in Mar'21.

Consumer Price Inflation (CPI) increased to 5.5% in Mar'21 as against 5% in previous month on the back of rise in food and fuel inflation. The food inflation trajectory is expected to be dependent on the progress of the south-west monsoon in 2021. Coordinated action by Centre and States to provide respite from the incidence of domestic taxes on petroleum products may ease some pressure commodity prices. Taking into consideration all these factors, CPI inflation has been estimated at 5.2% in Q1, 5.2% in Q2, 4.4% in Q3 and 5.1% in Q4FY22.

The fiscal stimulus has been provided in Budget 2021-22 in form of increased allocation for capital expenditure, expansion of production-linked incentives (PLI) scheme and rising capacity utilisation (from 63.3% in Q2 to 66.6% in Q3:2020-21) which should provide strong support to investment demand and exports.

Basis these factors, RBI in Monetary Policy statement for Apr'21 provides projection of real GDP growth for FY2022 at 10.5% consisting of 26.2% in Q1, 8.3% in Q2, 5.4% in Q3 and 6.2% in Q4FY21.

Further in May'21, RBI Governor in his statement listed out measures to alleviate constraint on the financing side as part of targeted policy response. Most prominent measure under this was Resolution Framework 2.0 for COVID related stressed Assets of individuals, Small Businesses and MSMEs. Under the framework 2.0, standard borrowers having aggregate exposure of upto ₹25 crore and who have not availed restructuring under earlier frameworks shall be eligible for restructuring. Further, for individual borrowers and small businesses who have been restructured earlier, where the resolution provided a moratorium of less than 2 years, lending institutions are permitted to modify such plans to extent of increasing the moratorium upto total of 2 years.

Since second half of Apr'21, country has been facing constant oxygen crisis due to sudden surge in COVID infections with medical structure overwhelmed across major Indian cities. Government of India have undertaken multi folded response to ongoing crisis by initiating Oxygen Express, Operation Samudra Setu by Indian Navy to bring liquid medical oxygen from other countries, import of Oxygen concentrators and plants etc. On May 17, 2021 daily COVID infections fell by more than 1 lakh indicating that they have reached peak in India.

Story of growth forecasts holding out would depend on prevention of spread of COVID-19, unlocking of the Indian economy and speed of vaccination with all being interlinked to each other.

*Source- RBI Bi-Monthly Monetary Policy Statement, RBI Governor's Statement April, 2021 and May, 2021

Sector Overview for FY 2021

In line with the slowdown of Indian Economy, Housing finance sector as a whole also grappled with the great disruption caused by COVID-19. Amid tough business conditions for the housing finance companies as a whole, affordable housing finance companies continued on growth path, although at a moderate pace. In the earlier half of the year, affordable housing business slowed down due to lockdown and stringent terms of credit policy. Focus was shifted towards collections and portfolio quality. However, with markets opening up in the latter part of the year, disbursements picked up and business reached pre-COVID levels by close of the year.

As per ICRA report, total Affordable Housing Finance Companies (AHFCs) credit in affordable space stood at ₹55,061 crore as on Sep'20, thereby registering a growth of 9% compared to overall negative growth for the sector.

Given the profile of the customers who are largely self-employed and earn low to middle level of income, pandemic could cause a high impact on their earnings and savings. ICRA expects growth in affordable segment to remain around 8-10% for FY2021.

In terms of asset quality, AHFCs registered improvement. GNPA stood at 3.1% as of Sep'20 as against 3.6% at the end of Mar'20. Moratorium and no change in position of the buckets supported asset quality indicators.

For funding, AHFCs remained largely dependent on banks and larger NBFCs. Over the first half of the year, funding for AHFCs was supported by National Housing Bank (NHB) and Targeted Long Term Repo Operations (TLTROs) of the RBI.

In Union Budget 2021-22, tax holiday for the affordable housing projects has been extended till end of Mar'22. This is expected to act as an impetus for developers of affordable housing projects to increase supply. Also on demand side, additional deduction of Rs 1.5 lakhs for interest paid on affordable housing loans. Adding to the support provided by the Government of India, several states across India slashed stamp duty on sale deeds. These steps provided the much required support to the sector.

Sector Outlook for FY 2021-22

COVID-19 is mutating into more infectious strain and has shown signs of increased transmissibility. Business is expected to be impacted in the first quarter of FY22 due to renewed restrictions and focus of customers on conserving liquidity. However, the long term growth outlook remains positive for the sector.

With the migrant work force once again moving back to their homes, we can expect their larger pool to stay back. This can convert into demand for housing in semi urban areas especially Tier 2 and Tier 3 towns. While loss of livelihood and lives along with reduction in income levels would impact asset quality of all the segments. However, lifetime losses on retail homes loans would be limited due to underlying collateral and strong moral obligation to pay.

In terms of asset quality, ICRA expects GNPA to remain at similar levels in FY22. In the long run, losses to the AHFCs may reduce due to secured nature of the loans and on the back of higher COVID related provisioning done by lenders over the last year.

Over the last few years, an intentional shift towards affordable segment has been noticed. Several new players have emerged focusing primarily on affordable space with even large HFCs having a dedicated vertical for affordable segment. This shift has been noticed on account of underserved customers and huge potential market. Investment in affordable housing finance sector is expected to continue.

Given that all the drivers of home loan demand are expected to be intact such as – favorable demographics, affordable housing demand supply gap , underserved markets in India expectation is that home loan demand would move in slowly move upwards post ongoing second wave with increased pace of vaccination.

*Source- ICRA India Mortgage Finance Market Report April 2020

OVERVIEW OF COMPANY'S PERFORMANCE

Magma Housing Finance (MHF) is a National scale affordable housing financing company with presence across 16 states and a well-diversified portfolio. MHF drives its business through a value driven direct relationship model with our customers which ensures superior quality of assets.

Despite being marred by pandemic over the earlier half of the year, Company saw consistent increase in disbursals each quarter. The Company disbursed ₹1,251 crore in FY21 which was 95.1% of last year business. The Company's PBT stood at ₹14 Crore, had the Company not moved to more stringent write off at 730+ dpd and not taken the additional Covid provision impact, the profit before tax for the year ended 31 March 2021 would have been ₹64 Crore. As on 31 March, 2021, AUM stood at ₹3,978 crore reporting 21% YoY growth.

Under the Go-Direct strategy, the Company sourced 75% of loans and ratio of Home Loans in fresh disbursals increased to 71% in FY21. For the year, business entailed minimal construction risk with under construction builder property constituting only 2% of disbursement.

The Company strives to accomplish the objective of financial inclusion by serving first time borrowers with limited / no access to formal credit by our deep presence in semi-urban and rural segments. Women borrowers constitute 97% of the total loan originations and 72% of customers sourced in FY21 were new to credit. The Company is committed to contribute to government objective of Housing for All by facilitating our customers to avail benefit of Credit Linked Subsidy Scheme (PMAY). In FY21, the Company enabled 1,814 customers to avail PMAY benefits and filed 6000+ PMAY customer applications with NHB.

Bucket zero Collection Efficiency has reached back to long term average of 98% by the end of year. The Company managed to maintain the asset quality same as previous fiscal with Stage 3 assets at 1.59%. The Provision Coverage Ratio of the Company stands comfortably at 51.79%.

With efficient usage of technology and stringent control, the Company also reported a reduction in Operating expense ratio from 3.6% in FY20 to 2.8% in FY21. Capital Adequacy ratio for the Company was at 30.50% for FY 21 which shows that Company is well above the minimum required level of 15%.

We aim to become India's best in class digitally efficient Affordable Housing Finance Company. Accordingly, we kick started our AI journey by collaborating with Scienaptic AI for deployment of AI powered predictive modelling platform for use across loan cycle. We aim to enhance business and portfolio quality along with best in class customer experience.

Over the next year, we shall continue to generate quality growth with build upon a national franchise with focus on semi urban and rural India.

OPPORTUNITIES, CHALLENGES AND OUTLOOK

Strengths

- Direct Sourcing relationship driven model leads to better portfolio quality. As of FY2021 end, Direct sourcing stood at 75%. Our Home Loan ratio in fresh disbursements were at 71% in FY2021.
- The Company has pan India presence across 16 states with West and North zone contributing majority of the business, which is in line with our affordable housing strategy. We continue to enhance productivity across regions with high potential.
- Dedicated Collections Team which has contributed to bring Collection Efficiency (CE%) back to Pre COVID levels.
- Asset Quality remains at similar levels- Despite pandemic, the Company was able to maintain its asset quality. Stage 3 Assets stood at 1.59% as of Mar'21.

Challenges

- The Company operates in affordable housing segment with customers belonging to self-employed and informal category. Such customers are at the receiving end of multiple restrictions and health crisis in economy which impacts their income and thereby debt serviceability. However, the Company maintains average Loan to Value ratio in the range of 55-65% and most of the assets are self-occupied thus are tied up with moral obligation to pay.

Opportunities

- Building everlasting relationship with customers through PMAY- Our PMAY penetration stands at 58% of all fresh HL cases for FY2021. We intend to deepen it further in FY2022.
- Cost of Funds is expected to moderate given excess liquidity in the economy due to various measures taken by RBI. We expect to have a cost effective access to funds with improved business performance despite of pandemic. We intend to expand our relationship with both public as well as private lenders (banks), DFIs and multilateral institutions, thereby diversifying our lender base.
- Increase market share and enhance presence in high demand locations especially in Tier 2 and Tier 3 cities- by expanding our direct relationship with customers and using technology for best in class sourcing.

Threats

- **Asset Quality**- Continues to remain the biggest concern given the second and more powerful wave of pandemic. Affordable Housing segment can witness increase in delinquencies with loss in business and slowdown in economic activity especially in first quarter of FY2022.

With underlying moral obligation to pay, most of the home borrowers would prioritise home loan payments with businesses coming back to normalcy.

Further, In order to enable collections during pandemic and increase efficiency, the Company has taken proactive steps leveraging technology to provide ease of access in payments.

- **Future lockdown and successive waves of COVID-19-** With second wave of COVID-19 wreaking havoc across country, there is decentralised lockdown and restricted mobility in different parts of the country. Collection efforts have been impacted in such a situation. Also, later in the year, there may be resurgence of COVID-19 in form of successive waves. However, our analytics team would continuously work on our customer data to identify risks early and ways to mitigate it.

Outlook

Despite the pandemic, the Company was able to withstand the challenges and continued to deliver business performance on back of its direct sourcing deep customer connect model.

The Company has comfortable liquidity position with available funds to the tune of ₹477 crore at Mar'21. Company has availed NHB refinance assistance of ₹300 crore till date and will keep securing NHB Refinancing facilities.

Over next year, under GO DIGITAL approach, the Company will continue to leverage technology increase operational efficiencies. With AI model going live, Company would usher in a phase of quality credit underwriting and improved portfolio quality. The Company is also in process of implementation of cloud enabled data marts which accelerate delivery of business insights and performance reporting.

The Company expects to implement learnings from the COVID marred last year to undertake strategy for FY22 thereby reducing the risks arising out of successive waves of COVID and surrounded uncertainty.

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

Magma Fincorp Limited (MFL) in the current financial year, has issued 49,37,14,286 equity shares on preferential basis to Rising Sun Holdings Private Limited (RSHPL) and the existing promoters of MFL on 6 May, 2021. Pursuant to the said allotment, RSHPL is the largest shareholder of MFL and on completion of the open offer, RSHPL exercises control in MFL, and is classified as a 'Promoter' of MFL w.e.f 21 May 2021, thereby allowing it to exercise indirect control over your Company (MHFL). Consequently, MFL has become a subsidiary of RSHPL and MHFL has become a step down subsidiary of RSHPL.

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 2021, the loan book stood at ₹291,156.14 lakh as against ₹240,696.71 lakh in the previous year.

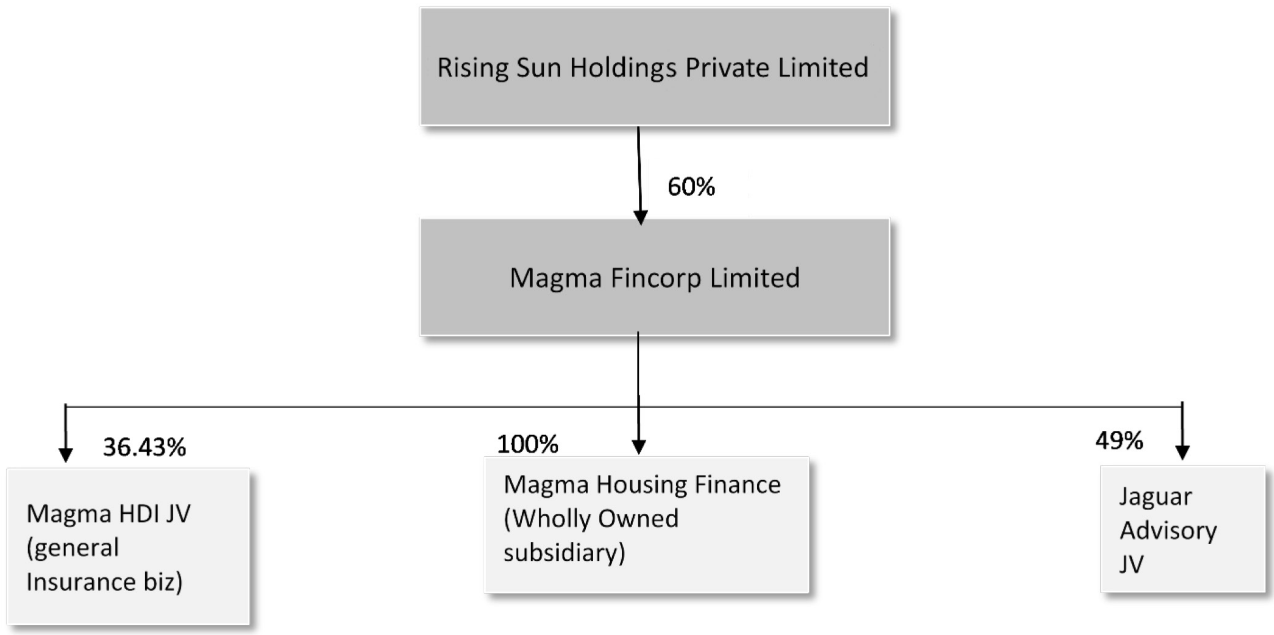
Disbursement ramped up significantly each quarter after a subdued Q1 to report 95% of FY20 numbers of ₹125,059 lakh in FY2020-21 as against Rs.131,509 lakh in FY2019-20.

- The disbursement in home loans grew by 5% from ₹82,671 lakh in FY2019-20 to ₹86,702 lakh in FY2020-21 in line with "GO HOME LOAN" strategy implemented by the Company.
- The contribution of home loan portfolio increased from 42% in FY2016-17 to 59% in FY2020-21 in the overall housing AUM.
- Company's "GO DIRECT" strategy for transition from DSA model to direct sales model improved direct sourcing from 28% in Q1FY18 to 75% in Q4FY21.
- Focused deep market penetration in around 100 locations across 19 states using unit model implementation.

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

HOLDING COMPANY

The Company is a Wholly owned subsidiary of Magma Fincorp Limited (MFL). The diagrammatic representation of the Group Structure is given below:



Further, pursuant to the preferential allotment by MFL to RSHPL on 6 May, 2021, RSHPL is the largest shareholder of MFL. Consequently, MFL has become a subsidiary of RSHPL and MHFL has become a step down subsidiary of RSHPL.

DETAILS OF SUBSIDIARY/ASSOCIATES/JOINT-VENTURE COMPANY

Your Company has no Subsidiary/Associates/Joint-Venture Company as at 31 March, 2021.

CHANGES IN SHARE CAPITAL

During the year under review, there was no change in the share capital.

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, 2021. 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 24 May, 2021, has transferred ₹608.67 lakh to Statutory Reserve.

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 details of Options granted as on 31 March 2021 along with other particulars as required under Section 62 of the Companies Act, 2013 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

Being a non-deposit taking Company, your Company has not accepted any deposits from the public within the meaning of Paragraph 3 (xiii) of Master Direction - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016 and the provisions of Companies Act, 2013.

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 ₹77,900 lakh from banks and financial institutions during the Financial Year 2020-21 as compared to ₹72,500 lakh during the previous year.

The aggregate of term loans outstanding at the end of the financial year 2020-21 stood at ₹145,151 lakh as against ₹117,870 lakh as at the end of the previous year.

B. Commercial Paper

During the year 2020-21, your Company has not raised resources by issuing Commercial Paper, hence the outstanding amount as on 31 March, 2021 is NIL.

C. Non-Convertible Debentures

The Company has an aggregate outstanding balance of ₹45,999 lakh through issue of Secured Redeemable Non-Convertible Debentures on Private Placement basis as on 31 March 2021. 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 2020-21. During the year, your Company raised ₹41,000 lakh through fresh issue of Secured Redeemable Non-Convertible Debenture on Private Placement basis.

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 2021 is ₹25,650 lakh.

E. Any Other Borrowing

Your Company has not borrowed through issue of Pass Through Certificate (PTC) or under Partial Guarantee Scheme (PCG) during the financial year 2020-21. The aggregate outstanding through PTC borrowings net of investment stood at ₹27,442 lakh as on 31 March 2021.

NHB REFINANCING

During the financial year under review, your Company received funds under regular refinance, liquidity infusion and special refinance facility from National Housing Bank. The Company has been granted a sanction amounting to ₹264 Crores under NHB's various refinancing schemes for Housing Finance Companies.

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

Pursuant to Regulation 53 of the Listing Regulations the name and contact details of the Debenture Trustee for the privately placed NCDs are given below:

Name	IDBI Trusteeship Services Limited	Catalyst Trusteeship Limited (Formerly GDA Trusteeship Limited)
Phone No./Fax	+91 22 4080 7050/+91 22 6631 1776	+91 22 4922 0506
Office Address	Asian Building, Ground Floor, 17, R. Karmani Marg, Ballard Estate, Mumbai – 400 001, Maharashtra	GDA House, Plot No.85 Bhusari Colony (Right), Puad Road, Pune – 411038
E-mail	itsl@idbitrustee.co.in	deesha.trivedi@ctltrustee.com
Investor Grievance Email	response@idbitrustee.com	grievance@ctltrustee.com
Website	www.idbitrustee.com	www.catalysttrustee.com
Contact person	Ms. Ritobrata Mitra – Chief Manager	Ms. Deesha Trivedi – Associate Vice President

CREDIT RATING

During the FY 2020-21, rating for Commercial Paper from CRISIL is re-affirmed at CRISIL A1+. CARE Ratings reaffirmed its ratings on the Company's long term Secured NCDs and Bank Facilities at CARE AA-. ICRA Limited has reaffirmed its ratings on long term Bank Facility ratings of the Company at ICRA AA-. AA- reflects that these instruments have high degree of safety regarding timely payment of financial obligations and carry very low credit risk. Brickwork Ratings has downgraded its ratings on long term Secured NCDs of the Company from BWR AA to BWR AA-.

Instrument	Rating	Rating Agency
Rating Under Basel Guidelines		
Long Term Debt Instruments (including NCDs)	AA-	CARE
	AA	Brickwork
Long Term Bank Facilities	AA-	CARE
	AA-	ICRA
Commercial Paper	A1+	CRISIL

All the above mentioned long term ratings are under Credit watch with Developing Implications following the announcement of the proposed change of control in the holding company except BWR which has changed its outlook from Stable to Negative (this rating has been subsequently withdrawn in FY 21-22).

BRANCH EXPANSION

During the year under review, your Company operated from 97 offices, comprising of all full service branches. 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

Under the applicable regulatory guidelines/ framework, i.e. Housing Finance Companies (NHB) Directions, 2010 and Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, your Company is presently required to maintain a minimum capital adequacy of 14% on a stand-alone basis. Your Company's capital adequacy ratio stood at 30.50% as at 31 March 2021, which provides an adequate cushion to withstand business risks and is comfortably above the minimum requirement of 14% stipulated under the Regulatory Guidelines/ Framework. 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, and the Company has transferred ₹608.67 lakh to Statutory Reserve.

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

Your Company is registered with CERSAI and has been submitting regular monthly data in respect of its loans under Section 21 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

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, due to the prevailing COVID 19 pandemic, your Company initiated action against only 27 defaulting borrowers under the SARFAESI Act and recovered Rs.1,232 lakhs 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 ₹10,496.58 (Previous Year ₹2,893.78 lakhs) towards impairment allowance under Expected Credit Loss model.

The amount of Gross Non-Performing Assets (Stage 3 Assets) as on 31 March, 2021 is ₹4,624.56 lakh, which is equivalent to 1.59% of the loan portfolio of the Company. The total cumulative provision towards GNPA (Stage 3 Assets) as on 31 March, 2021 is ₹2,394.99 lakh.

Asset Quality:

a. Stricter write off policy

During the year, the Company moved to more stringent write off policy for its portfolio. For its portfolio the write off has been introduced at 730+ dpd. This has resulted in additional charge of ₹881 lacs during the quarter and year ended 31 March 2021. The recovery efforts continue for the written off portfolio, and recoveries made will be credited to profit and loss account in the subsequent quarters in line with the applicable accounting policies.

COVID-19 impact on portfolio

COVID-19 wave 1:

The Company implemented a moratorium policy in accordance with the Reserve Bank of India (RBI) COVID-19 Regulatory Package announced on March 27, 2020, April 17, 2020 and May 23, 2020, the Company. For all loans where moratorium was availed by the borrowers, the Company had kept ageing of such loans and their asset classification at standstill during the moratorium period. The Company's business was adversely impacted during the period of lockdown in March-June 2020 period, and the impact continued for some time even subsequently.

There was an adverse impact of COVID on the credit loss incurred by the Company for the year ended March 2021.

COVID-19 wave 2:

The COVID-19 wave 2 induced significant rise in infections and tragic loss of human lives, resulting in lockdowns that have caused disturbance in the overall operations at beginning of the new financial year. The impact has spread in hinterland tier towns and impacted the collections from the customers, once again disturbing the operations of the Company significantly.

The Company estimates that impact of COVID wave 2 and resultant lockdowns shall lead to higher credit losses. The management expects muted response to the restructuring guidelines announced by the Reserve Bank of India on May 6, 2021 as its implementation would require physical connect with the customers, which is not feasible until the lockdowns are lifted. This will result in forward flow of the loan book to higher buckets in future and will thereafter take time to return to normalcy leading to significant increase in credit risk.

The Company has estimated the impact of COVID-19 wave 2 on its portfolio and created prudent additional provision of ₹4430 lakh as at 31 March 2021.

The Company holds cumulative provision against the potential impact of COVID-19 to the tune of ₹5090 lakh (₹740 lakh as on 31 March 2020) and basis management estimate is adequate to cover the impact of second wave of COVID-19 on the entire loan portfolio.

The amount of Gross Stage 3 Assets ratio on 3-month overdue basis on loans, stood at 1.59% in March 2021 same as 1.61% in March 2020. Similarly, the Net Stage 3 Assets ratio on loans stood at 0.77% in March 2021 compared to 0.97% in March 2020.

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. The Company uses information technology extensively in its operations.

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

REGULATORY GUIDELINES/ FRAMEWORK – THE FINANCE (NO.2) ACT, 2019 (23 OF 2019) AMENDED THE NATIONAL HOUSING BANK ACT 1987 CONFERRING THE POWER OF REGULATING HFC'S WITH RBI

The Company has complied with the provisions of prescribed Regulatory Guidelines/ Framework and has been complying with the various Circulars, Notifications and Guidelines issued thereunder. However, during the year under review, as directed by NHB, the Company had paid a penalty of ₹50,000 excluding taxes, on account of non-compliance with the provisions of para 2(1)(v)(x) of NHB Directions, 2010, para 10(2) of issuance of NCDs on Private Placement basis (NHB) Directions, 2014, para 2(iii) of NHB's Policy circular 86 and Policy Circular 58, 75 & 96 respectively.

KYC & AML STANDARDS

During the year, your Company has adhered to the compliance requirements in terms of the KYC & AML 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 has been uploading the KYC documents to the CKYC website.

Prescribed Fair Practices Code framework seeks to promote good and fair practices by setting 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

On the recommendation of the Nomination and Remuneration Committee, Mr. Prabhakar Dalal (DIN: 00544948), Mr. Sajid Fazalbhoy (DIN: 00022760) and Ms. Bhama Krishnamurthy (DIN: 02196839) were appointed as Additional Directors in the capacity of Non-Executive Independent Directors for a period of 3 years with effect from 24 May 2021 to 23 May 2024, subject to the approval of the Members at the ensuing Annual General Meeting (AGM).

Mr. Dalal, Mr. Fazalbhoy and Ms. Bhama K were not disqualified from being appointed as Directors as specified in terms of Section 164 of the Companies Act, 2013.

Your Company has received notices from members pursuant to Section 160(1) of the Companies Act, 2013 signifying the intention to propose the candidature of Mr. Dalal, Mr. Fazalbhoy and Ms. Bhama K as Directors of the Company.

Appropriate resolution seeking your approval to the aforesaid appointment along with brief profile of Mr. Dalal, Mr. Fazalbhoy and Ms. Bhama K is appearing in the Notice convening the 17th AGM of your Company.

During the year under review, Mr. Raman Uberoi (DIN: 03407353) and Ms. Deena Mehta (DIN: 00168992) were appointed as Non-Executive Independent Directors of the Company with effect from 20 March, 2020 at the Annual General Meeting (AGM) of the Company held on 04 August, 2020.

In accordance with the provisions of section 152 of the Companies Act, 2013 and Articles of Association, Mr. Sanjay Chamria (DIN: 00009894), Non-Executive Director, retires by rotation and is eligible for reappointment 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.

During the financial year, Mr. Satya Brata Ganguly (DIN: 00012220) who was the Non-Executive Independent Director of the Company completed his tenure as a Director in the Company on 12 July, 2020. Owing to preoccupation in prior commitments, Mr. Ganguly did not seek re-appointment as an Independent director on the Board of the Company post completion of this term and ceased to be the Independent Director of the Company with effect from the close of business hours of 12 July, 2020. The Board of Directors placed on record their deep appreciation for guidance provided by him during the tenure as Director of the Company. The Company benefitted immensely from his rich management experience.

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. Ian Gerard Desouza from the position of Chief Financial Officer of the Company with effect from the close of business hours on 30 June 2020, Mr. Ajay Arun Tendulkar was appointed as the Chief Financial Officer (Key Managerial Personnel) of the Company with effect from 1 July, 2020 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. Desouza during his tenure of services with the Company.

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

STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTORS

The Company has received declarations pursuant to Section 149(7) of the Companies Act, 2013, from all the Independent Directors (IDs) of the Company confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013. All the IDs of the Company have registered their names with the data bank of IDs maintained by Indian Institute of Corporate Affairs (IICA) and therefore possess the integrity, expertise and experience.

BOARD MEETINGS

During the financial year 2020-21, the Company has held seven (7) Board Meetings, i.e. on 02 April 2020, 09 June 2020, 04 August 2020, 30 October 2020, 04 November 2020, 30 November 2020 and 29 January, 2021. 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 2020-21, 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 2020-21
1.	Mr. Sanjay Chamria	7/7
2.	Mr. Mayank Poddar[1]	1/2
3.	Mr. Kailash Baheti[2]	2/2
4.	Mr. Satya Brata Ganguly[3]	2/2
5.	Mr. Manish Jaiswal	7/7
6.	Mr. Raman Uberoi	7/7
7.	Ms. Deena Mehta	7/7

[1] Retired w.e.f. close of business hours on 09.06.2020

[2] Resigned w.e.f. close of business hours on 09.06.2020.

[3] Ceased to be a Director on completion of tenure w.e.f. close of business hours on 12.07.2020.

SEPARATE MEETING OF INDEPENDENT DIRECTORS

During the year under review, a separate meeting of the Independent Directors (IDs) was held on 29 January 2021, 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 29 January 2021 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 29 January, 2021.

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.

Outcome of evaluation process

Based on inputs received from the members, it emerged that the overall performance evaluation of the Board, composition and quality, understanding the business including risks, process and procedures, oversight of financial reporting process including internal controls and audit functions, ethics and compliances and monitoring activities, has been found to be very good. Similarly, the effectiveness of Board Committees has been rated high and the performance of the Chairman of the Company have been found to be very good. Overall, the Board was functioning very well in a cohesive and interactive manner.

Previous year's observations and actions taken

Based on the evaluation undertaken few observations and action taken for FY2019-20 inter-alia include:

- In respect of Regulatory update, it was suggested that the Board Members be informed about the changes that are brought in by various regulators. The regulatory updates and its impact on the industry forms part of the presentation placed at the Committee and Board Meetings on a quarterly basis.
- In respect of induction of new members with experiences in housing finance industry & banking sector, the Company has appointed Directors with expertise in the field.

Last year recommendations of IDs and Board on Performance Evaluation have been largely implemented.

Proposed actions based on current year observations

Based on the evaluation of FY2020-21, some areas of improvement were suggested specifically highlighting the following points:

- Discussion on regulatory updates and its impact made to the Board members, should be more comprehensive, sharper and focussed.
- Business Continuity Risk and Succession Planning needs to be thought through.

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 MGT 7 which is available at the website at https://www.magmahfc.co.in/regulatory-disclosure/secreterial-disclosures.php.

The Non-executive Independent Directors were paid sitting fees of ₹40,000/- per meeting of the Board and effective 01 June, 2020 the fees was increased to ₹50,000/- per meeting of the Board and ₹30,000/- per meeting of the Committees for the year 2020-21. 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 Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021.

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 broadly 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

The Committee presently comprises of Ms. Deena Mehta as the Chairperson and Mr. Sanjay Chamria and Mr. Raman Uberoi as members of the Committee. All members of the Audit Committee are financially literate and have accounting and related financial management expertise. During the financial year ended 31 March 2021, four (4) Audit Committee Meetings were held on 09 June 2020, 04 August 2020, 30 October 2020 and 29 January, 2021. 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, 2021 and particulars of attendance of members of the Committee at various meetings:

Name of the Members	Category	Number of meetings attended during the year 2020-21
Ms. Deena Mehta[1]	Chairperson, Independent	4/4
Mr. Sanjay Chamria[2]	Non- Executive	4/4
Mr. Raman Uberoi[3]	Independent	4/4
Mr. Satya Brata Ganguly[4]	Independent	0/0

[1] Appointed as Chairperson of the Committee w.e.f. 24.05.2020

[2] Re-designated as a Member of the Committee w.e.f. 24.05.2020

[3] Appointed as Member of the Committee w.e.f. 24.05.2020

[4] Stepped down from the membership of the Committee w.e.f. 24.05.2020.

Code for prevention of Insider-Trading practices

As per the SEBI (Prohibition of Insider Trading) Regulations 2015, the Company Secretary is the Compliance Officer and is responsible for setting forth policies, procedures, monitoring adherence to the rules for the preservation of price-sensitive information, pre-clearance of trade, monitoring of trades and implementation of the Code of Conduct for trading in Company's securities under the overall supervision of the Board. The Company has in place Board approved Code of Conduct for Prevention of Insider Trading as well as a Code of Corporate Disclosure Practices in accordance with aforesaid Regulations. All the Directors on the Board and Management Team and other employees who could be privy to unpublished price-sensitive information of the Company are governed by this Code.

The said Code may be referred to, at the website of the Company at its weblink i.e. https://www.magmahfc.co.in/regulatory-disclosure/secreterial-disclosures.php

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 Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021. Some of the important clauses of the Charter of the NRC are as follows:

Review of matters by the Committee

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

Approval of matters by the Committee

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

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. To devise a policy on remuneration including any compensation related payments of the Directors, Key Managerial Personnel and other employees and recommend the same to the Board of Directors of the Company;
5. Based on the Policy as aforesaid, determine remuneration packages for the following:

a. Recommend remuneration package of the Directors of the Company, including Commission, Sitting Fees and other expenses payable to Non-Executive Directors of the Company.

b. Recommend changes in compensation levels and one time compensation related payments in respect of Managing Director/Whole-time Director/Executive Director.

6. Recommend & Review succession plans for Managing Directors.

7. Evolve a policy for authorizing expenses of the Chairman and Managing Director of the Company;

Composition and Attendance

The Committee presently comprises of Ms. Deena Mehta as the Chairperson and Mr. Sanjay Chamria and Mr. Raman Uberoi as members of the Committee. During the financial year ended 31 March 2021, two (2) NRC Meetings were held on 09 June 2020 and 29 January 2021. Following table sets out the composition of the NRC as at 31 March, 2021 and particulars of attendance of members of the Committee at various meetings:

Name of the Members	Category	Number of meetings attended during the year 2020-21
Ms. Deena Mehta[1]	Chairperson, Independent	2/2
Mr. Sanjay Chamria[2]	Non- Executive	2/2
Mr. Raman Uberoi[2]	Independent	2/2
Mr. Kailash Baheti[3]	Non- Executive	0/0
Mr. Satya Brata Ganguly[3]	Independent	0/0

[1] Appointed as Chairperson of the Committee w.e.f. 24.05.2020

[2] Appointed as Member of the Committee w.e.f. 24.05.2020

[3] Stepped down from the membership of the Committee w.e.f. 24.05.2020.

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. The salient feature of the Policy are:

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. The Committee presently comprises of Ms. Deena Mehta as the Chairperson and Mr. Manish Jaiswal and Mr. Raman Uberoi as members of the Committee. During the year, the CSR Plan for the Financial Year 2020-21 was recommended by the Committee at its meeting held on 04 August, 2020.

The said Committee has been entrusted with the responsibility of formulating and recommending to the Board, a 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 Risk Management Committee (RMC), functions in line with the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021. The Committee met four times during the year, its terms of reference and functioning are set out below. The Company understands that risk evaluation and risk mitigation is a function of the Board of the Company and the Board of Directors are fully committed to developing a sound system for identification and mitigation of applicable risks viz., systemic and non-systemic. The Company has also implemented/adopted Integrated Risk Management Policy duly approved by the Board.

Integrated Risk Management Framework covers all risks including but not limited to Credit Risk, Market & Interest Risk, Compliance Risk, Operational Risk, Reputational Risk and Financial Risk. The said framework facilitates identification, measurement, mitigation and reporting of risks through constant monitoring of Key Risk Indicators within the organisation. Involvement of the Senior Management team in implementation of the Integrated Risk Management framework ensures achievement of overall organisational objectives across all business units.

The risk management infrastructure operates on five key principles:

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

The Integrated Risk Management is responsible for overseeing Magma Housing's risk functions including credit risk, market risk, compliance risk, operational risk, reputational risk and financial risk across all businesses, products and processes.

Credit Risk

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

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

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

Portfolio quality improvement is a constant exercise. We use the statistical benchmark of Early Warning Indicators and Continuous Portfolio Monitoring Indicators and basis these indicators carry out Hind sighting exercise to make appropriate intervention in the Credit Policy to further improve the portfolio quality and reduce the ultimate losses. During the financial year, we have been faced with unprecedented health and economic crisis on account of COVID-19 which has led us to make credit policy adjustments and further enhance the credit processes due to uncertain economic conditions.

Operational Risk management

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

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

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

Magma Housing 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.

Fraud Risk Management

Overview

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

Scope

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

Governance Structure

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

Enhanced surveillance during Covid times

In the Covid 19 scenario, intensified surveillance activities by RCU are happening on a regular basis. Findings are being shared with management team and corrective actions monitored.

Regular online training sessions are conducted for better fraud prevention.

Market Risk

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

Foreign exchange risk

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

Liquidity risk management

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

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

The Company has a comfortable liquidity position by way of unutilized Bank line and further supported by funds raised through Term Loans and Securitization.

People Risk

Human resources are most valuable assets. Magma Housing is focused on continuously training and upgrading the work skills of its staff across the organisation. Magma Housing L&D team has taken number of initiatives during the year by releasing knowledge nuggets and eLearning modules which enables employees to self-learn and upgrade their skills.

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

People risks that Magma Housing focuses on includes following:

Inadequate availability of skilled manpower:

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

Productivity Risk:

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

Succession planning:

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

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

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

Composition and Attendance

The Risk Management Committee (RMC) is constituted in accordance with the provisions of the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021. The Committee presently comprises of Mr. Raman Uberoi as the Chairperson and Mr. Sanjay Chamria, Mr. Manish Jaiswal and Ms. Deena Mehta as members of the Committee. During the financial year ended 31 March 2021, four (4) Risk Management Committee Meetings were held on 09 June 2020, 04 August 2020, 30 October 2020 and 29 January 2021. 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, 2021 and particulars of attendance of members of the Committee at various meetings:

Name of the Members	Category	Number of meetings attended during the year 2020-21
Mr. Raman Uberoi[1]	Chairman, Independent	4/4
Mr. Sanjay Chamria[2]	Non- Executive	3/4
Mr. Manish Jaiswal	Managing Director & Chief Executive Officer	4/4
Ms. Deena Mehta[3]	Independent	4/4
Mr. Kailash Baheti[4]	Non- Executive	0/0

[1] Appointed as Chairperson of the Committee w.e.f. 24.05.2020

[2] Re-designated as Member of the Committee w.e.f. 24.05.2020

[3] Appointed as Member of the Committee w.e.f. 24.05.2020

[4] Stepped down from the membership of the Committee w.e.f. 24.05.2020.

ASSET LIABILITY MANAGEMENT COMMITTEE

The Asset Liability Management Committee (ALCO) is constituted as per the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021.

Composition and Attendance

The Committee presently comprises of Mr. Manish Jaiswal as the Chairperson and Ms. Deena Mehta and Mr. Raman Uberoi as members of the Committee. During the financial year ended 31 March 2021, four (4) Asset Liability Management Committee Meetings were held on 20 May 2020, 28 July 2020, 23 October 2020 and 19 January 2021. Following table sets out the composition of the Asset Liability Management Committee as at 31 March, 2021 and particulars of attendance of members of the Committee at various meetings:

Name of the Members	Category	Number of meetings attended during the year 2020-21
Mr. Manish Jaiswal	Chairman, Managing Director & Chief Executive Officer	4/4
Mr. Sanjay Chamria[1]	Non- Executive	0/4
Mr. Raman Uberoi[2]	Independent	3/3
Mr. Kailash Baheti[3]	Non- Executive	1/1
Ms. Deena Mehta[4]	Independent	0/0

[1] Stepped down as a Member of the Committee w.e.f. 31.03.2021

[2] Appointed as a member of the Committee w.e.f. 24.05.2020

[3] Stepped down as a Member of the Committee w.e.f. 24.05.2020

[4] Appointed as a member of the Committee w.e.f. 31.03.2021

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

The Committee presently comprises of Mr. Manish Jaiswal as the Chairperson and Mr. Sanjay Chamria and Ms. Deena Mehta as members of the Committee. During the financial year ended 31 March 2021, nineteen (19) Management Committee Meetings were held on 04 April 2020, 12 June 2020, 22 June 2020, 26 June 2020, 01 July 2020, 06 July 2020, 28 July 2020, 31 July, 2020, 13 August 2020, 18 August 2020, 23 October 2020, 05 November 2020, 17 December 2020, 30 December, 2020 and 19 February, 2021, 12 March 2021, 19 March 2021, 25 March 2021 and 30 March, 2021. Following table sets out the composition of the Management Committee as at 31 March, 2021 and particulars of attendance of members of the Committee at various meetings:

Name of the Members	Category	Number of meetings attended during the year 2020-21
Mr. Manish Jasiwal[1]	Managing Director & Chief Executive Officer	19/19
Mr. Sanjay Chamria[2]	Non- Executive	12/18
Ms. Deena Mehta[2]	Independent	18/18
Mr. Kailash Baheti[3]	Non- Executive	1/1
Mr. Mayank Poddar[3]	Non- Executive	1/1

[1] Re-designated as Chairman of the Committee w.e.f. 24.05.2020

[2] Appointed as a member of the Committee w.e.f. 24.05.2020

[3] Stepped down as a Member of the Committee w.e.f. 24.05.2020

IT STRATEGY COMMITTEE (ITSC)

In compliance with Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, specifying the IT framework to be adopted for the HFC sector, the Company has constituted an IT Strategy Committee.

Terms of reference

Some of the important clauses of the Charter of the ITSC are as follows:

- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- Ensuring proper balance of IT investments for sustaining Company's growth and becoming aware about exposure towards IT risks and controls;
- Periodically reviewing the process for development, approval and modification of the Company's IT strategy and strategic plan;
- Review the key issues, options and external developments impacting the Company's IT strategy including acquisition and development of Information Systems (New Application Software) and Change Management;
- Monitor enterprise risks assigned to the Committee by the Board under the Company's Enterprise Risk Management program and report thereon to the Audit Committee of the Board;
- Review the Information System (IS) audit report. The periodicity of IS audit should be at least once in a year;
- Ensuring that contingency plans have been developed and tested adequately;

Composition and Attendance

The Committee presently comprises of Mr. Raman Uberoi as the Chairperson and Mr. Manish Jaiswal, Ms. Deena Mehta and other senior officials of the Company as Members. During the financial year ended 31 March 2021, two (2) IT Strategy Committee Meeting was held on 09 June, 2020 and 30 October, 2020. Following table sets out the composition of the IT Strategy Committee as at 31 March, 2021 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 2019-20
1	Mr. Raman Uberoi[1]	Chairperson, Independent, Non-executive	2/2
2	Mr. Manish Jaiswal	Managing Director & Chief Executive Officer	2/2
3	Ms. Deena Mehta[2]	Independent, Non-executive	2/2
4	Mr. Sanjay Chamria[3]	Non-executive	0/0
5	Mr. Ian Gerard Desouza[4]	Chief Financial Officer	1/1
6	Mr. Ajay Arun Tendulkar[5]	Chief Financial Officer	1/1
7	Mr. Manoj Ajitsaria[6]	Chief Information Officer & Chief Technical Officer	2/2
8	Ms. Anjana Kaura[7]	Chief Information Officer & Chief Technical Officer	0/0

[1] Appointed as Chairperson of the Committee w.e.f. 24.05.2020

[2] Appointed as Member of the Committee w.e.f. 24.05.2020

[3] Stepped down from the membership of the Committee w.e.f. 24.05.2020.

[4] Ceased to be a Member of the Committee w.e.f. 30.06.2020

[5] Appointed as a member of the Committee w.e.f. 04.08.2020

[6] Ceased to be a Member of the Committee w.e.f. 31.03.2021

[7] Appointed as a member of the Committee w.e.f. 31.03.2021

INFORMATION TECHNOLOGY

Magma Housing continues to leverage technology to drive efficiency and effectiveness of critical functions across the value chain of processes encompassing Customer service, sales, operations and risk management. This year Information Technology focused on increasing the performance and usability of the loan origination system mobile application, development of tools for enhancing the credit assessment for the housing finance business and development of a comprehensive 'systems of insight' were the other focus areas. In this year, Magma also strengthened and stabilized its digital footprint on the cloud.

Being committed to stand by its customers during the pandemic, Magma provided 2 rounds of moratorium and a one-time loan restructuring (OTR) package to its customers; these exercises were entirely driven by the robust technology platform that Magma uses for managing customer loans.

This year, Magma Housing successfully launched a mobile app for its Loan Origination System, thus significantly improving its turnaround time for its disbursement process and provided its users with an intuitive and easier to use UI (user interface).

Data Analytics continues to remain as a top enabler for Magma and as part of the final leg of the Navoday program, Magma introduced systems of insight, to provide 360 degree insight on sales, cross-sale, financial data to various teams and empower them to take decisions ahead of time and elevate Magma's maturity in business intelligence

Magma Housing Finance implemented Scienaptic (a leading AI-powered credit decision platform company) enabled an artificial intelligence (AI) /machine learning (ML) model for underwriting, collections and customer analytics; the high accuracy predictive models will enable lower credit losses, higher approval rate and better life cycle management for the loans within Magma's portfolio.

The COVID 19 situation developed rapidly from the end of March 2020 and Magma could successfully use technology to empower its employees to work from home and remain productive, while not compromising on information and cyber security.

During FY2021-2022, the Information Technology will continue to deliver digital capabilities by driving productivity improvements, technology partnerships and synergy of operations and opening up new avenues of business opportunities.

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

The Committee presently comprises of Mr. Sanjay Chamria as the Chairperson and Mr. Manish Jaiswal, Mr. Raman Uberoi and Ms. Deena Mehta as Members of the Committee. During the financial year ended 31 March 2021, no meeting of Review Committee was held. Following table sets out the composition of the Review Committee as at 31 March, 2021:

Sl No.	Name of the Members	Category
1.	Mr. Sanjay Chamria	Chairman, Non- Executive
2.	Mr. Mayank Poddar[1]	Non- Executive
3.	Mr. Kailash Baheti[1]	Non- Executive
4.	Mr. Manish Jasiwal	Managing Director & Chief Executive Officer
5.	Mr. Raman Uberoi[2]	Independent, Non-executive
6.	Ms. Deena Mehta[2]	Independent, Non-executive

[1] Stepped down from the membership of the Committee w.e.f. 24.05.2020.

[2] Appointed as a member of the Committee w.e.f. 24.05.2020

VIGIL MECHANISM

In terms of Section 177 of the Act, the Company has adopted the "Breach of Integrity and Whistle Blower (Vigil Mechanism) Policy", to provide a formal mechanism to the Directors and employees to report their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy. The Policy provides for adequate safeguards against 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. Further as per the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, Policy on related party transactions is also made part of this Annual Report as **Annexure D** to Boards' Report.

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 ₹171.45 lacs, which has been fully provided for. The services of the concerned employees have been terminated by the Company.

INTERNAL CONTROL SYSTEM

Magma has an adequate system of internal controls in place. The Company has documented its policies, controls and procedures, covering all financial and operating activities. Internal controls include IT general controls, IT application controls, controls designed to provide a reasonable assurance with regard to reliability on financial reporting, monitoring of operations for their efficiency and effectiveness, 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 function is responsible for providing independent assurance on Company's system of internal controls, risk management and governance processes, including its subsidiaries. The scope and authority of the Internal Audit division is derived from the Audit Charter, duly approved by the Audit Committee. To maintain independence of Internal Audit, the Chief Internal Auditor (CIA) reports functionally to the Audit Committee. Internal Audit prepares an annual audit plan following risk-based audit approach, which is approved by Audit Committee. The Audit Committee reviews the annual audit plan, the significant audit findings presented on a quarterly basis and the updated status of implementation of management action plan.

The company has a system of internal control over financial reporting that adequately addresses the risk that a material misstatement in the company's financial statements would not be prevented or detected on a timely basis and that these controls are operating effectively.

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

The Company's has in place adequate internal financial controls with reference to financial statements, commensurate with the size, scale and complexity of its operations. Review of the internal financial controls environment of the Company was undertaken during the year which covered testing of Entity Level Controls, Process and IT controls including review of key business processes for updating Risk Control Matrices, etc. The Risk and Control Matrices are reviewed on an annual basis and control measures are tested and documented. Moreover, the Company continuously upgrades its systems and reviews and updates policies, guidelines, manuals and authority matrix.

The internal financial control is supplemented by internal audits, regular reviews by the Management and standard policies and guidelines to ensure reliability of financial and all other records to prepare financial statements, its reporting and other data. The Audit Committee of the Board reviews internal audit reports given along with management responses. The Audit Committee also monitors the implemented suggestions. The Company has, in material respect, an adequate internal financial control over financial reporting and such controls are operating effectively.

The statutory auditors of the Company have also certified on the existence and operating effectiveness of the internal financial controls relating to financial reporting as of March 2021.

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. 5 and 6 to the financial statement.

ANNUAL RETURN

Pursuant to section 92(3) of the Companies Act, 2013, Sec 134(3) and rule 12(1) of the Companies (Management and Administration) Rules, 2014, annual return for the financial year ended 31 March 2021, is available on the website of the Company at the weblink: *https://www.magmahfc.co.in/regulatory-disclosure/secreterial-disclosures.php*

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 134(3)(c) read with Section 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, 2021 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 Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, issued by RBI.

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 2020-21.

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: 14929), a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company for the financial year 2020-21. The Report of the Secretarial Auditor for the financial year ended 31 March 2021 is annexed herewith as **"Annexure G"**.

Secretarial Auditors' Observations

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark or disclaimer in FY 2020-21.

COST AUDIT

Maintenance of cost records and requirement of cost audit prescribed under section 148(1) of the Companies Act 2013 are not applicable to the Company.

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.

HUMAN RESOURCE-PEOPLE COUNT AT EVERY STEP

At Magma Housing, we believe that key pillars to business are people, processes, product and technology. Our endeavour is to create a conducive environment in which all four pillars work in harmony for the success of the organisation and its people. We believe people are our biggest assets and they will play a stellar role in the growth and success of Magma Housing Finance.

- **Learning and development**

In continuation of our efforts to make Magma Housing a self-developing Organization, we have taken various learning initiatives delivered through an e-Learning platform and web based instructor led programmes. This year special emphasis has been on developing 'digital learning mediums" and Magma as a group had experienced the webinar fever way before COVID. We have been doing these webinars from 2019 and in 2020 moving completely to webinar mode of learning. We have even converted our Induction program to a digital medium to bring a wholistic and safe on-boarding experience for our employees. We also provide a joining docket called "Aarambh" with the necessary details, this document is provided to employees in their regional language apart from English.

Few Key Learning Initiatives Taken during the year across Magma Housing:

- The HFC Navoday Project has been introduced to do the re-engineering in the business processes of Magma and enable it to become digitally enabled –Simulation based system training done for all employees.
- Functional Learning Support through - Nuggets/video/webinars
- We introduced several web based e-learning programs for branch safety, Infosec and other employee safety related topics.
- We developed branch safety modules on COVID related protocols for re-opening of our offices, each Magma housing employee was covered.

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

- **Driven by technology**

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

- **Incentive schemes**

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

Key HR Initiatives

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

- Hire people who meet the job role and Value system of Magma
- Promote people internally as the first choice for a vacant position. Several leadership positions were appointed internally.
- To strengthen our new joiners experience we launched "Aarambh" & "Maitree 3.0"
- Developed "Stay Healthy Stay Positive" initiative for wholesome wellness of employees during the pandemic.

Culture

Initiatives are being deployed to create stories and symbols that manifest the Values of integrity, collaboration and respect. We are sensitive towards creating a Culture of Empathy, Care and Gratitude towards the customer. CEO and Senior Leadership connects at regular interval have been instrumental in driving the right culture and messaging. There has been a profound impetus to create awareness around the use of ethical practices and prevent any fraud through risk awareness and mitigation.

Retention

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

Productivity

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

Engagement

Keeping employees engaged and emotionally invested in the organisation is imperative for the growth of the organisations. Magma Housing and its leadership team is very conducive to novel ideas of promoting employee engagement. During the tough times of physical distancing, we have found different yet effective ways to engage our employees:

a. Inform, Guide & Nurture the employees to sustain during these times

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

c. Co-opt employees to prepare for "bounce back" scenarios for business resurrection.

d. Quarterly Online R&R event "Magma Tarang", celebrated by employees, their families, our customers and connectors. It is a Facebook live event where top performers from each zone are felicitated and all employees come together for a musical evening.

e. Online wellness programs around keeping fit:

   i. Yoga and cross fit training

   ii. Nutrition and wellness education

c. Constant reskilling – Nuggets/video/webinars

d. Leadership interaction through webcast – "Connect" sessions with Leadership team and Platform to bubble up ideas from the field level resources.

Prevention of Sexual Harassment at Workplace

The Company has zero tolerance towards sexual harassment at the workplace and has adopted a 'Policy for Prevention of Sexual Harassment' to prohibit, prevent or deter any acts of sexual harassment at workplace and to provide the procedure for the redressal of complaints pertaining to sexual harassment, thereby providing a safe and healthy work environment, in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act 2013 and the rules thereunder. During the year under review, no case of sexual harassment was reported. To build awareness and appreciation of this area, we have implemented an online knowledge module leveraging our learning management system.

The Focus in the coming year is to emphasis and embed ethical work practices and integrity driven behaviour as one of the prime employee behaviour. We have revised the e-learning program in POSH and created curated content. For this effect one of the core initiatives is to embed evaluation of this behaviour in every step of the employee life cycle, i.e., from recruitment to separation.

COVID 19

The COVID 19 outbreak has been unprecedented for our country and for the world. The global coronavirus (Covid-19) pandemic has upturned life for all of mankind and including all of India. Magma navigated the crisis, through the year, we took several measures to place the safety of our employees, increasing sanitization/hygiene at our branch offices, providing masks/gloves, creating an Emergency Response team (comprising for HR and admin teams) which continues to connect with and provide support to employees who were feeling unwell, and launching a special Helpline for assistance. The entire leadership team nimbly worked to implement our Business Continuity Plans (BCP) for various critical processes, we had implemented Work-From-Home (WFH) for several job roles and enforcing social distancing, we promoted several digital collection modes.

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

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 Reserve Bank of India and National Housing Bank for their continued assistance and support.

CAUTIONARY STATEMENT

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

For and on behalf of the Board of Directors

Sanjay Chamria
Chairman
(DIN: 00009894)

Place: Kolkata
Date: 24.05.2021

Annexure A to Board's Report

Statement as at 31 March, 2021 pursuant to Section 62 read with Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014

Sl. No.	Description	MHFL ESOP 2018					MHRSO 2018
		Details (3rd tranche)	Details (4th tranche)	Details (5th tranche)	Details (6th tranche)	Details (7th tranche)	Tranche 1
1	Number of options granted	140,000	490,000	200,000	1,000,000	2,00,000	2,960,000
2	Number of options vested	45,000	147,000	54,000	NIL	NIL	1,480,000
3	Number of options exercised	NIL	NIL	NIL	NIL	NIL	NIL
4	The total number of shares arising as a result of exercise of option	NIL	NIL	NIL	NIL	NIL	NIL
5	Options lapsed	65,000	NIL	20,000	NIL	NIL	NIL
6	The exercise price	Rs. 24.25	Rs. 36.66		Rs. 58.39		Rs.10
7	Variation of terms of options	NIL	NIL	NIL	NIL	Vesting is linked to achievement criteria	NIL
8	Money realized by exercise of options	NIL	NIL	NIL	NIL	NIL	NIL
9	Total number of options in force	75,000	490,000	180,000	1,000,000	200,000	2,960,000
10	Employee wise details of options granted to:						
(i)	Key managerial personnel	Chief Financial Officer: 65,000 Options are now lapsed	NIL	NIL	Chief Financial Officer: 125,000 Options	Chief Financial Officer: 55,000 Options	Managing Director & Chief Executive Officer: 2,960,000 options
(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	Details in Appendix-I		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

Sl No.	Name	Options granted – MHFL ESOP 2018					Options granted – MHRSO 2018
		Details (3rd) (tranche)	Details (4th) (tranche)	Details (5th) (tranche)	Details (6th) (tranche)	Details (7th) (tranche)	Details (Tranche 1)
1	Vishwas Shrungarpure	75,000	200,000	-	1,55,000	45,000	-
2	Anand Dinkar Wagh	-	100,000	-	75,000	--	-
3	Nitesh Kumar Jhanjee	-	50,000	-	30,000	-	-
4	Sunit Mahajan	-	30,000	-	70,000	-	-
5	Tarwinder Singh	-	30,000	-	50,000	-	-
6	Prakash G M	-	30,000	-	75000	40,000	-
7	Dnyanesh Anil Nandurkar	-	25,000	-	40,000	-	-
8	Iqbal Singh	-	25,000	-	30,000	-	-
9	Sanjeev Jaswal	-	-	10,000	10,000	-	-
10	Gorrela Venkata Suraj	-	-	10,000	-	-	-
11	Ashutosh Verma	-	-	10,000	-	-	-
12	Shailendra Singh	-	-	10,000	15,000	-	-
13	Vipin Gupta	-	-	10,000	15,000	-	-
14	Atul Arora	-	-	10,000	10,000	-	-
15	Sudipta Paul	-	-	10,000	-	-	-
16	Chayan Gulati	-	-	10,000	15,000	-	-
17	Rajesh Narayanan	-	-	10,000	10,000	-	-
18	Ashutosh Vishnuprsad Trivedi	-	-	10,000	-	-	-
19	Ram Prasad M	-	-	10,000	10,000	-	-
20	Prakash Mallick	-	-	10,000	15,000	-	-
21	Ashish Jaiprakash Chendwankar	-	-	10,000	15,000	20,000	-
22	Lalit Gupta	-	-	10,000	15,000	-	-
23	Indhumasagar Natarajan	-	-	10,000	-	-	-
24	Mirza Tauseef Baig	-	-	10,000	-	-	-
25	Sonia Sharma	-	-	10,000	-	-	-
26	Prakash Kumar Shaw	-	-	10,000	-	-	-
27	Manish Jaiswal	-	-	-	-	-	2,960,000
28	Ajay Arun Tendulkar	-	-	-	1,25,000	55,000	
29	Amit Pralhad Dhatavkar				40,000	-	
30	Anjana Kaura				75,000	40,000	
31	Balaji PS				50,000	-	
32	Nikhil Jamwal				15,000	-	
33	Shashank Bhausahab				40,000	-	
	TOTAL	**140,000**	**490,000**	**200,000**	**10,00,000**	**2,00,000**	**2,960,000**

For and on behalf of the Board of Directors

Sanjay Chamria
Chairman
(DIN: 00009894)

Place: Kolkata
Date: 24.05.2021

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 2020-21, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for FY 2020-21 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 2020-21 (Rs. in lakh)	% increase in Remuneration in FY 2020-21	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	125.07	0.00%	29.32	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 1.03%. The Company's PAT has decreased by 74.5%.
2	Ian Gerard Desouza[1] Chief Financial Officer	38.66	0.00%	34.82	
3	Priti Saraogi Company Secretary	11.04	0.00%	2.41	
4	Ajay Arun Tendulkar[2] Chief Financial Officer	65.82	0.00%	19.36	
5	Satya Brata Ganguly[3] Non-Executive Independent Director	0.90	-80.85%	0.19	
6	Raman Uberoi Non-Executive Independent Director	8.80	0.00%	1.86	
7	Deena Mehta Non-Executive Independent Director	12.70	0.00%	2.68	
8	Sanjay Chamria Non-Executive Director	-	-	-	
9	Mayank Poddar[4] Non-Executive Director	-	-	-	
10	Kailash Baheti[5] Non-Executive Director	-	-	-	

[1] Ceased to be the Chief Financial Officer of the Company w.e.f. close of working hours on 30.06.2020.

[2] Appointed as Chief Financial Officer of the Company w.e.f. 01.07.2020.

[3] Ceased to be a Director pursuant to completion of tenure w.e.f. close of working hours on 12.07.2020.

[4] Ceased to be a Director pursuant to retirement w.e.f. close of working hours on 09.06.2020.

[5] Stepped down from the Board w.e.f. close of working hours on 09.06.2020.

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.

i. The median remuneration of employees of the Company during the financial year was Rs.4.74 lakh.

ii. In the financial year, there was an increase of 2.59% in the median remuneration of employees.

iii. There were 988 permanent employees on the rolls of Company as on 31 March 2021.

iv. Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2020-21 was 1.03% whereas the increase in the managerial remuneration for the same financial year was 0%.

v. 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: Kolkata
Date: 24.05.2021

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, 2021 and forming part thereof

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

Name	Age (years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (in ₹lakhs)	Particulars of last employment, last post, employer
Manish Jaiswal	51	Bachelor of Engineering and Fast Track General Management Program from IIM, Bangalore	Managing Director & Chief Executive Officer (President)	26 June 2017	29	125.07	CRISIL Limited - Head of Business (SME Ratings)
Ajay Arun Tendulkar	49	ICWAI	Senior Vice President	01 July 2020	27	65.82	Fullerton India SVP
Tarwinder Singh	43	Chartered Accountant	Associate Vice President	4-May-18	22	47.52	Tata Capital Housing Finance -RCM AVP
Prakash G M	40	MBA/PGDBM - Full Time	Vice President	10 May 2018	19	56.66	L&T Housing Finance Ltd - Zonal Credit Manager
Achuta Rama Murthy Sombhatla	52	MBA/PGDBM - FULL TIME	Vice President	31-May-18	27	52.25	Mannapuram Home Finance Ltd - Head Credit
Dnyanesh Anil Nandurkar	43	MBA/PGDBM - Full Time	Associate Vice President	1-Jun-18	20	45.01	Religare Finvest Ltd - AVP
Vishwas Shrungarpure	48	MBA/PGDBM - Full Time	Chief Business Officer (Senior Vice President)	04-September-2018	24	136.59	Easy Home Finance Ltd - Chief Operating Officer
Manoj Ajitsaria	53	Bachelor Of Commerce	Vice President	1-Dec-93	29	4.57	Senglo India Tea Company Ltd - Accounts Assistant
Anand Dinkar Wagh	54	Bachelor Of Legislative Law	Senior Vice President	25-Mar-19	30	88.35	Shriram City Union Finance Ltd - Head Collection
Nitesh Kumar Jhanjee	43	Bachelor Of Legislative Law	Vice President	5-Mar-19	21	50.38	Bajaj Finserv Ltd - Zonal Head

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 ₹lakhs)	Particulars of last employment, last post, employer
Manish Jaiswal	51	Bachelor of Engineering and Fast Track General Management Program from IIM, Bangalore	MD & CEO	26 June 2017	29	125.07	CRISIL Limited - Head of Business (SME Ratings)
Vishwas Shrungarpure	48	MBA/PGDBM - FULL TIME	Chief Business Officer (Senior Vice President)	4-Sep-18	24	136.59	Easy Home Finance Ltd - Chief Operating Officer

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 ₹lakhs)	Particulars of last employment, last post, employer
Ian Gerard Desouza	49	Chartered Accountant	Senior Vice President	01-Jan-19	24	38.66	Chief Finance officer- India Mortgage Guarantee Corporation

Notes:

1. Gross remuneration comprises salary, leave travel concession, house rent allowance, Company's contribution to provident fund, pension and gratuity fund, monetary value of other perquisites as per the Income Tax Act and Rules, leave encashment, bonus and commission.
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, except the Chief Business Officer 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: Kolkata
Date: 24.05.2021

Annexure C to Board's Report

Annual Report on CSR Activities for Financial Year 2020-21

1. Brief outline on CSR Policy of the Company.

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

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

Despite the outbreak of COVID pandemic, Magma continued its social projects by strictly adhering to Covid-19 norms. Some of the projects which had high degree on ground implementation, had to be paused for a while only to be renewed with greater intensity post lifting of lockdown. During lockdown, when the migrant workers and street dwelling population had to face a lot of hardship, Magma responded by offering Dry ration and cooked meals to over 5000 people many of whom had lost their jobs and were stranded on the road. Our campaign included building awareness on social distancing and providing mask and sanitizer to the migrant workers and daily wagers across locations. Due to lockdown, we had to alter some of the existing projects, like Mid-Day meal program, instead of meals, we offered happiness kit to the kids comprising of dry ration, school stationery, hygiene kit etc. This was necessitated since the schools remained closed due to the virus outbreak. Further we conducted several projects across states through our employee volunteering program Swayam.

2. Composition of CSR Committee:

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Ms. Deena Mehta (Chairperson)	Independent Director	2	2
2	Mr. Raman Uberoi	Independent Director	2	2
3	Mr. Manish Jaiswal	Managing Director & Chief Executive Officer	2	2

3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.

Composition: *https://www.magmahfc.co.in/admin/upload/CSR_Disclosure.pdf*

CSR Policy: *https://www.magmahfc.co.in/regulatory-disclosure/secreterial-disclosures.php*

CSR projects: *https://www.magmahfc.co.in/admin/upload/CSR_Disclosure.pdf*

4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report).

Statutorily the Company is not required to conduct Impact assessment study for its CSR projects.

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹lakhs)	Amount required to be set-off for the financial year, if any (in ₹lakhs)
1	20-21	NIL	NIL
	Total	NIL	NIL

6. Average net profit of the company as per section 135(5). ₹3,505.25 lakhs

7.

a) Two percent of average net profit of the company as per section 135(5): ₹70.11 lakhs. Additionally, the Unspent amount brought forward from previous years is ₹186.40 lakhs.

b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: NIL

c) Amount required to be set off for the financial year, if any: NIL

d) Total CSR obligation for the financial year (7a+7b-7c).: ₹256.51 lakhs

8.

a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (in ₹lakhs)	Amount Unspent (in Rs.)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount.	Date of transfer.	Name of the Fund	Amount.	Date of transfer.
256.54	NA	NA	NA		

b) Details of CSR amount spent against ongoing projects for the financial year: This is not applicable as the projects were conceptualized and executed in FY 21.

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sl. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/ No).	Location of the project.		Project duration.	Amount allocated for the project (in Rs.).	Amount spent in the current financial Year (in Rs.).	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.).	Mode of Implementation - Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
				State.	District.						Name	CSR Registration number.
	NIL											

c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project.	Item from the list of activities in schedule VII to the Act.	Local area (Yes/ No).	Location of the project.		Amount spent for the project (in ₹lakhs)	Mode of implementation - Direct (Yes/No).	Mode of implementation - Through implementing agency.	
				State.	District.			Name	CSR Registration number.
1.	M-Care	1	Yes	Rajasthan (Shahpura), Maharashtra (Pune), Madhya Pradesh (Bhopal, Chindwara, Hosangabad, Sehore, Ujjain), Karnataka (Bangalore, Hubli, Dharward), Telangana (Mahboobnagar, Kareemnagar, Warangal Hyderabad), Andhra Pradesh (Tirupati, Kadapa, Rajahmundry, Bheemavaram, Vishakhapatnam, Vizianagram, Guntur, Vijayawada, Kurnool), Tamil Nadu (Madurai, Ranipet, Vellore), Odisha (Bargarh, Sambalpur)		16.53	No	Magma Foundation	CSR00003941
2.	Mid-Day Meal	1	Yes	West Bengal (Kolkata, Purulia), Maharashtra (Aurangabad), Delhi, Andhra Pradesh (Nellore)		9.04	No	Magma Foundation	CSR00003941
3.	Swayam	1,2,8	Yes	West Bengal (Kolkata, South 24 Parganas, Hooghly, Sunderban), Karnataka (Bangarpet), Rajasthan (Jaipur), Maharashtra (Raigad) Delhi, Chhattisgarh (Raipur), Bihar (Samastipur), Jharkhand, Uttar Pradesh (Lucknow)		102.96	No	Magma Foundation	CSR00003941
4	PM CARES Fund	6	Yes	-		100	Yes	PM CARES Fund	
5	M-Education	1,2	Yes	West Bengal (Jalpaiguri), Karnataka (Kolar, Chikkaballapura), Andhra Pradesh (Chittoor), Odisha (Bargah, Kendrapara), Rajasthan (Alwar)		16.04	No	Magma Foundation	CSR00003941
	Total					**244.57**			

d) Amount spent in Administrative Overheads : ₹11.97 lakhs

e) Amount spent on Impact Assessment, if applicable: Not Applicable

f) Total amount spent for the Financial Year (8b+8c+8d+8e): ₹256.54 lakhs

g) Excess amount for set off, if any

Sl. No.	Particular	Amount (in ₹lakhs)
(i)	Two percent of average net profit of the company as per section 135(5)*.	256.51
(ii)	Total amount spent for the Financial Year	256.54
(iii)	Excess amount spent for the financial year [(ii)-(i)]	0.03
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	NIL
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	0.03

*Two percent of average net profit of the company as per section 135(5): ₹70.11 lakhs. Additionally, the Unspent amount brought forward from previous years is ₹186.40 lakhs.

9.

a) Details of Unspent CSR amount for the preceding three financial years:

Sl. No.	Preceding Financial Year.	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹lakhs)	Amount spent in the reporting Financial Year (in ₹lakhs)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (in ₹lakhs)
				Name of the Fund	Amount (in Rs).	Date of transfer.	
1.	2017-18	NA	6.51	-	-	-	112.68
2.	2018-19	NA	52.90	-	-	-	141.76
3.	2019-20	NA	40.00	-	-	-	186.40

Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Not applicable as the projects were conceptualized and executed in FY 21 only.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID.	Name of the Project.	Financial Year in which the project was commenced.	Project duration.	Total amount allocated for the project (in ₹lakhs)	Amount spent on the project in the reporting Financial Year (in ₹lakhs)	Cumulative amount spent at the end of reporting Financial Year. (in Rs. lakhs)	Status of the project - Completed /Ongoing.
1	NIL							
	Total	NIL						

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year: The Company has not created or acquired any capital asset in the financial year 20-21.

  b) Date of creation or acquisition of the capital asset(s).:NA

  c) Amount of CSR spent for creation or acquisition of capital asset: Nil

  d) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.: NA

  e) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset): NA

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5): The Company has successfully spend the entire obligated fund as per sec 135(5) during the Financial Year 2020-21. The Company has transferred an amount of ₹2.26 lakh, which is over and above the required spent in FY 21, to Magma Foundation, and the same shall be spent in FY 22.

For Magma Housing Finance Limited

Manish Jaiswal
(Managing Director and Chief Executive Officer)
DIN: 07859441
Place: Mumbai
Date: 24.05.2021

Deena Mehta
(Chairperson CSR Committee)
DIN: 00168992
Place: Mumbai
Date: 24.05.2021

Annexure D to Board's Report

Related Party Policy

The Board of Directors (the "Board") of Magma Housing Finance Limited (the "Company") had originally adopted this Policy on Related Party Transactions ("Policy") as required under Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 issued by National Housing Bank vide Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated 9 February, 2017 ('Direction') and Companies Act, 2013 ('the Act').

EFFECTIVE DATE

This Policy shall become effective from the date of its adoption by the Audit Committee or Board of the Company as the case may be.

SCOPE AND PURPOSE

The Companies Act, 2013 ('the Act') read with the Rules framed thereunder and Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 and amendments thereto, contain detailed provisions on Related Party Transactions.

This Policy has been framed as per the requirements of the Direction and is intended to ensure proper approval and reporting of the transactions between the Company and its Related Parties. This Policy also ensures adequate systems and procedures to address potential conflict of interest and compliance with the provisions of the Act.

The Board recognizes that certain transactions present a heightened risk of conflict of interest or the perception thereof. Therefore, any dealings with a Related Party must be conducted in such a way that no preferential treatment is given and adequate disclosures and/or permissions are made/ sought as required by Applicable Laws and as per the applicable policies of the Company. Therefore, the Board has adopted this Policy to ensure that all transactions with Related Parties shall be subject to this Policy and approval or ratification in accordance with Applicable Laws. This Policy contains the policies and procedures governing the review, determination of materiality, approval and reporting of such Related Party Transactions.

DEFINITIONS

1. **"Applicable Laws"** means the Act, the rules made thereunder, Listing Regulations and Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 and amendments thereto, applicable accounting standards issued by the Institute of Chartered Accountant of India or any other legislative authority entrusted with the task of issuing such accounting standards and includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions, as may be in effect from time to time.

2. **"Company Secretary"** means a Company Secretary as defined in clause (c) of sub section (1) of Section 2 of the Company Secretaries Act, 1980 duly appointed by the Company to perform various act.

3. **"Key Managerial Personnel"** in relation to the Company means:

   i. the chief executive officer or the managing director or the manager;

   ii. the company secretary;

   iii. whole-time director;

   iv. the chief financial officer

   v. such other person as may be prescribed from time to time.

4. **"Material Related Party Transactions"** mean such Related Party Transaction(s) to be entered into individually or taken together with previous Related Party Transaction(s) during a financial year, which exceeds the threshold limits as specified under Rule 15 (3) of Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time.

5. **"NHB Direction"** means Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 issued by the National Housing Bank including any amendment thereof.

6. **"Relative(s)"** shall have the same meaning as assigned to it under Section 2 (77) of the Companies Act, 2013.

7. **"Related Party"** means any person who is

   i. a related party under Section 2(76) of the Companies Act, 2013 read with rules issued thereunder;

   ii. a related party under the applicable accounting standards; or

   iii. any other person or entity covered under Applicable Laws.

8. **"Related Party Transaction(s)"** means any transaction with any Related Party that are subject to the provisions of Applicable Laws and shall *inter-alia* include the following:

   i. purchases or sales of goods or materials (finished or unfinished);

   ii. purchases or sales of property of any kind;

   iii. rendering or receiving of services;

   iv. leasing of property of any kind ;

   v. appointment of any agent for purchase or sale of goods, materials, services or properties;

   vi. appointment of such related party to any office or place of profit in the Company, or its subsidiary or associate company;

   vii. underwriting the subscription of any securities or derivatives thereof, of the company:

   viii. Such other transactions as per Applicable Law.

   Notwithstanding the foregoing, the following shall not be deemed to be a Related Party Transactions:

   i. Any transaction that involves providing of compensation to a director or Key Managerial Personnel, in accordance with the provisions of the Act, in connection with his or her duties to the Company or any of its holding Company, subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

   ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

   iii. Any other exception which is inconsistent with the Applicable Laws, including any rules or regulations made thereunder.

All terms not defined herein shall take their meaning from the Applicable Laws.

POLICY STATEMENT

A. Procedures for approval and review of Related Party Transactions

"Compliance with regard to approval and review of Related Party Transactions pursuant to this Policy, shall be limited to the transactions which are entered into with a related party defined under section 2(76) of the Act."

1. All Related Party Transactions or changes therein must be reported to the Company Secretary and shall be referred for approval by the Audit Committee in accordance with this Policy including those transactions proposed to be entered in the ordinary course of its business and on arm's length basis.

2. Related Party Transactions that are not in ordinary course of business but on arm's length basis should be approved by Audit Committee. Where such Related Party Transactions fall under Section 188 (1) of the Act, the Audit Committee shall recommend the transaction for approval of the Board.

3. Related Party Transactions that are not on arm's length basis, irrespective whether those are covered under Section 188 or not, should be placed by the Audit Committee, along with its recommendations, to the Board for appropriate action.

4. For the ease of carrying out transactions/ contracts/ arrangements, the Audit Committee may grant omnibus approvals to certain transactions based on the following criteria:

   I. Volumes of transactions undertaken with such Related Party in a year:

      a. Frequency of the transactions in the last 2 years;

      b. The maximum value per category of transactions and in aggregate shall not exceed ₹2000 Lacs or such other threshold limits as approved by the Audit Committee subject to approval of the Board of Directors of the Company from time to time;

      c. In case the Related Party Transactions being transactions under Section 188 (1) of the Act, the maximum value per category of transactions, in aggregate, shall not exceed the lower of the following:

         i. Rs. 2000 lacs or such other threshold limits as approved by the Audit Committee subject to the approval of the Board of Directors of the Company from time to time as omnibus approval;

         ii. The threshold limit as prescribed under Rule 15 (3) of Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time,

      d. The maximum value per transaction shall not exceed ₹2000 Lacs or such other threshold limits as approved by the Audit Committee subject to approval of the Board of Directors of the Company from time to time;

   II. Extent and manner of disclosures that can be made to the Audit Committee at the time of seeking omnibus approval;

      a. All the transaction placed for omnibus approval shall be in the ordinary course of business;

      b. All the transaction shall be at Arms' length basis;

      c. Projected growth rate in the business with the Related Party in the financial year for which omnibus approval is sought;

      d. Contractual terms offered by/to third parties for similar transactions;

      e. Contractual terms with such Related Parties, for instance, floor and cap on the pricing, credit terms, escalation in costs, quality checks etc.

   III. Review of transactions: All Related Party Transaction entered into by the Company pursuant to each of the omnibus approval made shall be reviewed by the Audit Committee on quarterly basis.

   IV. Audit Committee shall not grant omnibus approval for following transactions:

      a. Transactions which are not in ordinary course of business or not on arm's length basis;

      b. Transactions in respect of selling or disposing of the undertaking of the Company;

      c. Transactions which are not in the interest of the Company;

      d. Such other transactions specified under Applicable Law from time to time.

However, the Company may take Omnibus approval for continuing Related Party Transactions based on the decision of the Audit Committee or Board, as the case may be, from time to time.

5. Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the best interest of the Company.

6. The Omnibus Approval shall specify the following:

    i. the name/s of the related party;

    ii. nature of transaction;

    iii. period of transaction;

    iv. maximum amount of transaction in aggregate and per transaction that can be entered into with Related Party;

    v. the indicative base price / current contracted price;

    vi. the formula for deviation in the price, if any;

    vii. such other conditions as the Audit Committee may deem fit;

7. Where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

8. Further any such approvals shall be valid for that financial year only in which omnibus approval of the Audit Committee is granted.

9. Audit Committee shall grant omnibus approval for Related Party Transaction at the last meeting of every preceding financial year for which omnibus approval is to be granted and such omnibus approvals shall be valid for one financial year.

10. Transactions between holding company and its wholly owned subsidiary will be governed by criteria above unless exempted under the Applicable Laws.

11. The Audit Committee will undertake quarterly evaluation of the Related Party Transactions. If that evaluation indicates that the Related Party Transaction would require the approval of the Board, or if the Board in any case elects to review any such matter, the Audit Committee will report the Related Party Transaction, together with a summary of material facts, to the Board for its approval.

12. Related Party Transactions which are executed pursuant to the omnibus approval shall be quarterly placed before the Audit Committee/Board for its review.

13. The Audit Committee of the Board, on at least an annual basis, shall review and assess on-going relationships with such Related Party to ensure that they are in compliance with the Act and rules made thereunder, Corporate Governance Direction issued by NHB and this Policy and that the Related Party Transaction remains appropriate.

14 If the Board is of the view that the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a resolution pursuant to Applicable Laws considering the value being more than the amount mentioned above, the same shall be put up for approval by the shareholders of the Company. The Board shall ensure that in accordance with Applicable Laws, Related Parties of the Company as defined under section 2 (76) of the Act shall not vote in favour on any such resolution put to vote by the shareholders of the Company. However, for transactions mentioned under section 188 of the Act, only the person/entity who is related to the transaction shall not vote to approve the transaction.

15. Where, owing to exigencies, Related Party Transactions have been entered into without being placed for approval by the Audit Committee, reasoned explanation for the same must be received to the satisfaction of the Audit Committee. The Audit Committee may ratify such transactions, or may put forth the transactions before the Board along with its

recommendations within 3 months from the date of entering into such transaction, and the Board may either ratify such transactions or seek to avoid the same. The Audit Committee recommendations may also include appropriate measures authorising such transactions without approval of the Audit Committee.

16. If approval of the Board / general meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified at the Board meeting / general meeting, if required, within 3 months of entering in the Related Party Transaction.

17. In any case where either the Audit Committee / Board / a general meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the general meeting, as the case may be, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification.

18. In case any transaction involving any amount not exceeding ₹1 crore is entered into by a director or officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within 3 (three) months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the Company against any loss incurred by it:

    Provided that the above provisions shall not apply to a transaction, other than a transaction referred to in section 188, between a holding company and its wholly owned subsidiary company.

19. No director or Key Managerial Personnel shall participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the director / Key Managerial Personnel shall provide all material information concerning the Related Party Transaction to the Audit Committee / Board.

20. Audit Committee / the Board may review any Related Party Transactions involving independent directors as part of the annual determination of their independence.

21. Nothing in this Policy shall override any provisions of Applicable Laws made in respect of any matter stated in this Policy.

22. Management team shall formulate a defined procedure for identification/ monitoring/ approval of Related Party Transaction.

B. Standards for Review

A Related Party Transaction reviewed under this Policy will be considered, approved or ratified if it is authorized by the Audit Committee / Board, as applicable, in accordance with the standards set forth in this Policy after full disclosure of the Related Party's interests in the transaction.

The Audit Committee / Board will review all relevant information available to it about the Related Party Transaction. The Audit Committee / Board, as applicable, may approve / ratify / recommend to the shareholders, the Related Party Transaction only if the Audit Committee / Board, as applicable, determines in good faith that, under all of the circumstances, the transaction is fair as to the Company. The Audit Committee / Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction.

C. Determination of Ordinary Course of Business

The transactions which are incurred by the Company in carrying its main object of the Company shall be treated as transaction in the Ordinary Course of business. For determining "Ordinary Course of Business", the Company shall consider all acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, which, are done on a routine basis and are not standalone transaction(s). The Company would take into account the frequency of such activity and its continuity, in a normal organised manner, while determining what is in the ordinary course of business. Further, the transaction should not be:

A. an exceptional or extra-ordinary activity as per applicable accounting standards or financial reporting requirements.

B. any sale or disposal of any undertaking of the Company, as defined in explanation (i) to clause (a) of sub-section (1) of section 180 of the Companies Act, 2013.

In order to decide whether or not a contract or arrangement is being entered by the Company in its ordinary course of business, the Company shall consider whether the contract/arrangement is germane to attainment of main objects as set out in the Memorandum of Association.

D. Determination of Arms' length nature of the Related Party Transaction

a. Price Determination

At the time of determining the arms' length nature of price charged for the Related Party Transaction, the Audit Committee shall take into consideration the following:

i. The contracts/ arrangements are entered into with Related Parties, are at such prices/ discounts/ premiums and on such terms which are offered to unrelated parties of similar category/ profile.

ii. Permissible methods of arms' length pricing as per Applicable Laws including such prices where the benefits of safe harbour is available under Applicable Laws.

iii. For the said purposes the Audit Committee shall be entitled to rely on professional opinion in this regard.

b. Underwriting and Screening of arms' length Related Party Transaction

A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening / selection criteria / underwriting standards and procedures as may be applicable in case of an unrelated party.

c. Further, in order to determine the optimum arm's length price, the Company may also apply the most appropriate method from any of the following methods as prescribed under Section 92C(1) of the Income Tax Act, 1961 read with Rule10B of the Income Tax Rules, 1962 –

a. Comparable Uncontrolled Price method (CUP method)

b. Resale Price Method

c. Cost Plus Method

d. Profit Split Method

e. Transactional Net Margin Method

f. Other Method as prescribed by the Central Board of Direct Taxes

E. Identification of Potential Related Party Transactions

a. The Company Secretary shall:

i. Identify and keep on record the Company's Related Parties, along with their personal/company details.

ii. Update the record of Related Parties whenever necessary and shall be reviewed at least once a year, as on 1st April every year.

b. Every director / Key Managerial Personnel of the Company or any of their relatives should not derive any undue personal benefit or advantage by virtue of their position or relationship with the Company.

c. Each director / Key Managerial Personnel is responsible for providing written notice to the Company through the Company Secretary at the time of appointment and till such period he/she is associated with the Company of any potential Related Party Transaction involving him or her or his or her relatives, including any additional information about the transaction that the Company Secretary may reasonably request. The Company Secretary in consultation with other members of management and with the members of the Audit Committee, as appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

d. Every director / Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.

e. Where any director / Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

f. A contract or arrangement entered into by the Company without disclosure or with participation by a director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.

g. In addition, each director / Key Managerial Personnel is required to file a disclosure statement in connection with the disclosures about their Relatives.

F. Disclosures

a. The Company shall disclose Related Party Transactions in the Financial Statements and Annual Report of the Company in accordance with Companies Act 2013, accounting standards, the NHB Direction and other applicable law.

b. The Company shall also disclose the Policy on the website of the Company and in the Annual Report of the Company.

c. The Company shall keep one or more registers as specified under Applicable Laws giving separately the particulars of all contracts or arrangements with any Related Party.

G. Operational Framework

The Company shall follow the operational framework for related party transactions annexed as **Annexure I**.

AMENDMENTS

This Policy shall be reviewed by the Board of Directors or the Audit Committee of the Board periodically or as and when required and any changes made in the Policy shall be recorded in the change control record sheet attached with this Policy.

CHANGE CONTROL RECORD

Version No.	Change Request by	Memorandum of Change	Approval date
1.0	Secretarial	Adoption of new Policy	03.05.2017
2.0	Secretarial	To align with the internal business requirement	30.10.2020

ANNEXURE I

OPERATIONAL FRAMEWORK FOR RELATED PARTY TRANSACTIONS:

The RPT would be identified in the following manner:

(1) Identification of Related Parties:

The Company shall identify related parties as defined under Clause 3 of the RPT Policy with respect to the given specific transactions. The list of related parties needs to be updated once a year, on 1st April every year. The Compliance officer should at all times ensure:

The list of Related Parties should be updated by Secretarial Department of the Company upon receipt of disclosures from the Directors and Key Managerial Personnel of the Company. The list would be circulated with accounts and other concerned department.

Prior to entering into any transaction, whatsoever, the Business/ Functional Heads shall refer to the latest related party list circulated by the Secretarial team to assess whether the party with whom the transaction is proposed to be entered is a RP.

If the party is not a related party, then they shall be required to follow the normal business protocol for executing such transactions. However, if the party is identified as a related party, the Business/ Functional Heads would need to ensure that the RPT is being entered in accordance with the framework for RPT and seek a prior approval of the Audit Committee for undertaking such RPT in accordance with this Policy.

(2) Identification of Transactions:

Every transaction with related parties shall be screened through the transactions mentioned under section 188(1) of the Act and Regulation 2(zc) of LODR Regulations. If any transaction qualifies, approval of the Board of Directors shall be required for transactions other than for those entered in ordinary course of business and on arm's length basis.

If the said transaction also qualifies to be a Material Related Party Transaction as defined under this Policy, prior approval of the Members shall be required before entering into the transaction.

(3) Parameters of applicability of Ordinary Course of Business and transaction pricing at Arm's Length:

a. The Company generally undertakes transactions with related parties in its ordinary course of business and at arms' length basis and such transaction do not require prior approval of the Board of Directors under the purview of Section 188 of Act. However, such transactions need to be approved by the Audit Committee.

b. The parameters for Arm's length nature be gauged based on any one or more of the following criteria:

The illustrative test for determining pricing shall be as follows:

i. Price charged by the Company to Unrelated Parties

ii. Obtaining two or three quotes from Unrelated Parties for similar transactions, subject to the availability of the same.

iii. Independent Valuations

iv. Market Price if readily available and if the market exists for the same

v. Commercially negotiated contract

The terms of contract/arrangement other than pricing are generally on a basis similar to those as may be applicable for similar category of goods/services for similar category of counterparties. Also, the Company as and when required, shall seek professional advice for determination of arm's length basis.

c. Arm's Length criteria/process to be observed:

i. In order to ensure compliance with the principle of arms' length nature in terms of section 188 of the Act, Originator of such transactions shall provide comparative analysis of the similar transaction with an unrelated party.

ii. The responsibility of ensuring that the transactions with related party are undertaken at arm's length basis rests with the Head of the respective Department of originating the transaction. Any transactions with the Related Parties shall primarily be reviewed by the following.

(1) Chief Financial Officer

(2) Company Secretary,

(3) Head of the respective Department (Originator)

(4) and such other person as may deem appropriate in the given situation/ transaction having relevant expertise and experience to assess the RPT.

Approval Matrix

The Reviewers shall review the proposed RPT within the parameters defined herein and accordingly shall advise the course of action for the proposed RPT:

Sl. No.	Particulars	Details
(1)	Originator's Responsibilities	Originators seeking approval of RPT shall provide: (a) Name/s of the Related Party(ies) and the nature of the relationship (b) Provide the justification for entering into the RPT (Commercial/ Ordinary Course of Business and Arm's Length) The information should be received well in advance from the respective parties so as to allow reviewers adequate time to obtain and review information about the proposed transaction.
(2)	RPT Evaluation by the Reviewers	With respect to each transaction sent for approval; Reviewers shall comment and confirm the following : - Whether the proposed transaction is a RPT within the meaning of RPT as per Applicable Law - Justification for the intended RPT (Commercial/ Ordinary Course of Business and the sufficiency of the documentation for Arm's Length) - Whether the transaction is covered under the omnibus approval given by the Audit Committee for the financial year In assessing a Related Party Transaction, the Reviewers shall consider such factors as it deems appropriate including but not limited to the following: (i) the business reasons for the Company to enter into the Related party transaction; (ii) the commercial reasonableness of the terms of Related Party Transaction; (iii) materiality of the Related Party Transaction to the Company; (iv) whether the terms of Related Party Transaction, other than pricing, are fair to the Company and on the same basis as would apply if the transactions did not involve a Related Party (v) the extent of Related Party's interest in the Related Party Transaction (vi) the actual or apparent conflict of interest of related party participating in the related party transaction and (vii) regulatory guidelines, if any In case where it is assessed that the transaction does not meet the criteria of Ordinary Course of Business or Arms' Length Price, such transaction shall be referred for the approval of the Board of Directors or Shareholder, as the case may be, in terms of Section 188 of the Act. All RPTs shall require prior approval of Audit Committee.
(3)	Approval of the RPTs	Pursuant to the review of the RPT and its documentary substantiation, the Reviewer may take the following actions: (a) Recommend the RPT for approval of Audit Committee. (b) Recommend the RPT for approval of Board of Directors or Shareholders, as may be applicable. In case the transactions specified under Applicable Law are proposed to be entered with the holding Company, the resolution passed by the holding company shall be sufficient for the purpose of entering into the RPT between the Holding Company and the Company. The Company will not be required to pass a resolution separately.
(4)	Arm's Length Report	Arm's length review of transactions with related parties on half yearly basis would be obtained from a Chartered Accountant Firm and placed before the Audit Committee.

Annexure II

Threshold of Section 188 of the Companies Act, 2013

Sl. No.	Transactions	Threshold Limits
a	Sale, Purchase or Supply of goods/materials directly or through appointment of agent	10% of the turnover
b	Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent	10% of the networth
c	Leasing of property of any kind	10% of the turnover
d	Availing or rendering of any services directly or through appointment of agents	10% of the turnover
e	Relates to appointment to any office or place of profit in the company, its subsidiary company or associate Company	Monthly remuneration exceeding ₹2.5 lakh
f	The remuneration for underwriting the subscription of any securities or derivatives thereof of the company	1% of the Networth

Note: The turnover or net worth referred above shall be computed on the basis of the audited financial statement of the preceding financial year.

MR & Associates

Company Secretaries

46, B. B. Ganguly Street,
Kolkata-700012
Tel No: 033 2237 9517
Email :goenkamohan@gmail.com

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2021

[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
Development House, 24 Park Street,
Kolkata - 700016

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

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, 2021 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, 2021 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) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial borrowings; (Not applicable to the Company during the audit period)

v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

   (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011:- Not Applicable to the company.

   (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, for the Financial Year ended 31st March, 2021.

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

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 and the Company had made suitable representation against the show cause notice received from National Housing Bank. A penalty of ₹59000/- was levied upon the Company by NHB vide letter dated 30.03.2021in terms of sec.52 of the NHB Act, 1987.

We further report that,

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors, if any, that took place during the period under review were carried out in compliance with the provisions of the Act.

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

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

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

We further report that due to the spread of COVID-19 pandemic, compliances had been made considering the various relaxations granted, from time to time, by the Securities and Exchange Board of India and the Ministry of Corporate Affairs and the National Housing Bank and other Regulatory authorities, as applicable.

We further report that due to the spread of COVID-19 pandemic, compliances has been made considering the various relaxations granted, from time to time, by the Securities and Exchange Board of India and the Ministry of Corporate Affairs and the National Housing Bank and other Regulatory authorities, as applicable.

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

(i) Revalidated the resolution w.r.t. authorization for issue of debt securities on private placement basis of upto ₹600 crore during FY 2020-21 in accordance with NHB Debenture Directions;

(ii) made allotment of 1250 Nos. of Secured Redeemable Non-Convertible Debentures of ₹10,00,000 each, at par, aggregating to ₹125 Crores on private placement basis on 26 June 2020.

(iii) made allotment of 750 Nos. of Secured Redeemable Non-Convertible Debentures of ₹10,00,000 each, at par, aggregating to ₹75 Crores on private placement basis on 6 July 2020.

(iv) made allotment of 700 Nos. of Secured Redeemable Non-Convertible Debentures of ₹10,00,000 each aggregating to Rs.70 crores on private placement basis on 31 July 2020.

(v) made allotment of 1400 Nos. of Secured Redeemable Non-Convertible Debentures of ₹10,00,000 each aggregating to ₹140 crores on private placement basis on 18 August 2020.

(vi) Obtained approval of the Board for issuance of debt securities on private placement basis of upto ₹1000 Crore for FY 2021-22 for general corporate purposes of the Company under Sec 42, 71, 179 and 180(1)(c) of the Companies Act, 2013 and as permitted as per applicable regulations of Reserve Bank of India/ National Housing Bank;

(vii) Obtained approval of the Board for issuance of Commercial Paper w.r.t the appointment of ICICI Bank limited as issuing and Paying Agent (IPA) for issuance/ redemption of commercial paper for a period from 01.12.2020 to 30.06.2023 such that the value of such Commercial Paper during the financial year 2021-22 shall not exceed an amount of ₹300 Crore (Rupees Three Hundred crore only) at any point of time and shall be within the Company's total borrowing limit under section 180(1)(c) of the Companes Act,2013, sanctioned by the resolution passed by the Shareholders of the Company.

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

Sneha Khaitan
Partner
ACS No.:A34458
C P No.:14929
UDIN: A034458C000236759

Place : Kolkata
Date : 04.05.2021

Note: In view of the situation emerging out of the outbreak of COVID-19 Pandemic, physical documents, records & other papers of the Company for the year ended March 31st, 2021 required by us for our examination were obtained from the Company through electronic Mode.

MR & Associates

Company Secretaries
46, B. B. Ganguly Street,
Kolkata-700012
Tel No: 033 2237 9517
Email :goenkamohan@gmail.com

"ANNEXURE – A"

(TO THE SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2021)

To,

The Board of Directors,
Magma HOUSING FINANCE LIMITED
Development House, 24 Park Street,
Kolkata - 700016

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

[Sneha Khaitan]
Partner
ACS No.:A34458
C P No.:14929
UDIN :A034458C000236759

Place : Kolkata
Date : 04.05.2021

FINANCIAL

Independent Auditor's Report

To the Members of Magma Housing Finance Limited

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of Magma Housing Finance Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2021, 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 ('the 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 of the Company as at 31 March 2021, and its profit (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.

Emphasis of Matter – COVID-19

4. We draw attention to Note 50 to the accompanying financial statements, which describes the uncertainty relating to the effects of COVID-19 pandemic on the Company's operations. Our opinion is not modified in respect of this matter.

Key Audit Matter

5. 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.

6. 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
Impairment losses on loans assets and implementation of COVID relief measures Refer Note 2(g) of significant accounting policies and Note 38 for credit risk disclosures. As at 31 March 2021, the Company has reported gross loan assets of ₹ 291,156.14 lacs against which an impairment loss of ₹ 10,466.82 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. 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. **COVID-19** During the current year, RBI announced various relief measures for the borrowers which were implemented by the Company such as "COVID 19 Regulatory Package-Asset Classification and Provisioning" announced by the RBI on 17 April 2020 and RBI circular on "Asset	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. Ensured completeness and the appropriateness of data on which the calculation is based. 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; • Considered the Company's accounting policies for estimation of expected credit loss on loans and assessing compliance with the policies in terms of Ind AS 109 • 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 which included the impact of the moratorium and restructuring. Further, understood and challenged the aforesaid assumptions adjusted for COVID-19 pandemic through our understanding of the risk profile of the customers of the Company and other publicly available relevant macro-economic factors pertaining to the impact of COVID-19. We have also examined, on a sample basis, data inputs to the discounted cash flow models, including the 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 considering the impact of COVID-19 on account of moratorium and restructuring benefit extended by the Company 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; • Ensured that the Company's approved policy in relation to moratorium and restructuring was in accordance with

Classification and Income Recognition following the expiry of Covid-19 regulatory package" dated 07 April 2021 (collectively referred to as 'the RBI circulars'), and "Resolution Framework for COVID-19 related Stress" (the 'Resolution Framework') dated on 6 August 2020, which have been collectively considered by the management in identification, classification and provisioning of loan assets for impairment. On the basis of an estimate made by the management, an additional provision and write off to the tune of ₹ 5,090.54 lacs and ₹ 881.30 lacs have been recognized by the Company as at 31 March 2021 on account of increase in default risk due to the impact of COVID-19 on recoverability of loans of the Company. The basis of estimates and assumptions involved in arriving at the additional provisions are monitored by the Company periodically and significantly depend on future developments in the economy due to COVID-19 including any new relief measures' announcements by the RBI. Considering the significance of the above matter to the overall financial statements, additional complexities involved in the current year on account of ongoing impact of COVID-19 and extent of management's estimates and judgements involved, it required significant auditor attention. Therefore, we have identified this as a key audit matter for current year audit. We also draw attention to Note 50 of the accompanying financial statements, regarding uncertainties involved and on the appropriateness of impairment losses provided on the above mentioned loan assets as on 31 March 2021, as the same is fundamental to the understanding of the users of financial statements.	the RBI requirements. On a test check basis, ensured that the restructuring was approved and implemented, and provisions made on such restructured loan assets is in accordance with the ECL model. • Assessed the 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; • Obtained written representations from management on whether they believe significant assumptions used in calculation of expected credit losses are reasonable Assessed the appropriateness and adequacy of the related presentation and disclosures of Note 38 "Financial risk management" disclosed in the accompanying financial statements in accordance with the applicable accounting standards and related RBI circulars and Resolution Framework.
Fair valuation of identified Loan Against Properties ("LAP") and Housing Loan ("HL") portfolio Refer Note 2(h) of significant accounting policies on financial instruments and Note 37 for disclosures. As at 31 March 2021, the Company's loan portfolio comprised of 'Loan against Properties' ('LAP') amounting to ₹ 90,973.30 lacs and Housing Loans' ('HL') amounting to ₹ 198,209.27 lacs which are 31.25% and 68.08% of the total loan portfolio of the Company respectively. The fair value of the Company's aforesaid portfolio is determined by applying valuation techniques which often involve exercise of judgement by the management and use of assumptions, estimates and valuation models.	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 and HL portfolio. Further, examined and evaluated the controls over the use of unobservable inputs. • Assessed the valuation methodology adopted by the management to understand the assumptions used in the valuation approach where in the future cash flows have been discounted. • Assessed the appropriateness of valuation methodology adopted, discount rate applied, long-term growth rate considered by benchmarking against

The fair value involves highly uncertain estimates where significant valuation inputs are unobservable inputs, i.e. based on "Level 3 inputs". Management has carried out the portfolio valuations 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 and HL portfolio as a key audit matter for the current year audit.	available independent data, including reasonableness of expected cash flows considered by the management in light of the impact of COVID-19 pandemic 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 adequacy of the related presentation and disclosures of Note 37 "Fair value measurements" 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 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.	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. • 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

7. 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

8. The accompanying financial statements have been approved by the Company's Board of Directors. 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 financial position, 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.

9. 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

11. 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.

12. 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 with reference to financial statements in place and the operating effectiveness of such controls;
    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures 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;

13. 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.

14. 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.

15. 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.

Report on Other Legal and Regulatory Requirements

16. As required by section 197(16) of the Act, based on our audit, 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, based on our audit, we report, to the extent applicable, that:

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

    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 Ind AS specified under section 133 of the Act;

    e) the COVID-19 matter described in paragraph 4 under the Emphasis of Matter section, in our opinion, may have an adverse effect on the functioning of the Company;

    f) on the basis of the 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 2021 from being appointed as a director in terms of section 164(2) of the Act;

    g) we have also audited the internal financial controls with reference to financial statements of the Company as on 31 March 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 24 May 2021 as per Annexure B expressed unmodified opinion; and

    h) 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 47 to the financial statements, has disclosed the impact of pending litigation on its financial position as at 31 March 2021;

        ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2021;

        iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 March 2021; 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's Registration No.: 001076N/N500013

Vikram Dhanania

Partner
Membership No.: 060568
UDIN: 21060568AAAABZ4088

Place: Kolkata
Date: 24 May 2021

Annexure A

Independent Auditor's Report of even date to the members of Magma Housing Finance Limited on the financial statements for the year ended 31 March 2021

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 property, plant and equipment.

(b) The Company has a regular program of physical verification of its property, plant and equipment under which property, plant and equipment 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 'property, plant and equipment') 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 not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.

(iv) In our opinion, the Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.

(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, goods and service 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 882 days with respect to deposit of professional tax with appropriate authorities due to pending registration. 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) There are no dues in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax that have not been deposited with the appropriate authorities on account of any dispute.

(viii) The Company has not defaulted in repayment of loans or borrowings to any financial institution or a bank or any dues to debenture-holders during the year. The Company has no loans or borrowings payable to 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 term loans were applied for the purposes for which the loans were obtained.

(x) According to the information and explanations given to us, we report that no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.

Annexure A

Independent Auditor's Report of even date to the members of Magma Housing Finance Limited on the financial statements for the year ended 31 March 2021 (cont'd)

(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's Registration No.: 001076N/N500013

Vikram Dhanania
Partner
Membership No.: 060568
UDIN: 21060568AAAABZ4088

Place: Kolkata
Date: 24 May 2021

Annexure B

Independent Auditor's Report on the internal financial controls with reference to the financial statements 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 ('the Company') as at and for the year ended 31 March 2021, we have audited the internal financial controls with reference to financial statements of the Company as at that date.

Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note 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 the 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.

Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, 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 internal financial controls with reference to financial statements 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 internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 internal financial controls with reference to financial statements.

Meaning of Internal Financial Controls with Reference to Financial Statements

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (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.

Annexure B

Independent Auditor's Report on the internal financial controls with reference to the financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act') (cont'd)

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

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

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31 March 2021, based on internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **Walker Chandiok & Co LLP**

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

Vikram Dhanania
Partner
Membership No.: 060568
UDIN: 21060568AAAABZ4088

Place: Kolkata
Date: 24 May 2021

Independent Auditor's Additional Report for the year ended 31 March 2021 pursuant to the requirements of Master Direction – Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021 issued by the Reserve Bank of India

To

The Board of Directors

Magma Housing Finance Limited

24, Development House, Park Street

Kolkata – 700 016

1. This report is issued in accordance with the terms of our engagement letter dated 31 July 2020 with Magma Housing Finance Limited, (the 'Company') and requirements of the Master Direction – Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021 ('the Master Directions') issued by the Reserve Bank of India ('the RBI').

2. We have audited the accompanying financial statements of the Company which comprise the Balance Sheet as at 31 March 2021, 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 significant accounting policies and other explanatory information and have issued a unmodified opinion vide our report dated 24 May 2021.

Management's Responsibility for the financial statements

3. 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.

4. The management of the Company is also responsible for compliance with the Reserve Bank of India Act, 1934 ('the RBI Act'), National Housing Bank Act, 1987 ('the NHB Act'), the Master Directions, and other circulars and directions issued by the RBI thereunder and for providing all the required information to the RBI and the National Housing Bank ('the NHB').

Auditor's Responsibility

5. Pursuant to the requirements of the Master Directions, it is our responsibility to provide reasonable assurance on the matters specified in paragraph 70 of the Master Directions, to the extent applicable to the Company, on the basis of our audit of the financial statements of the Company for the year ended 31 March 2021 and examination of books of accounts and other records maintained by the Company for the year then ended.

6. We conducted our examination of the audited books of accounts other records of the Company in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI'). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
7. 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

8. Based on our audit of the financial statements for the year ended 31 March 2021 and examination as above, evidences obtained and the information and explanations, along with the representations provided by the management, we report that:
    a. The Company is engaged in the business of Housing Finance Institution as defined in Section 2(d) of the NHB Act and meets the 'Principal Business Criteria' as laid down under Paragraph 4.1.17 of the Master Directions. The Company has obtained Certificate of Registration ('CoR') no. 07.0155.17 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 Regional Office of the NHB, as required under section 29A of the NHB Act, 1987;
    b. The Company has met the Net Owned Fund ('NOF') requirement as prescribed under Section 29A of the National Housing Bank Act, 1987 as on 31 March 2021;
    c. The Company has complied with the provisions of section 29C of the NHB Act relating to 'Reserve Fund';
    d. The total borrowings of the Company are within the limits prescribed under paragraph 27.2 of the Master Directions;
    e. The Company has complied with the prudential norms relating to income recognition, accounting standards, asset classification, loan to value ratio, provisioning requirements, disclosure in balance sheet, investment in real estate, exposure to capital market and engagement of brokers, and concentration of credit/investments as specified in the Master Directions;
    f. The capital adequacy ratio as disclosed in the half yearly statutory returns for the period ended 30 September 2020, submitted to the NHB, as per directions issued by the NHB have been correctly determined and such ratios are in compliance with the prescribed minimum capital to risk weighted asset ratio (CRAR);
    g. The Company has furnished the half-yearly statutory returns to the NHB, as specified in the directions issued by NHB, within the stipulated period;
    h. The Company has furnished the quarterly statutory returns on Statutory Liquid Assets to the NHB, as specified in the directions issued by NHB, within the stipulated period;
    i. The company has complied with the requirements of the Master Directions in respect of new branches / offices opened during the year and for existing branches / offices closed during the year;
    j. The Company has not granted any loans against security of shares or security of single product – gold jewellery in terms of paragraph 3.1.3 and 3.1.4 of the Master Directions for the year ended 31 March 2021. The Company has not granted any loan against its own shares in terms of paragraph 18 of the Master Directions for the year ended 31 March 2021;
    k. The Board of Directors of the Company in their meeting held on 02 April 2020 has passed a resolution for non-acceptance of any public deposits for the financial year 01 April 2020 to 31 March 2021; and
    l. The Company has not accepted any public deposits during the year ended 31 March 2021.

Restriction on distribution or use

9. Our work was performed solely to assist you for ensuring compliance of the Company with the Master Directions. 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.

10. This report is addressed to and provided to the Board of Directors of the Company pursuant to our obligations under the Master 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

Vikram Dhanania

Partner

Membership No.: 060568

UDIN No: 21060568AAAACP1993

Place: Kolkata

Date: 24 June 2021

Balance Sheet as at 31st March, 2021

(All amounts in ₹ lacs, unless otherwise stated)

		Note	As at 31 March 2021	As at 31 March 2020
	ASSETS			
	Financial Assets			
(i)	Cash and cash equivalents	3	9,300.64	110.49
(ii)	Other bank balances	4	7,080.19	5,881.24
(iii)	Loans	5	280,701.58	237,834.04
(iv)	Other financial assets	6	12,990.02	7,866.21
			310,072.43	**251,691.98**
	Non-financial Assets			
(i)	Current tax assets (net)	7	759.26	579.16
(ii)	Property, plant and equipment	8	101.13	126.28
(iii)	Intangible assets under development		-	108.46
(iv)	Other intangible assets	9	185.45	57.96
(v)	Right of use assets	10	724.71	449.27
(vi)	Assets held for sale	11	364.70	364.71
(vii)	Other non-financial assets	12	1,152.70	1,989.56
			3,287.95	**3,675.40**
	Total Assets		**313,360.38**	**255,367.38**
	LIABILITIES AND EQUITY			
	LIABILITIES			
	Financial Liabilities			
(i)	Payables			
	(I) Trade payables			
	(i) total outstanding dues of micro enterprises and		-	-
	(ii) total outstanding dues of creditors other than	13	951.50	539.21
	(II) Other payables			
	(i) total outstanding dues of micro enterprises and		-	-
	(ii) total outstanding dues of creditors other than	13	1,603.71	1,339.94
(ii)	Debt securities	14	45,998.84	5,491.93
(iii)	Borrowings (other than debt securities)	15	198,243.33	182,848.31
(iv)	Subordinated liabilities	16	9,949.86	9,939.18
(v)	Lease liabilities	10	789.14	486.15
(vi)	Other financial liabilities	17	3,823.05	4,597.62
			261,359.43	**205,242.34**
	Non-financial Liabilities			
(i)	Provisions	18	172.90	98.47
(ii)	Deferred tax liabilities (net)	19	628.87	1,365.76
(iii)	Other non-financial liabilities	20	1,514.26	602.37
			2,316.03	**2,066.60**
	EQUITY			
	Equity share capital	21	16,582.99	16,582.99
	Other equity	22	33,101.93	31,475.45
			49,684.92	**48,058.44**
	Total Liabilities and Equity		**313,360.38**	**255,367.38**
	Notes 1 to 56 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

Vikram Dhanania
Partner
Membership No.: 060568

Place : Kolkata
Date : 24 May 2021

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

Ajay Arun Tendulkar
Chief Financial Officer

Place : Mumbai
Date : 24 May 2021

Sanjay Chamria
Chairman
(DIN: 00009894)

Priti Saraogi
Company Secretary

Place : Kolkata
Date : 24 May 2021

Statement of Profit and Loss for the year ended 31st March, 2021

(All amounts in ₹ lacs, unless otherwise stated)

		Note	Year ended 31 March 2021	Year ended 31 March 2020
	Revenue from operations			
(i)	Interest income	23	40,465.57	30,553.18
(ii)	Fees and commission income	24	1,115.25	1,213.43
(iii)	Net gain on derecognition of financial instruments	25	5,127.67	3,074.39
	Total revenue from operations		**46,708.49**	**34,841.00**
	Other income	26	545.84	795.65
	Total income		**47,254.33**	**35,636.65**
	Expenses			
(i)	Finance costs	27	22,585.84	17,668.95
(ii)	Net loss on fair value changes	28	95.58	225.13
(iii)	Impairment on financial instruments	29	12,936.63	2,174.26
(iv)	Employee benefits expenses	30	7,038.28	6,997.57
(v)	Depreciation, amortisation and impairment	31	186.69	110.62
(vi)	Others expenses	32	2,975.52	3,031.56
	Total expenses		**45,818.54**	**30,208.09**
	Profit before tax		**1,435.79**	**5,428.56**
	Tax expense:			
(i)	Current tax	33	1,202.00	526.00
(ii)	Deferred tax		(832.91)	669.57
(iii)	Tax expense of earlier years		(22.21)	(31.85)
			346.88	**1,163.72**
	Profit for the year		**1,088.91**	**4,264.84**
	Other comprehensive income			
	(I) Items that will not be reclassified to profit or (loss)			
	(i) Remeasurement benefits of the defined benefit plans		9.96	(1.01)
	(ii) Income tax relating to these items		(2.51)	0.44
			7.45	**(0.57)**
	(II) Items that will be reclassified to profit or (loss)			
	(i) Changes in fair valuation of financial assets		371.56	(653.63)
	(ii) Income tax relating to these items		(93.51)	142.52
			278.05	**(511.11)**
	Other comprehensive income		**285.50**	**(511.68)**
	Total comprehensive income for the year		**1,374.41**	**3,753.16**
	Earnings per equity share			
	Basic (₹)	34	0.66	2.87
	Diluted (₹)		0.65	2.82
	Notes 1 to 56 form an integral part of these financial statements			

This is the Statement of Profit & 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 Jaiswal
Managing Director & Chief Executive Officer
(DIN: 07859441)

Sanjay Chamria
Chairman
(DIN: 00009894)

Vikram Dhanania
Partner
Membership No.: 060568

Ajay Arun Tendulkar
Chief Financial Officer

Priti Saraogi
Company Secretary

Place : Kolkata
Date : 24 May 2021

Place : Mumbai
Date : 24 May 2021

Place : Kolkata
Date : 24 May 2021

Statement of Cash flows for the year ended 31 March 2021

(All amounts in ₹ lacs, unless otherwise stated)

		Year ended 31 March 2021	Year ended 31 March 2020
A.	**Cash flow from operating activities**		
	Profit before tax	1,435.79	5,428.56
	Adjustments for:		
	Depreciation and amortisation expense	186.69	110.62
	Interest on lease liability	50.12	52.28
	Net loss on financial instruments at fair value through profit or loss	95.58	225.13
	Allowance for impairment loss	12,936.63	2,174.26
	Liability no longer required written back	(69.72)	-
	Loss on sale of Property, Plant and Equipment	9.98	-
	Expense on employee stock option scheme	252.07	219.28
	Operating profit before working capital changes	**14,897.14**	**8,210.13**
	Changes in working capital:		
	(Increase) in loans	(55,432.60)	(53,389.46)
	(Increase) in other financial assets	(5,257.28)	(2,658.41)
	(Increase)/Decrease in other non financial assets	144.42	(1,676.95)
	(Increase)/Decrease in held for sale assets	0.01	(364.71)
	(Increase) in other bank balances	(1,198.95)	(3,823.04)
	Increase in trade and other payables	745.78	426.36
	Increase/(Decrease) in other financial liabilities	1,056.85	(15,169.28)
	Increase/(Decrease) in other non financial liabilities	911.89	(494.25)
	Increase in provisions	85.40	30.08
	Cash (used in) operating activities	**(44,047.34)**	**(68,909.53)**
	Income tax paid (net of refunds)	(1,359.89)	(1,151.13)
	Net cash (used in) operating activities (A)	**(45,407.23)**	**(70,060.66)**
B.	**Cash flow from investing activities**		
	Purchase of property, plant and equipment, including CWIP and capital advances	(5.00)	(147.93)
	Sale of property, plant and equipment	1.24	-
	Purchase of intangible assets and intangible assets under development (net)	(57.74)	(21.57)
	Net cash (used in) investing activities (B)	**(61.50)**	**(169.50)**
C.	**Cash flow from financing activities***		
	Proceeds from issue of equity shares including securities premium	-	10,000.00
	Proceeds from debt securities	41,000.00	-
	Repayment of debt securities	(2,500.00)	(7,500.00)
	Proceeds from borrowings other than debt securities	258,371.10	266,409.29
	Repayment of borrowings other than debt securities	(242,059.62)	(198,836.94)
	Payment of lease liability	(152.60)	(88.88)
	Loan received from holding company	-	57,000.00
	Loan repaid to holding company	-	(57,000.00)
	Net cash generated from financing activities (C)	**54,658.88**	**69,983.47**
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**9,190.15**	**(246.69)**
	Cash and cash equivalents at the beginning of the year	**110.49**	**357.18**
	Cash and cash equivalents at the end of the year (Refer note 3)	**9,300.64**	**110.49**
	Components of cash and cash equivalents:		
	Cash on hand	121.36	0.40
	Balances and deposits with banks	9,179.28	110.09
		9,300.64	**110.49**

* Refer note 43 for reconciliation of liabilities arising from financing activities

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

Vikram Dhanania
Partner
Membership No.: 060568

Place : Kolkata
Date : 24 May 2021

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

Ajay Arun Tendulkar
Chief Financial Officer

Place : Mumbai
Date : 24 May 2021

Sanjay Chamria
Chairman
(DIN: 00009894)

Priti Saraogi
Company Secretary

Place : Kolkata
Date : 24 May 2021

Statement of Changes in Equity for the year ended 31 March 2021

A. Equity share capital

(All amounts in ₹ lacs, unless otherwise stated)

Particulars	As at 31 March 2021	As at 31 March 2020
Balance at the beginning of the reporting year	16,582.99	14,810.25
Equity share capital issued during the year	-	1,772.74
Balance at the end of the reporting year	**16,582.99**	**16,582.99**

B. Other equity

Particulars	Reserve and Surplus				Other comprehensive income	Total
	Statutory Reserves	Securities Premium	Retained Earnings	Share option reserve account	Financial instruments through Other Comprehensive Income	
Balance as at 1 April 2019	**4,400.00**	**-**	**15,158.76**	**111.33**	**(394.34)**	**19,275.75**
Profit for the year	-	-	4,264.84	-	-	4,264.84
Items of other comprehensive income, net of tax:						
- Remeasurement of defined benefit plans (net of tax)		-	(0.57)		-	(0.57)
- Changes in fair value of financial assets (net of tax)	-	-	-	-	(511.11)	(511.11)
Transfer from retained earnings	852.97	-	(852.97)	-	-	-
Issue of equity shares	-	8,227.26	-	-	-	8,227.26
Employee stock option (net)	-	-	-	219.28	-	219.28
Balance as at 31 March 2020	**5,252.97**	**8,227.26**	**18,570.06**	**330.61**	**(905.45)**	**31,475.45**
Profit for the year	-	-	1,088.91	-	-	1,088.91
Items of other comprehensive income, net of tax:						
- Remeasurement of defined benefit plans (net of tax)	-	-	7.45	-	-	7.45
- Changes in fair value of financial assets (net of tax)	-	-	-	-	278.05	278.05
Transfer from retained earnings	608.67	-	(608.67)	-	-	-
Employee stock option (net)	-	-	-	252.07	-	252.07
Balance as at 31 March 2021	**5,861.64**	**8,227.26**	**19,057.75**	**582.68**	**(627.40)**	**33,101.93**

Notes 1 to 56 form an integral part of these financial statements

This is the Statement of Changes in Equity 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

Vikram Dhanania
Partner
Membership No.: 060568

Place : Kolkata
Date : 24 May 2021

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

Ajay Arun Tendulkar
Chief Financial Officer

Place : Mumbai
Date : 24 May 2021

Sanjay Chamria
Chairman
(DIN: 00009894)

Priti Saraogi
Company Secretary

Place : Kolkata
Date : 24 May 2021

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021

(All amounts in ₹ lacs, unless otherwise stated)

Note 1

Company Overview:

Magma Housing Finance Limited ("MHF", or, "the Company") was incorporated on 21 April 2004 under the provisions of Companies Act, 1956, to carry on the business of housing finance in India. The Company was registered as a non-deposit taking housing finance company with the National Housing Bank ("NHB") in October 2004. The Company commenced business operations in November 2004. The Company commenced business operations in November 2004. The Company is domiciled in India and its registered office is situated at 24, Park Street, Development House Kolkata - 700 016

Note 2

Significant accounting policies and key accounting estimates and judgements

a) Basis of preparation

The financial statements for the year ended 31 March 2021 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 and Master Directions - Non Banking Financial Company - Housing Finance Company (Reserve Bank) Directions 2021 ('The NBFC - HFC guidelines').

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.

These financial statements have been approved and adopted by the Board of Directors in their meeting held on 24 May, 2021.

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."

<u>Depreciation</u>:

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.

<u>De-recognition</u>:

The carrying amount of an item of property, plant and equipment is derecognized 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 derecognized.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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. 01 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 amortisation and accumulated impairment cost, if any.

Damortisation:

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 derecognized 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 derecognized."

d) Assets held for sale (Repossession)

To mitigate the credit risk on financial assets, the company seeks to use collateral, as per the powers conferred under the SARFAESI Act, 2002. In its normal course of business, the Company does not physically repossess properties or other assets in its retail portfolio, but generally engages external or internal agents to recover funds through auction process. Any surplus funds over the contractual receivables are returned to the customer/obligors. Accordingly the properties which are repossessed and where there is a reasonable certainty to recover the amount in the foreseeable future, are recorded on the balance sheet as assets held for sale at (i) fair value less cost to sell or (ii) loan outstanding, whichever is lower.

e) 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.

f) 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.

<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

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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 ('FVTOCI') 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.

Financial instruments at Amortised Cost

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

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

Financial assets at Fair Value through Other Comprehensive Income ('FVTOCI')

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

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

Financial assets at Fair Value through Profit and Loss (FVTPL)

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

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."

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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."

g) 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:

- **Stage 1 :** Financial assets that are not credit impaired – as the present value of all cash shortfalls that are possible within 12 months after the reporting date.
- **Stage 2 :** Financial assets with significant increase in credit risk but not credit impaired – as the present value of all cash shortfalls that result from all possible default events over the expected life of the financial asset.
- **Stage 3 :** Financial assets that are credit impaired – as the difference between the gross carrying amount and the present value of estimated cash flows
- 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

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

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

Write-off

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 credited to impairment loss on actual realization from customer."

h) Fair value of financial instruments

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.

i) Revenue recognition

Interest income:

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.

Interest income/expenses is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets/liabilities (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses)."

Security Receipts:

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

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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:

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.

j) Borrowing cost

Borrowing cost includes interest, amortisation 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.

k) 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 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.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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."

l) 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.

m) 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.

n) 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.

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.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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 such remeasurement gain/loss are not eligible to be reclassified to profit or loss account. 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.

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.

o) Share based payment

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

p) Leases

During the previous year the Company had adopted Ind AS 116 and accordingly recorded right of use asset and lease liability on 1 April 2019. Leases are 'capitalised' by recognising the present value of the lease payments and showing them as lease

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

assets (right-of-use assets). If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. Ind AS 116 replaces the straight-line operating lease expense for those leases applying Ind AS 17 with a depreciation charge for the lease asset (right of use) and an interest expense on the lease liability.

q) Earnings per equity 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."

r) 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.

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

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

Key sources of estimation 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 30 - Impairment of financial instruments:

This includes determining the relevant inputs into the Expected Credit Loss (ECL) model, including incorporation of forward looking information and assumptions used in estimating recoverable cash flows. Also, the management regularly assesses the adequacy of provisions and if required necessary additional provisions are created over above ECL Model.

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

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques which requires a degree of judgment. The judgments includes considerations of inputs such as liquidity risk, credit risk and volatility.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

Note 31 - Measurement of defined benefit obligations:

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future.

Note 20 - Recognition of deferred tax assets:

Key assumption is availability of future taxable profit against which carry-forward tax losses can be utilized.

Note 8 – Determining useful lives of depreciable assets:

Key assumption is the estimation of the useful lives of depreciable assets, based on the expected utility of the assets.

3 Cash and cash equivalents

	As at 31 March 2021	As at 31 March 2020
Cash on hand	121.36	0.40
Balances with banks		
In current accounts	151.68	110.09
In deposits with original maturity of less than 3 months	9,027.60	-
	9,300.64	**110.49**

4 Other bank balances

	As at 31 March 2021	As at 31 March 2020
In deposits with original maturity of more than 3 months*	7,080.19	5,881.24
	7,080.19	**5,881.24**

*Includes cash collateral for securitisation of receivables amounting to ₹ 4,362.42 lacs (31 March 2020 : ₹ 4,375.23 lacs)

5 Loans

	As at 31 March 2021			As at 31 March 2020		
	At Amortised Cost	At Fair Value Through other comprehensive income	Total	At Amortised Cost	At Fair Value Through other comprehensive income	Total
Loans						
(A)						
(i) Term loans*						
- Housing Loans**	1,973.57	198,209.27	200,182.84	2,741.81	154,887.28	157,629.09
- Loan against properties	-	90,973.30	90,973.30	-	83,067.62	83,067.62
(ii) Loans to staff	12.26	-	12.26	20.30	-	20.30
Total (A) -Gross	**1,985.83**	**289,182.57**	**291,168.40**	**2,762.11**	**237,954.90**	**240,717.01**
Less: Impairment loss allowance	190.10	10,276.72	10,466.82	146.03	2,736.94	2,882.97
Total (A) - Net	**1,795.73**	**278,905.85**	**280,701.58**	**2,616.08**	**235,217.96**	**237,834.04**
(B)						
(i) Secured by tangible assets	1,973.57	274,018.92	275,992.49	2,741.81	219,113.72	221,855.53
(ii) Covered by government guarantee***	-	15,163.65	15,163.65	-	18,841.18	18,841.18

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

	As at 31 March 2021			As at 31 March 2020		
	At Amortised Cost	**At Fair Value Through other comprehensive income**	**Total**	**At Amortised Cost**	**At Fair Value Through other comprehensive income**	**Total**
(iii) Unsecured	12.26	-	12.26	20.30	-	20.30
Total (B) - Gross	**1,985.83**	**289,182.57**	**291,168.40**	**2,762.11**	**237,954.90**	**240,717.01**
Less: Impairment loss allowance	190.10	10,276.72	10,466.82	146.03	2,736.94	2,882.97
Total (B) - Net	**1,795.73**	**278,905.85**	**280,701.58**	**2616.08**	**235,217.96**	**237,834.04**
(C) Loans in India						
(i) Public Sector	-	-	-	-	-	-
(ii) Others	1,985.83	2,89,182.57	2,91,168.40	2,762.11	2,37,954.90	2,40,717.01
Total (C) - Gross	**1,985.83**	**289,182.57**	**291,168.40**	**2,762.11**	**237,954.90**	**240,717.01**
Less: Impairment loss allowance	190.10	10,276.72	10,466.82	146.03	2,736.94	2,882.97
Total (C) -Net	**1,795.73**	**278,905.85**	**280,701.58**	**2,616.08**	**235,217.96**	**237,834.04**

* It includes loan given to related parties, for details refer note - 36

** It includes receivables towards insurance policies taken on behalf of customers amounting to ₹ 7,986.20 lacs (31 March 2020 : ₹ 5,552.22 lacs)

*** Loans amounting to ₹15,163.65 lacs under fair value through other comprehensive income category is covered under Credit Guarantee Scheme for NBFCs administered by CGTMSE under aegis of SIDBI for credit facilities extended to eligible borrowers in Micro and Small Industries.

6 Other financial assets

	As at 31 March 2021	**As at 31 March 2020**
Receivables on assigned loans*	11,502.49	7,018.51
Security deposits	78.72	32.75
Security receipt (measured at FVTPL)	594.75	721.37
Others receivables	843.82	104.39
Total	**13,019.78**	**7,877.02**
Less: Impairment loss allowance	29.76	10.81
	12,990.02	**7,866.21**

*Represents present value of excess interest spread receivables on derecognised assets.

7 Current tax asset (net)

	As at 31 March 2021	**As at 31 March 2020**
Advance income tax (net)	759.26	579.16
	759.26	**579.16**

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

8 Property, plant and equipment

	Buildings	Furniture and fixtures	Office equipment	Leasehold improvements	Total
Cost					
As at 01 April 2019	**20.08**	**20.37**	**20.65**	**24.55**	**85.65**
Additions	-	29.12	13.88	29.23	72.23
Disposals/adjustments	-	-	-	-	-
As at 31 March 2020	**20.08**	**49.49**	**34.53**	**53.78**	**157.88**
Additions for the year	-	0.62	3.40	-	4.02
Disposals/adjustments	-	1.86	3.62	9.51	14.99
As at 31 March 2021	**20.08**	**48.25**	**34.31**	**44.27**	**146.91**
Accumulated Depreciation					
As at 31 March 2019	**0.72**	**5.26**	**4.45**	**4.49**	**14.92**
Depreciation charge for the year	0.36	5.50	5.09	5.73	16.68
Disposals/adjustments	-	-	-	-	-
As at 31 March 2020	**1.08**	**10.76**	**9.54**	**10.22**	**31.60**
Depreciation charge for the year	0.36	6.09	5.36	6.14	17.95
Disposals/adjustments	-	1.10	0.83	1.84	3.77
As at 31 March 2021	**1.44**	**15.75**	**14.07**	**14.52**	**45.78**
Net Block					
As at 31 March 2020	19.00	38.73	24.99	43.56	126.28
As at 31 March 2021	**18.64**	**32.50**	**20.24**	**29.75**	**101.13**

9 Intangible assets

	Computer software	Total
Cost		
As at 01 April 2019	**96.53**	**96.53**
Additions	21.57	21.57
Disposals/adjustments	-	-
As at 31 March 2020	**118.10**	**118.10**
Additions	166.20	166.20
Disposals/adjustments	-	-
As at 31 March 2021	**284.30**	**284.30**
Accumulated amortisation		
As at 31 March 2019	**39.69**	**39.69**
Amortisation for the year	20.45	20.45
Disposals/adjustments	-	-

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

As at 31 March 2020	**60.14**	**60.14**
Amortisation for the year	38.71	38.71
Disposals/adjustments	-	-
As at 31 March 2021	**98.85**	**98.85**
Net Block		
As at 31 March 2020	57.96	57.96
As at 31 March 2021	**185.45**	**185.45**

10 Leases

1) Information on Lease transactions as required by Ind AS - 116 - Leases are as follows :

		As at 31 March 2021	As at 31 March 2020
2)	**Particulars**		
i)	Amortisation on Right of Use assets		
	- Rental expense	130.03	73.49
ii)	Interest expense on lease liability	50.12	52.28
iii)	Total cash outflow for leases i.e., rent paid	152.60	88.88
iv)	Additions / Adjustments to right of use assets	405.47	522.76
v)	Right to use assets	724.71	449.27
vi)	Lease liability	789.14	486.15
3)	Bifurcation of rent paid into interest & principal portion.		
	Interest	50.12	52.28
	Principal	102.48	36.60

11 Assets held for sale

	As at 31 March 2021	As at 31 March 2020
Assets held for sale*	364.70	364.71
	364.70	**364.71**

* The Company has taken the possession of mortgage properties and is in the process of selling the same.

12 Other non financial assets

	As at 31 March 2021	As at 31 March 2020
Prepaid expenses	351.94	1,162.58
Gratuity (excess of plan assets over obligation)	5.97	39.42
Capital advances	0.88	1.83
Balances with government authorities	299.61	359.96
Others	494.30	425.77
Total	**1,152.70**	**1,989.56**

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

13 Payables

	As at 31 March 2021	As at 31 March 2020
Trade Payables		
Total outstanding dues of micro enterprises and small enterprises [Refer note below]	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	951.50	539.21
Total	**951.50**	**539.21**

	As at 31 March 2021	As at 31 March 2020
Other Payables		
Total outstanding dues of micro enterprises and small enterprises [Refer note below]	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	1,603.71	1,339.94
Total	**1,603.71**	**1,339.94**

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 2021 and 31 March 2020. 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.

14 Debt securities

	As at 31 March 2021	As at 31 March 2020
(Measured at amortised cost)		
Secured Redeemable non-convertible debentures [refer notes (a) & (b) below]	45,998.84	5,491.93
Total	**45,998.84**	**5,491.93**
Debt securities in India	45,998.84	5,491.93
Total	**45,998.84**	**5,491.93**

(a) Nature of security

200 number of debentures allotted in March 2015 and 100 number of debentures allotted in March 2016 are secured by first charge ranking pari-passu on the Company's book debts and loan instalments receivables along with mortgage created over the immovable property situated at Barasat, Dist - 24 Parganas (N). All other debentures are secured by exclusive first charge by way of hypothecation on the Company's book debts and loan instalments receivables. The total asset cover is hundred percent or above of the principal amount of the said debentures.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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

Number of Debentures	Face Value (₹ in lacs)	Month of Allotment	Month of Redemption	As at 31 March 2021	As at 31 March 2020
200	10	Mar-15	Mar-22	1,995.01	1,990.02
100	10	Mar-16	Mar-23	999.99	999.84
250*	10	Mar-19	Sep-20	-	2,502.07
750	10	Jun-20	Jun-23	8,008.96	-
500	10	Jun-20	Jun-23	5,336.98	-
750	10	Jul-20	Apr-23	7,633.08	-
200	10	Jul-20	Apr-23	2,021.15	-
500	10	Jul-20	Jul-23	5,290.09	-
1400	10	Aug-20	Feb-22	14,713.58	-
				45,998.84	**5,491.93**

The above debentures carry interest rates ranging from 8.48% p.a. to 10.10% p.a. (31 March 2020: from 10.00% p.a. to 10.88% p.a)

* The debentures have been issued in March 2019 for the tenor of 1.5 years. The same has been repaid in September 2020.

15 Borrowings (other than debt securities)

	As at 31 March 2021	As at 31 March 2020
(Measured at amortised cost)		
(Secured)		
(a) Term loans (refer note (a)(i) & (b)(i) below)		
(i) from banks	117,587.11	79,149.87
(ii) from financial institutions	27,563.93	29,401.10
(b) Securitisation liability* (refer note (a)(ii) & (b)(ii) below)	27,442.00	35,737.00
(c) Loans repayable on demand (refer note (a)(iii) & (b)(iii) below) - from banks	25,650.29	38,560.34
	198,243.33	**182,848.31**
Borrowings in India	198,243.33	182,848.31
	198,243.33	**182,848.31**

(a) Nature of security

(i) All term loans from banks (except for term loan from State Bank of India maturing in July 2021 which is secured by way of first charge ranking pari-passu over the entire current assets, both present & future, including the entire book debts against the said term loan) are secured by way of exclusive charge over receivables arising out of assets financed against the said term loan.

(ii) Securitisation liability represents amounts received in respect of securitisation transactions (net of repayments & investment therein) as these transactions do not meet the derecognition 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 instalments, receivables and underlying assets arising out of finance (except those assets exclusively financed by other loans) of the Company.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

(b) Terms of repayment

(i) Schedule of repayment for term loans from banks and financial institutions

Frequency	Repayment commencing from	Repayment Maturity	No. of instalments	As at 31 March 2021	As at 31 March 2020
Monthly	Jan-20	Dec-29	104	27,301.60	29,085.45
Monthly	Jul-21	Mar-25	45	5,941.58	-
Monthly	Apr-21	Dec-24	45	9,895.36	-
Quarterly	Oct-20	Apr-30	36	4,449.74	-
Quarterly	Oct-20	Apr-30	36	4,610.00	-
Monthly	Feb-20	Jan-24	34	5,282.21	7,133.72
Quarterly	Sep-21	Mar-29	31	2,469.80	-
Quarterly	Mar-22	Dec-28	28	14,771.25	-
Monthly	Apr-20	Mar-24	24	7,502.16	15,004.32
Quarterly	Oct-20	Apr-25	16	3,780.00	-
Quarterly	Jun-21	Mar-25	16	14,555.95	-
Quarterly	Oct-20	Apr-25	16	4,530.00	-
Quarterly	Dec-20	Jul-24	14	8,728.57	9,978.32
Quarterly	Jan-21	Oct-24	14	8,705.66	9,983.51
Quarterly	Mar-20	Dec-23	11	10,335.66	14,075.10
Quarterly	Jun-19	Mar-23	8	3,780.33	5,670.00
Monthly	Feb-21	Jul-21	4	2,011.17	-
Bullet	May-21	May-21	1	2,835.00	-
Bullet	Aug-21	Aug-21	1	3,665.00	-
Quarterly	Jun-18	Mar-25	-	-	3,552.11
Quarterly	Sep-17	Jun-24	-	-	3,029.09
Quarterly	Mar-20	Mar-22	-	-	4,420.90
Quarterly	Jun-17	Mar-21	-	-	2,525.45
Quarterly	Mar-17	Dec-20	-	-	3,789.91
Monthly	Aug-17	May-20	-	-	303.09
				1,45,151.04	**1,08,550.97**

The above term loans carry interest rates ranging from 5.25 % p.a. to 10.50 % p.a. (31 March 2020: from 9.30% p.a. to 10.50% p.a)

(ii) Terms of maturity of securitisation liability

	Interest rate range (p.a.)		Amount	
Maturity schedule	**31 March 2021**	**31 March 2020**	**31 March 2021**	**31 March 2020**
> 5 years	8.10% - 9.25%	9.10% - 9.90%	20,679.17	28,471.54
3 - 5 Years	8.10% - 9.25%	9.10% - 9.90%	2,967.31	3,413.49
1 - 3 Years	8.10% - 9.25%	9.10% - 9.90%	2,576.36	2,900.05
0 - 1 Years	8.10% - 9.25%	9.10% - 9.90%	1,219.16	951.92
			27,442.00	**35,737.00**

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

(iii) The cash credit facilities carries interest rate at 8.20 % p.a. to 10.10 % p.a.(31 March 2020: from 9.55 % p.a. to 10.45% p.a). Working capital demand loans carry interest rates ranging from 7.20 % p.a. to 8.45 % p.a.(31 March 2020: from 7.80% p.a. to 9.90% 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.

16 Subordinated liabilities

	As at 31 March 2021	As at 31 March 2020
(Measured at amortised cost)		
(Tier II Capital):		
From banks (subordinated debts)	9,949.86	9,939.18
Total	**9,949.86**	**9,939.18**
Subordinated liabilities in India	9,949.86	9,939.18
	9,949.86	**9,939.18**

(i) Terms of repayment of subordinated liabilities

Frequency	Interest rate	Repayment due	No. of instalments payable	As at 31 March 2021	As at 31 March 2020
On maturity	12.50%	Mar-26	1	9,949.86	9,939.18
				9,949.86	**9,939.18**

The Company has not defaulted in repayment of any principal and interest during the year.

17 Other financial liabilities

	As at 31 March 2021	As at 31 March 2020
Amount payable on assigned loans	3,739.76	1,999.42
Temporary overdraft from banks	-	2,598.20
Others	83.29	-
	3,823.05	**4,597.62**

18 Provisions

	As at 31 March 2021	As at 31 March 2020
Provision for employee benefits		
- Provision for compensated absences	172.90	98.47
	172.90	**98.47**

19 Deferred tax liabilities (net)

	As at 31 March 2021	As at 31 March 2020
Deferred tax liability arising on account of:		
Statutory reserve	918.91	761.54
Fair valuation of financial assets	2,900.44	1,770.11

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

Amortisation of transaction cost/income on assets on finance as per EIR model	-	81.71
Depreciation and amortisation on property,plant and equipment and Intangible assets	16.20	8.01
Others	4.64	14.71
	3,840.19	**2,636.08**
Deferred tax asset arising on account of:		
Impairment loss allowance on loan assets	2,641.78	696.60
Amortisation of transaction cost/income on assets on finance as per EIR model	24.44	-
Recognition/de-recognition of income and expenses pertaining to direct assignment transactions	210.21	189.65
Fair valuation of financial assets	280.89	353.79
Provision for expenses	54.00	30.28
	3,211.32	**1,270.32**
Total deferred tax liability (net)	**628.87**	**1,365.76**

i) Movement in deferred tax liabilities for year ended 31 March 2021:

Particulars	As at 01 April 2020	Statement of Profit or Loss	Other Comprehensive Income	As at 31 March 2021
Deferred tax liabilities for taxable temporary differences on:				
Statutory reserve	761.54	157.37	-	918.91
Fair valuation of financial assets	1,770.11	1,130.33	-	2,900.44
Amortisation of transaction cost/income on assets on finance as per EIR model	81.71	(81.71)	-	-
Depreciation and amortisation on property,plant and equipment and Intangible assets	8.01	8.19	-	16.20
Others	14.71	(12.58)	2.51	4.64
Total	**2,636.08**	**1,201.60**	**2.51**	**3,840.19**
Deferred tax assets for deductible temporary differences on:				
Impairment loss allowance on loan assets	696.60	1,945.18	-	2,641.78
Amortisation of transaction cost/income on assets on finance as per EIR model	-	24.44	-	24.44
Recognition/de-recognition of income and expenses pertaining to direct assignment transactions	189.65	20.56	-	210.21
Fair valuation of financial assets	353.79	20.61	(93.51)	280.89
Provision for expenses	30.28	23.72	-	54.00
Total	**1,270.32**	**2,034.51**	**(93.51)**	**3,211.32**
Deferred tax liabilities, net	**1,365.76**	**(832.91)**	**96.02**	**628.87**

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

ii) Movement in deferred tax liabilities for year ended 31 March 2020:

Particulars	As at 01 April 2019	Statement of Profit or Loss	Other Comprehensive Income	As at 31 March 2020
Deferred tax liabilities for taxable temporary differences on:				
Statutory reserve	808.96	(47.42)	-	761.54
Fair valuation of financial assets	1,115.75	654.36	-	1,770.11
Amortisation of transaction cost/income on assets on finance as per EIR model	-	81.71	-	81.71
Depreciation and amortisation on property,plant and equipment and Intangible assets	12.01	(4.00)	-	8.01
Others	-	15.15	(0.44)	14.71
Total	**1,936.72**	**699.80**	**(0.44)**	**2,636.08**
Deferred tax assets for deductible temporary differences on:				
Impairment loss allowance on loan assets	671.84	24.76	-	696.60
Amortisation of transaction cost/income on assets on finance as per EIR model	271.17	(271.17)	-	-
Recognition/de-recognition of income and expenses pertaining to direct assignment transactions	136.06	53.59	-	189.65
Fair valuation of financial assets	0.22	211.05	142.52	353.79
Provision for expenses	18.28	12.00	-	30.28
Total	**1,097.57**	**30.23**	**142.52**	**1,270.32**
Deferred tax liabilities, net	**839.15**	**669.57**	**(142.96)**	**1,365.76**

20 Other non-financial liabilities

	As at 31 March 2021	As at 31 March 2020
Advances from customers	1,260.06	422.31
Statutory dues payable	204.20	180.06
Others	50.00	-
	1,514.26	**602.37**

21 Share capital

	As at 31 March 2021		As at 31 March 2020	
	Number	Amount	Number	Amount
Authorized share capital				
Equity shares of ₹ 10 each	200,000,000	20,000.00	200,000,000	20,000.00
Total	**200,000,000**	**20,000.00**	**200,000,000**	**20,000.00**

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

Issued,subscribed and fully paid up				
Equity shares of ₹ 10 each	165,829,853	16,582.99	165,829,853	16,582.99
	165,829,853	**16,582.99**	**165,829,853**	**16,582.99**

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

Particulars	As at 31 March 2021		As at 31 March 2020	
	Number	Amount	Number	Amount
Balance at the beginning of the reporting year	165,829,853	16,582.99	148,102,500	14,810.25
Equity share capital issued during the year	-	-	17,727,353	1,772.74
Balance at the end of the reporting year	**165,829,853**	**16,582.99**	**165,829,853**	**16,582.99**

Company had allotted 17,727,353 equity shares of face value ₹ 10 each to Magma Fincorp Limited, aggregating to ₹ 10,000 lacs, including premium of ₹ 46.41 per share in the previous year. The equity share issued and allotted as aforesaid rank pari passu with the exisiting equity shares of the Company in all respect.

(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 2021		As at 31 March 2020	
	Number	Percentage	Number	Percentage
Equity shares of ₹ 10 each:				
Magma Fincorp Limited	165,829,853	100%	165,829,853	100%

22 Other equity

	As at 31 March 2021	As at 31 March 2020
Retained earnings	19,057.75	18,570.06
Statutory reserves	5,861.64	5,252.97
Securities premium	8,227.26	8,227.26
Share options reserve account	582.68	330.61
Other comprehensive income	(627.40)	(905.45)
Total	**33,101.93**	**31,475.45**

Nature and purpose of reserves:

(a) Retained earnings

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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.

(b) Statutory reserves

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.

(c) Securities premium

Securities premium represents premium received on issue of shares. This amount can be utilised in accordance with the provisions of the Companies Act 2013.

(d) Share options reserve 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. The reserve is used to recognise the fair value of the options issued to the employees of the Company under the Plan.

Refer Note 40 for further details on employee stock options.

(e) 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 financial assets through other comprehensive income under other equity. The Company transfers amounts from this reserve to retained earnings when the relevant financial asset is derecognised.

23 Interest income

	Year ended 31 March 2021			Year ended 31 March 2020		
	On financial assets measured at fair value through OCI	On financial assets measured at Amortised Cost	Total	On financial assets measured at fair value through OCI	On financial assets measured at Amortised Cost	Total
Interest on loans	38,912.15	360.05	39,272.20	26,586.33	3,659.31	30,245.64
Interest on deposits with banks	-	1,182.93	1,182.93	-	305.43	305.43
Other interest Income	-	10.44	10.44	-	2.11	2.11
	38,912.15	**1,553.42**	**40,465.57**	**26,586.33**	**3,966.85**	**30,553.18**

24 Fees and commission income

	Year ended 31 March 2021	Year ended 31 March 2020
Collection and support services	105.70	96.66
Foreclosure charges	261.36	190.71
Commitment fees	677.30	888.00
Others	70.89	38.06
	1,115.25	**1,213.43**

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

25 Net gain on de-recognition of financial instruments

	Year ended 31 March 2021	Year ended 31 March 2020
Gain from derecognition on account of direct assignment transactions	5,127.67	3,074.39
	5,127.67	**3,074.39**

26 Other income

	Year ended 31 March 2021	Year ended 31 March 2020
Liabilities no longer required written back	69.72	-
Income from other services	450.00	750.00
Gain from sale of repossessed assets	26.12	-
Miscellaneous income	-	45.65
	545.84	**795.65**

27 Finance cost

	Year ended 31 March 2021	Year ended 31 March 2020
Interest on debt securities	2,973.63	1,262.68
Interest on borrowings (other than debt securities)	17,808.59	14,932.27
Interest on subordinated liabilities	1,260.68	1,264.12
Other borrowing costs	542.94	209.88
	22,585.84	**17,668.95**

28 Net loss on fair value changes

	Year ended 31 March 2021	Year ended 31 March 2020
Net loss on financial instruments at fair value through profit or loss - Security receipts (unrealised)	95.58	225.13
	95.58	**225.13**

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

29 Impairment on financial instruments

	Year ended 31 March 2021			Year ended 31 March 2020		
	On financial assets measured at fair value through OCI	On financial assets measured at Amortised Cost	Total	On financial assets measured at fair value through OCI	On financial assets measured at Amortised Cost	Total
Impairment on loans	7,558.71	44.09	7,602.80	658.23	(71.57)	586.66
Bad debts written-off (net of recoveries)*	5,016.00	317.83	5,333.83	1,250.82	336.78	1,587.60
	12,574.71	**361.92**	**12,936.63**	**1,909.05**	**265.21**	**2,174.26**

*During the year bad debts recovery for ₹ 331.55 lacs on financial assets measured at fair value through OCI and NIL on financial assets measured at amortised cost has been netted off with bad debts written off. (31 March 2020- ₹ 211.79 lacs and ₹ 23.43 lacs)

Note : Also refer Note 50

30 Employee benefits expenses

	Year ended 31 March 2021	Year ended 31 March 2020
Salaries and wages	6,263.24	6,294.40
Contribution to provident and other funds	409.75	385.72
Share based payments to employees	252.07	219.28
Staff welfare expense	113.22	98.17
	7,038.28	**6,997.57**

(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.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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:

		Year ended 31 March 2021	Year ended 31 March 2020
(i)	**Change in present value of the defined benefit obligation:**		
	Present value of the obligations at the beginning of the year	152.30	96.09
	Current service cost	70.92	64.00
	Interest cost	9.86	6.75
	Past service cost	-	-
	Actuarial loss arising from assumption changes	(10.39)	19.49
	Actuarial (gain) from demographic assumptions	-	(0.09)
	Actuarial (gain)/loss arising from experience adjustments	0.43	(18.39)
	Benefits paid	(8.10)	(15.55)
	Present value of the obligations at the end of the year	**215.02**	**152.30**
(ii)	**Change in fair value of plan assets:**		
	Plan assets at the beginning of the year	191.72	87.87
	Actual return on plan assets	13.28	10.29
	Actual company contributions	24.09	109.11
	Benefits paid	(8.10)	(15.55)
	Plan assets at the end of the year	**220.99**	**191.72**
(iii)	**Reconciliation of present value of defined benefit obligation and the fair value of plan assets**		
	Present value obligation as at the end of the year	215.02	152.30
	Fair value of plan assets as at the end of the year	220.99	191.72
	Net (asset) recognized in balance sheet	**(5.97)**	**(39.42)**
(iv)	**Components of net cost charged to the Statement of profit and loss**		
	Employee benefits expense:		
	Service cost	70.92	64.00
	Interest costs	9.86	6.75
	Interest income	(13.28)	(10.29)
	Net impact on profit before tax	**67.50**	**60.46**
(v)	**Components Remeasurement losses in other comprehensive income**		
	Actuarial loss arising from assumption changes	(10.39)	1.01
	Actuarial loss arising from experience adjustments	0.43	-
	Remeasurement (gains)/losses in other comprehensive income	**(9.96)**	**1.01**

(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.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

(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 2021	Year ended 31 March 2020
Discount rate (per annum)	6.97%	6.65%
Salary escalation rate (per annum)	5.00%	5.00%
Expected average remaining working lives of employees (years)	23.39	24.49
Mortality	IALM(2012-14) ultimate table	IALM(2012-14) ultimate table

(viii) Sensitivity analysis

	Year ended 31 March 2021	Year ended 31 March 2020
A quantitative sensitivity analysis for significant assumption is as shown below:		
DBO with discount rate +0.25pt	207.33	146.99
DBO with discount rate -0.25pt	223.08	157.86
DBO with +0.5% salary escalation	231.77	163.83
DBO with -0.5% salary escalation	199.64	141.73
DBO with +2% withdrawal rate	215.02	152.29
DBO with -2% withdrawal rate	215.02	152.30
DBO with +1% mortality rate	215.04	152.31
DBO with -1% mortality rate	215.00	152.29

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:

	As at 31 March 2021	As at 31 March 2020
Year 1	0.93	0.68
2 to 5 years	16.52	8.76
6 to 10 years	68.93	61.57
More than 10 years	611.07	393.55

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

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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

(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.

31 Depreciation, amortisation and impairment

	Year ended 31 March 2021	Year ended 31 March 2020
Depreciation on property plant and equipment	17.95	16.68
Depreciation on Right of use asset	130.03	73.49
Amortisation of Intangible assets	38.71	20.45
	186.69	**110.62**

32 Other expenses

	Year ended 31 March 2021	Year ended 31 March 2020
Rent, taxes and energy costs	354.10	316.07
Repairs and maintenance	146.26	108.07
Communication costs	118.66	81.51
Printing and stationery	56.91	98.54
Advertisement and publicity	72.33	117.75
Directors fees, allowances and expenses	24.58	10.72
Auditor's fees and expenses*	**40.63**	**30.21**

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

Legal charges and professional charges	757.45	1,014.32
Travelling and conveyance	239.44	371.90
Corporate social responsibility expenditure (refer note 48)	258.80	40.00
Outsourcing expense	556.46	426.43
Office maintenance	44.32	79.07
Record retention charges	69.26	80.50
Meeting and seminar expenses	0.29	21.55
Miscellaneous expenses	236.03	234.92
	2,975.52	**3,031.56**
***Payment to auditors (excluding taxes)**		
Audit fees	18.00	18.00
Limited review	7.00	7.00
Other services	15.25	2.48
Reimbursement of expenses	0.38	2.73
	40.63	30.21

33 Tax expenses

		Year ended 31 March 2021	Year ended 31 March 2020
(a)	**Income tax recognised in the Statement of Profit and Loss:**		
	Current tax	1,202.00	526.00
	Deferred tax	(832.91)	669.57
	Tax expenses of earlier years	(22.21)	(31.85)
		346.88	**1,163.72**
(b)	**Income tax recognized in other comprehensive income comprises:**		
	Tax impact on remeasurement of defined benefit plans	(2.51)	0.44
	Tax impact on fair valuation of financial assets	(93.51)	142.52
		(96.02)	**142.96**
(c)	**Reconciliation of income tax expense and the accounting profit for the year:**		
	Profit before tax	1,435.79	5,428.56
	Enacted tax rates (%)	25.17%	25.17%
	Income tax expense calculated at corporate tax rate	361.36	1,366.26
	Tax impact of expenses not deductable	34.71	(35.97)
	Impact of tax relating to earlier years	(22.21)	(31.85)
	Impact due to change in enacted tax rate	-	(135.68)
	Impact due to reversal of additional provision u/s 36(1)(viia)	(31.71)	-
	Additional liability on account of deduction u/s. 36(1)(viii)	4.18	-
	Others	0.55	0.96
	Income tax expense recognised in statement of profit and loss	**346.88**	**1,163.72**

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

34 Earnings per equity share (EPS)

	Year ended 31 March 2021	Year ended 31 March 2020
Net profit attributable to equity shareholders	1,088.91	4,264.84
Nominal value of equity share (₹)	10	10
Weighted average number of equity shares for basic earning per share	165,829,853	148,538,419
Add : Diluting effect of potential equity shares issued as employee stock options	27,52,166	27,56,665
Weighted average number of equity shares for diluted earning per share	168,582,019	151,295,084
Earnings per share		
- Basic earnings per share (₹)	0.66	2.87
- Diluted earnings per share (₹)	0.65	2.82

35 Segment reporting

The Company is primarily engaged in mortgage-based finance and as such no separate information is required to be furnished in terms of Ind AS 108 "Operating segments" specified under section 133 of the Act. 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 of providing financial services to customers in India. The entire revenues are billable within India and there is only one geographical segment.

36 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 2021	31 March 2020
Magma Fincorp Limited	Holding Company	India	100%	100%

(ii) Joint venture of Holding Company

Magma HDI General Insurance Company

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

(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
Kailash Baheti	Director (upto 09.06.2020)
Mayank Poddar	Non Executive Independent Director (upto 09.06.2020)
Mamta Binani	Non Executive Independent Director (upto 27.03.2020)
Raman Uberoi	Non Executive Independent Director (w.e.f 20.03.2020)
Deena Mehta	Non Executive Independent Director (w.e.f 20.03.2020)
Satya Brata Ganguly	Non Executive Director (upto 12.07.2020)
Ian Gerard Desouza	Chief Financial Officer (upto 30.06.2020)
Ajay Arun Tendulkar	Chief Financial Officer (w.e.f 01.07.2020)
Priti Saraogi	Company Secretary

(iv) Other related parties - 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 (upto 09.06.2020)
Celica Developers Private Limited	Private Company in which Director is Member or Director
Moh Jaiswal	Relative of Key Managerial Personnel

(b) Transactions with related parties

	Name of the party	Nature of transaction	Year ended 31 March 2021	Year ended 31 March 2020
(i)	**Holding Company**			
	Magma Fincorp Limited	Common cost allocation (expense)	1,262.39	1,163.50
		Loan taken	-	57,000.00
		Loan taken refunded	-	57,000.00
		Amount received towards share capital (including premium)	-	10,000.00
		Interest expense	-	683.87
		Sale of financial assets through direct assignment/ Loan sold	-	22,946.51
		Collection & support fees	29.18	31.29
(ii)	**Joint venture of holding company**			
	Magma HDI General Insurance Company	Advance recoverable	1,137.86	1,347.89
		Adjustments of loans and advances given	1,153.28	1,165.91
		Insurance premium paid	30.93	-
(iii)	**Key management personnel**			
	Manish Jaiswal	Directors' remuneration	125.07	126.71

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

	Name of the party	Nature of transaction	Year ended 31 March 2021	Year ended 31 March 2020
		Repayment of loan	258.88	4.91
		Installment received in advance	-	2.41
		Interest income	15.78	24.07
	Ian Gerard Desouza	Remuneration	38.66	185.47
	Ajay Arun Tendulkar	Remuneration	65.82	-
	Priti Saraogi	Salary	11.04	11.04
	All KMPs	Mediclaim paid recoverable	0.21	-
	Mamta Binani	Sitting Fees	-	5.30
	Satya Brata Ganguly	Sitting Fees	0.90	4.70
	Deena Mehta	Sitting Fees	12.70	-
	Raman Uberoi	Sitting Fees	8.80	-
(iv)	**Others**			
	Celica Developers Private Limited	Loan given	-	2,490.00
		Interest income	367.92	179.72
		Repayment of loan	40.57	94.65
	CLP Business LLP	Rent expense	3.81	15.22
	Moh Jaiswal	Repayment of loan received	216.26	3.30
		Installment Received in advance	-	1.95
		Interest income	13.20	20.07

(c) Balances with related parties

	Name of the party	Nature of balance	As at 31 March 2021	As at 31 March 2020
(i)	**Holding Company**			
	Magma Fincorp Limited	Collection fees receivable	2.26	2.72
(ii)	**Joint venture of holding company**			
	Magma HDI General Insurance Company	Loans and advances given	284.03	299.46
(iii)	**Key management personnel**			
	Manish Jaiswal	Loan given	-	258.88
		Installment received in advance	-	2.41
(iv)	**Others**			
	Celica Developers Private Limited	Loan given	2,444.60	2,395.35
	CLP Business LLP	Security deposit given	NA	6.45
	Moh Jaiswal	Loan given	-	216.26
		Installment received in advance	-	1.95

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

(d) Compensation of key managerial personnel

	Year ended 31 March 2021	Year ended 31 March 2020
Short-term employee benefits (including remunerations)	236.44	318.34
Post-employment benefits	4.15	4.87

*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;

37 Fair value measurements

a Financial assets and liabilities

The carrying amounts and fair values of financial instruments by category as follows:

Particulars	Note	As at 31 March 2021	As at 31 March 2020
(i) Financial assets measured at amortized cost			
- Cash and cash equivalents	3	9,300.64	110.49
- Other bank balances	4	7,080.19	5,881.24
- Loans	5	1,795.73	2,616.08
- Other financial assets	6	12,395.27	7,144.84
(ii) Fair value through profit and loss - other financial assets (Security receipts)	6	594.75	721.37
(iii) Fair value through other comprehensive income-Loans	5	278,905.85	235,217.96
Total		**310,072.43**	**251,691.98**
Financial liabilities measured at amortized cost			
Trade payables	13	951.50	539.21
Other payables	13	1,603.71	1,339.94
Debt securities	14	45,998.84	5,491.93
Borrowings (other than debt securities)	15	198,243.33	182,848.31
Subordinated liabilities	16	9,949.86	9,939.18
Lease liabilities	10	789.14	486.15
Other financial liabilities	17	3,823.05	4,597.62
Total		**261,359.43**	**205,242.34**

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. These 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).

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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:

As at 31 March 2021	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through other comprehensive income				
Loans	-	-	278,905.85	**278,905.85**
Fair value through profit and loss				
Other financial assets - Security receipts	-	594.75	-	**594.75**

As at 31 March 2020	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through other comprehensive income				
Loans	-	-	235,217.96	**235,217.96**
Fair value through profit and loss				
Other financial assets - Security receipts	-	721.37	-	**721.37**

b.2 Fair value of financial instruments measured at amortized cost

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

Particulars	As at 31 March 2021		As at 31 March 2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	9,300.64	9,300.64	110.49	110.49
Other bank balances	7,080.19	7,142.46	5,881.24	5,881.24
Loans	1,795.73	1,794.12	2,616.08	2,612.99
Other financial assets	12,395.27	12,395.27	7,144.84	7,144.84
Total	**30,571.83**	**30,632.49**	**15,752.65**	**15,749.56**
Financial liabilities				
Trade payables	951.50	951.50	539.21	539.21
Other payables	1,603.71	1,603.71	1,339.94	1,339.94
Debt securities	45,998.84	45,701.00	5,491.93	5,837.75
Borrowings (other than debt securities)	198,243.33	200,063.53	182,848.31	184,374.48
Subordinated liabilities	9,949.86	10,972.65	9,939.18	10,287.44
Lease liabilities	789.14	789.14	486.15	486.15
Other financial liabilities	3,823.05	3,823.05	4,597.62	4,597.62
Total	**261,359.43**	**263,904.58**	**205,242.34**	**207,462.59**

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:

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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

Particulars	At 1 April 2020	Disbursed	Receipts	Transfer into Level 3	Transfer from Level 3	Interest income	Other Comprehensive Income	As at 31 March 2021
Loans*	237,954.90	121,597.79	109,653.83	-	-	38,912.15	371.56	289,182.57
	237,954.90	**121,597.79**	**109,653.83**	**-**	**-**	**38,912.15**	**371.56**	**289,182.57**

Particulars	At 1 April 2019	Disbursed	Receipts	Transfer into Level 3	Transfer from Level 3	Net interest income	Other Comprehensive Income	As at 31 March 2020
Loans*	64,633.44	121,844.73	95,105.25	120,649.28	-	26,586.33	(653.63)	237,954.90
	64,633.44	**121,844.73**	**95,105.25**	**120,649.28**	**-**	**26,586.33**	**(653.63)**	**237,954.90**

* The above numbers are gross carrying amounts.(Refer Note 5)

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

38 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 have 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

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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:

- DPD analysis as on each reporting date
- significant increase in credit risk on other financial instruments of same borrower
- significant changes in value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements.

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 ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition; 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:

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

(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

g) Expected credit loss on Loans

The Company assesses whether the credit risk on a financial asset has increased significantly on collective basis. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type, product type, collateral type, and other relevant factors.

The Company considers defaulted assets as those which are contractually 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.

Forward looking information

In its ECL models, the Company relies on a broad range of forward looking information such as macro economic inputs. As required by Ind AS 109, Macro Economic (ME) overlays are required to be factored in ECL Model. Overtime, new ME variable may emerge to have a better corelation and may replace ME being used now.

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

Loans measured at amortized cost

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit - impaired
As at 31 March 2021				
Current (not past due)	1,970.15	9.58%	188.74	No
1-30 days past due	-	-	-	No
31-60 days past due	-	-	-	No
61-90 days past due	-	-	-	No

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

More than 90 days past due	3.42	39.77%	1.36	Yes
	1,973.57	**9.63%**	**190.10**	
As at 31 March 2020				
Current (not past due)	2,408.51	0.18%	4.28	No
1-30 days past due	1.77	1.13%	0.02	No
31-60 days past due	-	-	-	No
61-90 days past due	-	-	-	No
More than 90 days past due	331.53	42.75%	141.73	Yes
	2,741.81	**5.33%**	**146.03**	

Loans at fair value through other comprehensive income

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit - impaired
As at 31 March 2021				
Current (not past due)	246,568.38	0.70%	1,723.80	No
1-30 days past due	12,735.62	5.06%	643.80	No
31-60 days past due	14,854.61	19.18%	2,848.63	No
61-90 days past due	10,402.81	25.64%	2,666.86	No
More than 90 days past due	4,621.15	51.80%	2,393.63	Yes
	289,182.57	**3.55%**	**10,276.72**	
As at 31 March 2020				
Current (not past due)	2,18,037.62	0.14%	308.92	No
1-30 days past due	7,234.60	0.86%	62.49	No
31-60 days past due	4,161.21	8.53%	354.86	No
61-90 days past due	4,968.73	11.86%	589.32	No
More than 90 days past due	3,552.74	40.01%	1,421.35	Yes
	237,954.90	**1.15%**	**2,736.94**	

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 ₹ 16380.83 lacs at 31 March 2021 (31 March 2020: ₹ 5991.73 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 :

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

Loans measured at amortized cost

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

Reconciliation of gross carrying amount	Stage 1	Stage 2	Stage 3*
Gross carrying amount on 31 March 2019	117,903.87	5,081.90	1,941.75
Transfer to Stage 1	(114,303.75)	(5,081.90)	(1,263.63)
Transfer to Stage 2	-	-	-
Transfer to Stage 3	-	-	-
Loans assets originated or purchased	294.79	-	-
Loans assets that have been derecognised/repaid(excluding write offs)	(1,484.63)	-	(9.81)
Write offs		-	(336.78)
Gross carrying amount on 31 March 2020	**2410.28**	**-**	**331.53**
Transfer from Amortised cost to Fair value through OCI	**-**	**-**	**-**
Transfer to Stage 1	-	-	-
Transfer to Stage 2	-	-	-
Transfer to Stage 3	(3.42)	-	3.42
Loans assets originated or purchased	275.00	-	-
Net Financial assets that have been derecognised/ repaid(excluding write offs)	(711.71)	-	(13.71)
Write offs	0.00	-	(317.82)
Gross carrying amount on 31 March 2021	**1970.15**	**-**	**3.42**

Loans at fair value through other comprehensive income

Reconciliation of gross carrying amount	Stage 1	Stage 2	Stage 3*
Gross carrying amount on 31 March 2019	57,198.69	6,007.33	1,427.42
Transfer from Amortised cost to Fair value through OCI	114,303.75	5,081.90	1,263.63
Transfer to Stage 1	2,759.03	(2,439.35)	(319.69)
Transfer to Stage 2	(3,666.83)	4,086.56	(419.72)
Transfer to Stage 3	(1,426.71)	(1,414.26)	2,840.97
Loans assets originated or purchased	121,521.56	270.53	52.63
Loans assets that have been derecognised/repaid(excluding write offs)	(65,180.37)	(1,999.48)	(741.87)
Write offs	(236.88)	(463.33)	(550.61)
Gross carrying amount on 31 March 2020	**225,272.24**	**9,129.90**	**3,552.76**
Transfer from Amortised cost to Fair value through OCI	**-**	**-**	**-**
Transfer to Stage 1	2,158.29	(2,001.89)	(156.40)
Transfer to Stage 2	(20,778.01)	20,875.31	(97.30)
Transfer to Stage 3	(2,546.40)	(1,671.51)	4,217.91
Loans assets originated or purchased	121,218.33	304.69	74.77
Loans assets that have been derecognised/repaid(excluding write offs)	(64,797.22)	(308.22)	(248.67)
Write offs	(1,223.25)	(1,070.85)	(2,721.91)
Gross carrying amount on 31 March 2021	**259,303.98**	**25,257.43**	**4,621.16**

* Stage 3 assets as at 31 March 2021, includes restructured loan which are considered as credit impaired and provided

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

accordingly under Ind AS. Further, the same has been considered as standard assets for the limited purpose of regulatory disclosures based on dispensation given by RBI.

(i) 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

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 31 March 2019	**304.05**	**368.81**	**801.52**
Transfer from Amortised cost to Fair value through OCI	(294.91)	(368.81)	(458.38)
Transfer to Stage 1	-	-	-
Transfer to Stage 2	-	-	-
Transfer to Stage 3	-	-	-
Net Remeasurement of loss allowance	(1.72)	-	78.88
Loans assets originated or purchased	0.51	-	-
Loans assets that have been derecognised/repaid(excluding write offs)	(2.48)	-	-
Write offs	(1.15)	-	(280.28)
Loss allowance on 31 March 2020	**4.30**	**-**	**141.74**
Transfer from Amortised cost to Fair value through OCI	-	-	-
Transfer to Stage 1	-	-	-
Transfer to Stage 2	-	-	-
Transfer to Stage 3	(1.36)	-	1.36
Net Remeasurement of loss allowance	186.43	0.00	0.00
Loans assets originated or purchased	-	-	-
Loans assets that have been derecognised/repaid(excluding write offs)	(0.63)	0.00	0.00
Write offs	0.00	0.00	(141.74)
Loss allowance on 31 March 2021	**188.74**	**-**	**1.36**

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

Loans at fair value through other comprehensive income

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 31 March 2019	**151.93**	**319.45**	**352.86**
Transfer from Amortised cost to Fair value through OCI	294.91	368.80	458.38
Transfer to Stage 1	13.82	(10.81)	(3.00)
Transfer to Stage 2	(368.16)	416.63	(48.46)
Transfer to Stage 3	(571.30)	(561.42)	1132.72
Net Remeasurement of loss allowance	733.87	484.80	(40.38)
Loans assets originated or purchased	168.46	26.34	21.75
Loans assets that have been derecognised/repaid(excluding write offs)	(39.86)	(52.66)	(93.02)
Write offs	(12.26)	(46.95)	(359.50)
Loss allowance on 31 March 2020	**371.41**	**944.18**	**1421.35**
Transfer from Amortised cost to Fair value through OCI	-	-	-
Transfer to Stage 1	18.70	(17.73)	(0.97)
Transfer to Stage 2	(2759.31)	2770.34	(11.03)
Transfer to Stage 3	(936.80)	(650.67)	1587.47
Net Remeasurement of loss allowance	5457.31	2602.22	532.15
Loans assets originated or purchased	288.47	14.50	19.98
Loans assets that have been derecognised/repaid(excluding write offs)	(16.35)	(6.89)	(5.10)
Write offs	(25.61)	(170.67)	(1150.23)
Loss allowance on 31 March 2021	**2397.82**	**5485.28**	**2393.62**

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.

Loans	As at 31 March 2021	As at 31 March 2020
Housing Loans	198,209.27	154,887.28
Construction Finance	1,973.57	2,741.81
Loan against property	90,973.30	83,067.62

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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 held at the year end, are shown below:

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Property	2	24
Principal outstanding and installment overdue	114.89	671.02

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 :

March 31, 2021	Less than 1 year	1-3 year	More than 3 years	Total
Non-derivatives				
Debt Securities	20,493.93	30,966.05	-	51,459.98
Borrowings (other than debt securities)	73,847.83	83,552.09	101,607.63	259,007.55
Subordinated liabilities	1,250.00	2,503.42	12,496.58	16,250.00
Payables	2,555.21	-	-	2,555.21
Other financial liabilities	3,823.05	-	-	3,823.05
Lease liabilities	121.70	241.43	426.01	789.14
Total	**102,091.72**	**117,262.99**	**114,530.22**	**333,884.93**

March 31, 2020	Less than 1 year	1-3 year	More than 3 years	Total
Non-derivatives				
Debt Securities	2,938.63	3,402.00	-	6,340.63
Borrowings (other than debt securities)	78,707.85	64,081.28	1,07,442.48	250,231.61
Subordinated liabilities	1,250.00	2,500.00	13,750.00	17,500.00
Payables	1,879.15	-	-	1,879.15
Other financial liabilities	4,597.62	-	-	4,597.62

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

Lease liabilities	48.51	127.76	309.88	486.15
Total	**89,421.76**	**70,111.04**	**121,502.36**	**281,035.16**

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:

Particulars	As at 31 March 2021	As at 31 March 2020
Fixed rate instruments		
Financial assets	29,370.85	13,857.94
Financial liabilities	96,502.60	37,394.03
Variable rate instruments		
Financial assets	280,701.58	237,834.04
Financial liabilities	164,856.83	167,848.31

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.

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 :

Particulars	Profit or loss	
	100 bp increase	100 bp decrease
31 March 2021		
Variable rate instruments	1,158.45	(1,158.45)
Cash flow sensitivity (net)	**1,158.45**	**(1,158.45)**
31 March 2020		
Variable rate instruments	699.86	(699.86)
Cash flow sensitivity (net)	**699.86**	**(699.86)**

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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 2020, there were legal cases pending against the Company aggregating ₹ 0.28 lacs (31 March 2020: ₹ 1.95 lakhs). 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.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

39 Capital management

The Company maintains an actively managed capital base to cover risks inherent in the business and meets the Capital Adequacy Requirements (CRAR) requirement 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 2021	As at 31 March 2020
CRAR (%)	30.50	35.99
CRAR -Tier I Capital (%)	25.92	30.56
CRAR -Tier II Capital (%)	4.58	5.43

Note :

(i) In pursuant to RBI circular dated RBI/2019-20/170 DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated 13 March 2020, CRAR have been calculated with securitisation transaction being treated as zero risk weighted assets.

(ii) Restructured loans related to resolution framework for COVID-19-related Stress dated 06 August 2020 has been assigned normal weights considering it as regulatory dispensation given by RBI.

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.

The Company monitors capital on the basis of total equity and debt on periodic basis. Equity comprises of all component of equity including the fair value impact. Debt includes long term loan and short term loan.

The Company is regular in payment of its debt service obligation and the company has not received any communication from its lenders for non compliance of any debt covenant.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

40 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.

Pursuant to a resolution passed by the members holding Equity shares vide Extra Ordinary General Meeting held on 31 March 2018, the Company has approved the Employee Stock Option Plan-2018 (MHFL ESOP 2018). The members of the Nomination & Remuneration Committee (NRC) had approved the grant of 6,90,000 options, to the eligible employees of the Company in 2 tranches in FY 20. During the year the members of the NRC had approved the grant of 12,00,000 options to the eligible employees of the Company in 2 tranches (Tranche 6 & 7). In tranche 6 the live options vest in the ratio of 30:30:40 after expiry of first, second, and third year respectively from the date of grant of option whereas in tranche 7 the live options vest fully (100%) after expiry of first year from the date of grant of option subject to achievement of the criteria specified. 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 to the eligible employee of the Company in FY 19. The options shall vest in two equal instalments at the end of third year and fifth year from the date of joining. The first installment vested during the year. The NRC also approved the change in the vesting criteria of the RSO granted. During the year, the NRC also granted 4,00,000 additional RSO's which are subject to approval of the revised RSO plan by the shareholders of the Company.

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. In tranche 7 the vesting is dependent on following two conditions: • Vesting is linked to achievement of at least one of the following two on or before 31st March 2022: (a) Capital raise in Magma Housing Finance for INR 250 Crore or more. Successful completion of this condition will mean receipt of the capital raise money in the bank (b) Successful demerger of the mortgage portfolio from Magma Fincorp Limited. Successful completion of this condition will mean filing of documents for scheme of arrangement with the ROC • Vesting Period – 100% of options will vest either on successful completion of vesting condition, or 1 year from the date of grant, whichever is later, subject to successful completion of vesting condition.	The vesting conditions are linked to profitability

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

Vesting period	The vesting period for Tranche 3 to 6 is as follows: (a) 30% of the options shall vest on the expiry of one year from the date of the Grant. (b) 30% of the options shall vest on the expiry of two year from the date of the Grant. (c) 40% of the options shall vest on the expiry of three year from the date of the Grant. In Tranche 7 the live options vest fully (100%) after expiry of one year from the date of grant.	Revised vesting criteria of RSO • 1,480,000 to be deemed vested effective immediately. • Reset the AUM and RoE targets for FY'20 vesting. • Balance 1,480,000 in three tranches annually by FY'23 subject to performance conditions on AUM and ROE. • Enable catchup of unvested component in FY'23 if average actual RoE exceeds average target RoE by 1%

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 2021	As at 31 March 2020
	No. of options	No. of options
Outstanding at the beginning of the year	830,000	294,902
Granted during the year	1,200,000	690,000
Lapsed during the year	85,000	154,902
Outstanding options at the end of the year	1,945,000	830,000
Exercisable at the end of the year	246,000	42,000

The options outstanding at 31 March 2021 have exercise price of ₹ 58.39 (Tranche 6 and 7), ₹ 36.66 (Tranche 4 & 5) and ₹ 19.65 (Tranche 3) (31 March 2020: ₹ 36.66 & ₹ 19.65) and a weighted average remaining contractual life of 1.65 years (31 March 2020: 1.92 years)

MHRSO, 2018 :

Particulars	As at 31 March 2021	As at 31 March 2020
	No. of options	No. of options
Outstanding options at the beginning of the year	2,960,000	-
Granted during the year	-	2,960,000
Forfeited during the year	-	-
Exercised during the year	-	-
Expired/ lapsed during the year	-	-
Outstanding options at the end of the year	2,960,000	2,960,000
Exercisable at the end of the year	1,480,000	-

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

The options outstanding at 31 March 2021 have an exercise price of ₹ 10 (31 March 2020: ₹ 10) and a weighted average remaining contractual life of 1.24 years (31 March 2020: 2.57 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 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 model" and the inputs used in the measurement of the fair value as on grant date as follows:

Particulars	31 March 2021	31 March 2020
Fair market value of option as on the date of grant	16.33 - 31.76	16.33 - 31.76
Exercise price	10.00 - 58.39	10.00 - 36.66
Expected volatility (%) of share price	40.54% - 45.73%	40.54% - 41.83%
Expected option life (weighted average)	up to 3 years	up to 3 years
Risk free interest rate (p.a.)	4.70% to 7.99%	6.32% to 6.44%

The expected volatility was determined based on historical volatility data of the listed peer Company's shares for the said period.

The stock based compensation expenses determined using fair value method and charged to statement of profit and loss account is ₹ 252.07 lacs (March 31, 2020: ₹ 219.28 lacs)

41 The table below shows an analysis of assets and liabilities 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 effective interest rate.

		As at 31 March 2021		As at 31 March 2020	
		Within 12 months	More than 12 months	Within 12 months	More than 12 months
Financial assets					
	Cash and cash equivalents	9,300.64	-	110.49	-
	Other bank balances	4,286.27	2,793.92	4,659.83	1,221.41
	Loans	45,233.59	2,35,467.99	40,379.07	1,97,454.97
	Other financial assets	4,725.48	8,264.54	5,225.09	2,641.12
	Total financial assets	**63,545.98**	**246,526.45**	**50,374.48**	**201,317.50**
Non Financial assets					
	Current tax assets (net)	-	759.26	-	579.16
	Property, plant and equipment	-	101.13	-	126.28
	Intangible assets under development	-	-	-	108.46
	Other intangible assets	-	185.45	-	57.96
	Right of use assets	155.63	569.08	72.76	376.51

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

		As at 31 March 2021		As at 31 March 2020	
		Within 12 months	More than 12 months	Within 12 months	More than 12 months
	Assets held for sale	364.70	-	364.71	-
	Other non-financial assets	658.73	493.97	964.91	1,024.65
	Total non financial assets	**1,179.06**	**2,108.89**	**1,402.38**	**2,273.02**
	TOTAL	**64,725.04**	**248,635.34**	**51,776.86**	**203,590.52**
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	951.50	-	539.21	-
	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	1,603.70	-	1,339.94	-
	Debt securities	18,033.10	27,965.74	2,496.94	2,994.99
	Borrowings (other than debt securities)	63,385.46	134,857.87	68,558.72	114,289.59
	Subordinated liabilities	2.54	9,947.32	-	9,939.18
	Lease liability	121.70	667.44	48.51	437.64
	Other financial liabilities	3,823.06	-	4,597.62	-
	Total financial liabilities	87,921.06	173,438.37	77,580.94	127,661.40
Non Financial Liabilities					
	Provisions	2.36	170.54	1.41	97.06
	Deferred tax liabilities (net)	-	628.87	-	1,365.76
	Other non-financial liabilities	1,514.26	-	602.37	-
	Total non financial liabilities	**1,516.62**	**799.41**	**603.78**	**1,462.82**
	TOTAL	**89,437.68**	**174,237.78**	**78,184.72**	**129,124.22**
	Shareholders fund	**-**	**49,684.92**	**-**	**48,058.44**

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

42 Transfer of 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:

Securitisation transactions :	As at 31 March 2021	As at 31 March 2020
Carrying amount of transferred assets measured	28,949.62	35,808.18
Carrying amount of associated liabilities	27,442.00	35,737.00
Fair value of assets	28,838.11	35,710.05
Fair value of associated liabilities	27,705.23	37,008.45
Net position at fair value	1,132.88	(1,298.40)

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.

43 Change in liabilities arising from financing activities

Particulars	As at 1 April 2020	Loan Taken	Loan Paid	Non Cash Changes*	As at 31 March 2021
Debt securities	5,491.93	41,000.00	(2,500.00)	2,006.91	45,998.84
Borrowings (other than debt securities)	182,848.31	258,371.10	(242,059.62)	(916.46)	198,243.33
Subordinated liabilities	9,939.18	-	-	10.68	9,949.86
Total Liabilities from financing activities	**198,279.42**	**299,371.10**	**(244,559.62)**	**1,101.13**	**254,192.03**

Particulars	As at 1 April 2019	Loan Taken	Loan Paid	Non Cash Changes*	As at 31 March 2020
Debt securities	13,661.94	-	(7,500.00)	(670.01)	5,491.93
Borrowings (other than debt securities)	115,658.45	266,409.29	(198,836.94)	(382.49)	182,848.31
Subordinated liabilities	9,928.48	-	-	10.70	9,939.18
Total Liabilities from financing activities	**139,248.87**	**266,409.29**	**(206,336.94)**	**(1,041.80)**	**198,279.42**

*Represents adjustments on account of EIR and other adjustments

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

44 (I) Other disclosures as required by paragraph 16 of the NBFC - HFC Directions.

(a) Capital

		As at 31 March 2021	As at 31 March 2020
(i)	CRAR (%)	30.50	35.99
(ii)	CRAR -Tier I Capital (%)	25.92	30.56
(iii)	CRAR -Tier II Capital (%)	4.58	5.43
(iv)	Amount of subordinated debt raised as Tier- II Capital	7,959.89	9,939.18
(v)	Amount raised by issue of Perpetual Debt Instruments	-	-

Note : Restructured loans related to resolution framework for COVID-19-related Stress dated 06 August 2020 has been assigned normal weights considering it as regulatory dispensation given by RBI.

(b) Reserve Fund u/s 29C of NHB Act, 1987

		As at 31 March 2021	As at 31 March 2020
	Balance at the beginning of the year		
a)	Statutory reserve u/s 29C of the NHB Act 1987	2,160.60	1,587.63
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	3,092.37	2,812.37
c)	**Total**	**5,252.97**	**4,400.00**
	Additions/Appropriation/Withdrawal during the year		
	Add:		
a)	Amount transferred u/s 29C of the NHB Act, 1987	-	572.97
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	608.67	280.00
	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	2,160.60	2,160.60
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	3,701.04	3,092.37
c)	**Total**	**5,861.64**	**5,252.97**

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

(c) Investments

		As at 31 March 2021	As at 31 March 2020
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 ₹ 594.75 lacs (31 March 2020 ₹ 721.37 lacs) inlcuded in "Other Financial Assets.

		As at 31 March 2021	As at 31 March 2020
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	-	-

(d) Derivatives

The Company does not have any exposure to derivatives as at 31 March 2021 and 31 March 2020 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 2021 and 31 March 2020.

(e) Securitisation*

(i) Outstanding amount of Securitized assets as per books of the SPVs #

		As at 31 March 2021	As at 31 March 2020
1	No. of Special Purpose Vehicles (SPVs) sponsored by the HFC for securitisation transactions **	4	4
2	Total amount of securitized assets as per books of the SPVs sponsored	13,542.04	17,055.28
3	Total amount of the exposures retained by the HFC to comply with MRR as on the date of balance sheet		
	a) Off-balance sheet exposures towards Credit Enhancement		
	First loss	-	-
	Others	-	-
	b) On-balance sheet exposures towards Credit Enhancement		
	First loss	1,293.61	1,293.61

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

	Others	518.18	653.68
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures towards Credit Enhancement		
	(i) Exposure to own securitisation		
	First loss	-	-
	Others	1,235.92	1,235.92
	(ii) Exposure to third party securitisations		
	First loss	-	-
	Others	-	-
	b) On-balance sheet exposures towards Credit Enhancement		
	(i) Exposure to own securitisation		
	First loss	-	-
	Others	5,607.14	5,328.85
	(ii) Exposure to third party securitisations		
	First loss	-	-
	Others	-	-

* Securitisation(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.

** Only the SPVs relating to outstanding securitisation transactions are reported here.

The above figures are being reported based on certificate issued by the auditors of the SPV, as required by revised guidelines on transfer of assets through securitisation.

(ii) Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

	As at 31 March 2021	As at 31 March 2020
(i) No of Accounts	-	-
(ii) Aggregate value (net of provisions) of accounts sold to SC / RC	-	-
(iii) Aggregate consideration	-	-
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain / (loss) over net book value	-	-

(iii) Details of Assignment transactions undertaken by HFCs

	As at 31 March 2021	As at 31 March 2020
(i) No of Accounts	3,998	4,957
(ii) Aggregate value (net of provisions) of accounts assigned	38,044.37	51,142.21
(iii) Aggregate Consideration	38,044.37	51,142.21
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain / loss over net book value	-	-

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

(iv) Details of non-performing financial assets purchased/sold:

The Company did not purchase/sale any non-performing financial assets during the year ended 31 March 2021 and 31 March 2020.

(f) Assets Liability Management (Maturity pattern of certain items of Assets and Liabilities)

Maturity pattern of certain items of assets and liabilities as at 31 March 2021

(₹ in lacs)

	1 day to 7 days	8 to 14 days	15 days to 30/31 days	Over one months upto 2 months	Over two months upto 3 months	Over three months to 6 months	Over 6 months to 1 Year	Over 1 year to 3 years	Over 3 to 5 years	Over 5 Years	Total
Liabilities											
Borrowings from banks *	631.15	-	960.17	4,363.93	4,488.03	11,694.46	41,250.26	69,257.12	40,954.27	34,593.80	**208,193.19**
Market borrowings **	-	-	-	-	845.15	1,214.54	15,973.41	27,965.74	-	-	**45,998.84**
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-
Assets											
Advances	1,434.19	-	3,106.18	3,790.58	6,560.62	11,006.36	22,499.48	82,694.14	58,123.93		**289,743.06**
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 ₹ 594.75 lacs (March 20 ₹ 721.37 lacs) included in "Other Financial Assets

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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

Note: Borrowings and advances are inclusive of interest accrued thereon.

Maturity pattern of certain items of assets and liabilities as at 31 March 2020 (₹ in lacs)

	1 day to 7 days	8 to 14 days	15 days to 30/31 days	Over one months upto 2 months	Over two months upto 3 months	Over three months to 6 months	Over 6 months to 1 Year	Over 1 year to 3 years	Over 3 to 5 years	Over 5 Years	Total
Liabilities											
Borrowings from banks *	255.35	-	1,095.47	962.55	5,030.39	7,192.43	54,015.27	50,375.31	30,537.38	43,323.34	**192,787.48**
Market borrowings **	-	-	-	-	-	2,502.07	-	2,989.86	-	-	**5,491.93**
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	-
Assets											
Advances	1,236.18	-	2,038.09	2,787.30	5,635.71	10,012.95	20,327.66	72,788.22	48,997.57	76,079.63	**239,903.31**
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 ₹ 721.37 lacs (March 19 ₹ 983.33 lacs) included in "Other Financial Assets"

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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

Note: Borrowings and advances are inclusive of interest accrued thereon.

(g) (i) Exposure to Real Estate Sector

		As at 31 March 2021	As at 31 March 2020
(i)	**Direct exposure- (net of provisions for non performing assets)**		
1	Residential mortgages		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	274,998.67	225,611.47
2	Commercial real estate*		
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	1,972.21	2,600.07
3	Investments in Mortgage Backed Securities (MBS) and other securitized exposures**		
	(a) Residential,	-	-
	(b) Commercial real estate	594.75	721.37
(ii)	**Indirect Exposure**		
1	Fund based exposures		
	(a) on National Housing Bank (NHB)	-	-
	(b) on Housing Finance Companies (HFCs)	-	-
2	Non-fund based exposures		
	(a) on National Housing Bank (NHB)	-	-
	(b) on Housing Finance Companies (HFCs)	-	-

* Commercial Real estate includes Residential housing only, Commercial CRE exposure is nil.

**It is included in "Other Financial Assets"

(i) Exposure to Capital Market

The Company does not have any exposure to capital market as at the financial year ended 31 March 2021 and 31 March 2020.

(ii) Details of financing of parent company products

The Company has not financed any products of parent company in the financial year ended 31 March 2021 and 31 March 2020.

(iii) 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 2021 and 31 March 2020.

(iv) Unsecured advances

a) For determining the amount of unsecured advances, the rights, licenses, authorisations, etc., charged to the HFCs as collateral in respect of projects (including infrastructure projects) financed by them, are not reckoned as tangible security.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

b) 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 2021 and 31 March 2020.

(v) Exposure to group companies engaged in real estate business

The Company does not have any exposure to group companies engaged in real estate business at the financial year ended 31 March 2021 and 31 March 2020.

(II) Miscellaneous

(a) Registration obtained from other financial sector regulators

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

(b) Disclosure of Penalties imposed by NHB/RBI and other regulators

NHB imposed a penalty of ₹ 59,000 on 30 March, 2021 on account of non-compliance with the provisions of para 2(1)(v)(x) of NHB Directions, 2010, para 10(2) of issuance of NCDs on Private Placement basis (NHB) Directions, 2014, para 2(iii) of NHB's Policy circular 86 and Policy Circular 58, 75 & 96.

(c) Related Party Transactions

Refer note: 36 for related party transactions.

(d) Details of ratings assigned by Credit Rating Agencies and migration of ratings during the year

Facilities	Name of rating agency	As at 31 March 2021	As at 31 March 2020
(i) Long term bank facilities	CARE	AA-	AA-
	ICRA	AA-	AA-
(ii) Secured non-convertible debentures	CARE	AA-	AA-
	ICRA	NA	AA-
	BWR**	AA-	AA
(iii) PTC (on account of securitisation transaction)	ICRA	AA (SO)	AA (SO)
(iv) Short Term Debt (Commercial debt)	CRISIL	A1+	-

* Date of Rating assigned relates to rating valid on 31 March 2021.

**BWR ratings stands withdrawn vide rating letter dated 21 April, 2021.

(e) Remuneration of Directors

Name of the non-executive directors	Nature of transaction	Year ended 31 March 2021	Year ended 31 March 2020
(i) Mamta Binani	Director sitting fee	-	5.30
(ii) Satya Brata Ganguly	Director sitting fee	0.90	4.70
(iii) Deena Mehta	Director sitting fee	12.70	-
(iv) Raman Uberoi	Director sitting fee	8.80	-

(f) Percentage of outstanding loans against collateral of gold jewellery to their outstanding total assets

The Company does not have any outstanding loans against collateral of gold jewellery to their outstanding total assets as at the financial year ended 31 March 2021 and 31 March 2020.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

(III) Additional Disclosures

(a) Provisions and Contingencies

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account	Year ended 31 March 2021	Year ended 31 March 2020
Provision for depreciation on investment	-	-
Under "Employee Benefit Expenses"		
(i) Provision for compensated absences	74.43	72.74
(ii) Provision for gratuity	67.75	60.46
Under "Impairment for Loss Allowances"		
(i) Provision towards non-performing assets (NPAs)	831.90	408.74
(ii) Provision for standard assets	6,770.90	177.92
Under "Tax expenses"		
(i) Provision made towards Income tax (includes deferred tax)	346.88	1,163.72

(b) Break up of Loan and Advances and Provisions thereon

	Housing*	Non Housing	Housing	Non Housing
	As at 31 March 2021		As at 31 March 2020	
Standard Assets				
(i) Total outstanding amount	197,590.82	89,772.86	155,533.37	81,279.07
(ii) Provision made	5,568.74	2,836.30	691.81	628.06
Sub-Standard Assets				
(i) Total outstanding amount	2,445.77	1,098.83	1,618.60	1,541.38
(ii) Provision made	1,277.62	609.44	626.88	634.67
Doubtful Assets-Category-I				
(i) Total outstanding amount	146.24	88.42	356.03	167.87
(ii) Provision made	76.30	77.51	143.34	67.67
Doubtful Assets-Category-II			-	-
(i) Total outstanding amount	-	13.19	121.08	79.30
(ii) Provision made	-	20.79	51.80	38.74
Doubtful Assets-Category-III				
(i) Total outstanding amount	0.01	-	-	-
(ii) Provision made	0.12	-	-	-
Loss Asset				
(i) Total outstanding amount	-	-	-	-
(ii) Provision made	-	-	-	-
Total				
(i) Total outstanding amount	**200,182.84**	**90,973.30**	**157,629.08**	**83,067.62**
(ii) Provision made	**6,922.78**	**3,544.04**	**1,513.83**	**1,369.14**

* It includes receivables towards insurance policies taken on behalf of customers amounting to ₹ 7986.20 lacs (31 March 2020 : ₹ 5,552.22 lacs).

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

Note:

(a) The Total Outstanding Amount mean Principal + accrued interest + other charges pertaining to loans without netting off.

(b) Draw down from Reserves

The Company has not drawn any amount from Reserves during the financial year ended 31 March 2021 and 31 March 2020 respectively.

(c) 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 2021 and 31 March 2020 respectively.

(ii) Concentration of Loans and Advances

		As at 31 March 2021	As at 31 March 2020
	Total Loans and Advances to twenty largest borrowers	6,545.99	7,523.84
	Percentage of Loans and Advances to twenty largest borrowers to Total Advances of the HFC	2.25%	3.13%
(iii)	**Concentration of all Exposures (including off-balance sheet exposure)**		
	Total Exposure to twenty largest borrowers / customers	7,273.27	7,438.20
	Percentage of Exposures to twenty largest borrowers / customers to total Exposure of the HFC on borrowers / customers	1.82%	3.08%
(iv)	**Concentration of NPAs**		
	Total Exposure to top ten NPA accounts	546.49	806.57

(v) Sector-wise NPAs

Sector		% of NPAs to Total Advances in that sector	
		As at 31 March 2021	As at 31 March 2020
(A)	**Housing Loan**		
1	Individuals	1.31%	1.14%
2	Builders/Project Loans	0.17%	12.09%
3	Corporates	-	-
4	Others (specify)	-	-
(B)	**Non-Housing Loan**		
1	Individuals	1.33%	2.21%
2	Builders/Project Loans	-	-
3	Corporates	1.09%	0.70%
4	Others (specify)	-	-

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

(d) Movement of NPAs

		As at 31 March 2021	As at 31 March 2020
i)	Net NPAs to Net Advances (%)	0.60%	0.97%
ii)	Movement of NPAs (Gross)		
	a) Opening balance	3,884.27	3,369.17
	b) Additions during the year	3,478.41	3,045.06
	c) Reductions during the year	(3,570.22)	(2,529.96)
	d) Closing balance	**3,792.46**	**3,884.27**
iii)	Movement of Net NPAs		
	a) Opening balance	2,321.18	2,214.79
	b) Additions during the year	1,557.06	1,659.99
	c) Reductions during the year	(2,147.56)	(1,553.60)
	d) Closing balance	**1,730.68**	**2,321.18**
iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a) Opening balance	1,563.09	1,154.38
	b) Provisions made during the year	1,921.35	1,385.07
	c) Write-off / (write-back) of excess provisions	(1,422.66)	(976.36)
	d) Closing balance	**2,061.78**	**1,563.09**

(e) Overseas Assets

The Company does not have any overseas assets as at 31 March 2021 and 31 March 2020.

(f) 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 2021 and 31 March 2020.

(IV) Customer Complaints

		As at 31 March 2021	As at 31 March 2020
(i)	No. of complaints pending at the beginning of the year	-	3
(ii)	No. of complaints received during the year	21	7
(iii)	No. of complaints redressed during the year	21	10
(iv)	No. of complaints pending at the end of the year	-	-

45 Principle Business Criteria

	As at 31 March 2021	As at 31 March 2020
a) Individual Housing Loan to Total Tangible Assets	61.01%	60.09%
b) Total Housing Loan to Total Tangible assets	61.65%	61.18%

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

46 Disclosures pursuant to RBI Circular no. DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated 13.03.2020

As at and for the year ended 31 March 2021

Asset Classifications as per RBI Norms	Asset Classification as per Ind AS 109	Gross carrying amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Differences between Ind AS 109 provisions and IRACP norms
1	2	3	4	5=3-4	6	7=4-6
Performing Assets						
Standard	Stage 1	261,856.20	2,789.52	259,066.68	844.32	1,945.20
	Stage 2	25,507.48	5,615.53	19,891.95	1,336.54	4,278.99
Subtotal		**287,363.68**	**8,405.05**	**278,958.63**	**2,180.86**	**6,224.19**
Non Performing Assets (NPA)				-		-
Substandard	Stage 3	**3,544.61**	**1,887.05**	**1,657.56**	**531.69**	**1,355.36**
Doubtful- up to 1 year	Stage 3	234.65	153.81	80.84	58.66	95.15
1 to 3 years	Stage 3	13.19	20.79	(7.60)	5.28	15.51
More than 3 years	Stage 3	0.01	0.12	(0.11)	-	0.12
Subtotal for doubtful		**247.85**	**174.72**	**73.13**	**63.94**	**110.78**
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		**3,792.46**	**2,061.77**	**1,730.69**	**595.63**	**1,466.14**
Other items such as gurantees,loan commitments,etc, which are in the scope of Ind AS 109 but not covered under current income recognition, Asset Classification and Provisioning(IRACP) norms				-		
Subtotal		**291,156.14**	**10,466.82**	**280,689.32**	**2,776.49**	**7,690.33**
Total	Stage 1	261,856.20	2,789.52	259,066.68	844.32	1,945.20
	Stage 2	25,507.48	5,615.53	19,891.95	1,336.54	4,278.99
	Stage 3	3,792.46	2,061.77	1,730.69	595.63	1,466.14
	Total	**291,156.14**	**10,466.82**	**280,689.32**	**2,776.49**	**7,690.33**

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

As at and for the year ended 31 March 2020

Asset Classifications as per RBI Norms	Asset Classification as per Ind AS 109	Gross carrying amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Differences between Ind AS 109 provisions and IRACP norms
1	2	3	4	5=3-4	6	7=4-6
Performing Assets						
Standard	Stage 1	227,682.50	375.70	227,306.80	700.33	(324.63)
	Stage 2	9,129.94	944.18	8,185.76	258.41	685.77
Subtotal		**236,812.44**	**1,319.88**	**235,492.56**	**958.74**	**361.14**
Non Performing Assets (NPA)				-		-
Substandard	Stage 3	**3,159.98**	**1,261.54**	**1,898.44**	**474.00**	**787.54**
Doubtful- up to 1 year	Stage 3	523.90	211.01	312.89	130.97	80.04
1 to 3 years	Stage 3	200.39	90.54	109.85	80.16	10.38
More than 3 years	Stage 3			-		-
Subtotal for doubtful		724.29	301.55	422.74	211.13	90.42
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		**3,884.27**	**1,563.09**	**2,321.18**	**685.12**	**877.97**
Other items such as gurantees,loan commitments,etc, which are in the scope of Ind AS 109 but not covered under current income recognition, Asset Classification and Provisioning(IRACP) norms				-		
Subtotal		**240,696.71**	**2,882.97**	**237,813.74**	**1,643.86**	**1,239.11**
Total	Stage 1	227,682.50	375.70	227,306.80	700.33	(324.63)
	Stage 2	9,129.94	944.18	8,185.76	258.41	685.77
	Stage 3	3,884.27	1,563.09	2,321.18	685.12	877.97
	Total	**240,696.71**	**2,882.97**	**237,813.74**	**1,643.86**	**1,239.11**

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

(V) Schedule to the Balance Sheet of an HFC

			As at 31 March 2021	
Particulars				
Liabilities side			**Amount outstanding**	**Amount overdue**
1)	**Loans and advances availed by the HFC inclusive of interest accrued thereon but not paid***			
	(a)	Debentures : Secured	45,998.84	-
		: Unsecured	-	-
	(b)	Deferred Credits	-	-
	(c)	Term Loans	145,151.04	-
	(d)	Inter-corporate loans and borrowing	-	-
	(e)	Commercial Paper	-	-
	(f)	Public Deposits	-	-
	(g)	Other Loans :		-
	Loans repayable on demand		25,650.29	-
	Subordinated liabilities		9,949.86	-
2)	**Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):**			
	(a)	In the form of Unsecured debentures	-	-
	(b)	In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	-	-
	(c)	Other public deposits	-	-

* Does not include loan from PTC investors which forms part of borrowings under Ind AS as the same does not meet the derecognition criteria under Ind AS.

Assets side

			Amount outstanding As at 31 March 2021
3)	**Break-up of Loans and Advances including bills receivables [other than those included in (4) below]:**		
	(a)	Secured	291,156.14
	(b)	Unsecured	12.26
4)	**Break up of Leased Assets and stock on hire and other assets counting towards asset financing activities**		
	(i)	Lease assets including lease rentals under sundry debtors	
		(a) Financial Lease	-
		(b) Operating Lease	-
	(ii)	Stock on hire including hire charges under	
		(a) Assets on Hire	-
		(b) Repossessed Assets	-
	(iii)	Other Loans counting towards asset financing activities	
		(a) Loans where assets have been repossessed	-
		(b) Loans other than (a) above	-

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

5)	**Breakup of Investments**		
	Current Investments		
	1	Quoted	
		(i) Shares	
		(a) Equity	-
		(b) Preference	-
		(ii) Debentures and Bonds	-
		(iii) Units of Mutual Funds	-
		(iv) Government securities	-
		(v) Others	-
	2	Unquoted	
		(i) Shares	
		(a) Equity	-
		(b) Preference	-
		(ii) Debentures and Bonds	-
		(iii) Units of Mutual Funds	-
		(iv) Government securities	-
		(v) Others	-
	Long Term Investments		
	1	Quoted	
		(i) Shares	
		(a) Equity	-
		(b) Preference	-
		(ii) Debentures and Bonds	-
		(iii) Units of Mutual Funds	-
		(iv) Government securities	-
		(v) Others	-
	2	Unquoted	
		(i) Shares	
		(a) Equity	-
		(b) Preference	-
		(ii) Debentures and Bonds	-
		(iii) Units of Mutual Funds	-
		(iv) Government securities	-
		(v) Others	-

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

Schedule to the Balance Sheet of an HFC

6) Borrower group-wise classification of assets financed as in (3) and (4) above:

Category		As at 31 March 2021 Amount net of provisions		
		Secured	Unsecured	Total
1	Related Parties			
	(a) Subsidiaries	-	-	-
	(b) Companies in the same group	2,437.22	-	2,437.22
	(c) Other Related parties	-	-	-
2	Other than related parties	278,252.10	12.26	278,264.36
	Total	**280,689.32**	**12.26**	**280,701.58**

7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :

Category		As at 31 March 2021	
		Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1	Related Parties		
	(a) Subsidiaries	-	-
	(b) Companies in the same group	-	-
	(c) Other Related parties	-	-
2	Other than related parties	-	-
	Total	**-**	**-**

8) Other Information

Particulars		As at 31 March 2021
(i)	Gross Non Perfoming Assets	
	(a) Related Parties	-
	(b) Other than Related parties	3,792.46
(ii)	Net Non Performing Assets	
	(a) Related Parties	-
	(b) Other than Related parties	2,061.78
(iii)	Assets acquired in satisfaction of debt	-

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

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

(a) Contingent liabilities

	As at 31 March 2021	As at 31 March 2020
Claims against the Company not acknowledged as debt		
(i) Service tax matters under dispute	1.41	80.72
(ii) Income tax matters under dispute	192.56	-
(iii) Legal cases against the company	0.28	1.95
Guarantees	1,500.00	750.00

During the year the Company has issued a bank guarantee of ₹ 1500 lacs agaisnt loan facilities availed from NHB. (31 March 2020 : ₹ 750 lacs)

(b) Commitments

	As at 31 March 2021	As at 31 March 2020
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for	0.63	61.82
(ii)Undisbursed housing / other loans	16,613.32	13,157.10

(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.

48 Details of Corporate Social Responsibility ('CSR') expenditure

A CSR committee has been formed by the Company as prescribed under section 135 of the Companies Act, 2013. CSR expenses have been incurred through out the year on the activities as specified in Schedule VII of the Act.

	Year ended 31 March 2021	Year ended 31 March 2020
Gross amount required to be spent by the Company during the year:	256.51	84.64
Amount spent during the year:	258.80	40.00
Construction/ acquisition of any assets	-	-
Purposes other than above	258.80	40.00
	258.80	**40.00**

49 Disclosures relating to fraud

During the year ended 31 March 2021, 10 cases (March 2020: 11 cases) of frauds have been detected and reported. The un-recovered amount aggregating to ₹ 174.23 lacs (March 2020: ₹ 339.35 lacs) have been fully provided for / written-off.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

50 COVID-19

Covid 19 Wave 1:

- In accordance with the Reserve Bank of India (RBI) COVID-19 Regulatory Package announced on 27 March 2020, 17 April 2020 and 23 May 2020 and the Board approved moratorium policy, the Company offered moratorium on payment of all installments and / or interest, as applicable, falling due between 1 March 2020 and 31 August 2020 to eligible borrowers as per the Company's policy. For all loans where moratorium was availed by the borrowers, the Company had kept ageing of such loans and their asset classification at standstill during the moratorium period. The Company's business was adversely impacted during the period of lockdown in March-June 2020 period, and the impact continued for some time even subsequently.

  There was an adverse impact of COVID on the credit loss incurred by the Company for the year ended March 2021. This being first such incident, the impact was additionally factored in our books of accounts by stressing the Expected Credit Loss (ECL) parameters, where required. At the end of March 2021, the impact of COVID on our estimate of credit losses has become part of the ECL model and has already been included in the overall provisions.

Covid 19 Wave 2:

- The COVID wave 2 induced significant rise in infections and death cases including spread in hinterland tier towns and resulting lockdowns that have caused disturbance in the overall operations and impacted the collections from the existing customers of the Company and once again disturbed the operations of the Company significantly. It may lead to higher credit losses and worsening of portfolio quality. Further, the management expects muted response on the recent restructuring guidelines announced by RBI on May 6, 2021, requiring physical connect with the customers, which is not feasible until the lockdowns are lifted. It will result in flow forwards of cases to higher buckets during lock down periods in the subsequent first quarter and will take time thereafter to return to normalcy thereby causing significant increase in credit risk.

- In view of above, the management has taken a conservative stand and decided to implement a stricter write off policy of NPA accounts and also provide additionally as on 31 March, 2021 for credit losses that are likely on account of the second wave. Accordingly,

  (a) the Company has made an additional COVID provision of ₹ 4,429.80 lacs as at 31 March 2021. The Company holds cumulative provision against the potential impact of COVID-19 to the tune of ₹ 5,090.54 lacs (₹ 735.34 lacs as on 31 March 2020) and the management is confident of the adequacy of the same to counter the impact of second wave on the entire loan portfolio.

  (b) The Company has also moved to more stringent write off policy at 730+ days past due (dpd) on all contracts and has charged-off ₹ 881.30 lacs (net of provision ₹ 584.47 lacs) during the year ended 31 March 2021. The recovery efforts will nonetheless continue and any recoveries made out of written off contracts will be treated as income in the subsequent quarters in line with the applicable accounting policies.

  Had the Company had not moved to more stringent write off at 730+ dpd and not taken the additional Covid provision impact, the profit before tax and profit after tax for the year ended 31 March 2021 would have been ₹ 6,375.46 lacs and ₹ 4,835.18 lacs respectively.

  The Company has been duly servicing its debt obligations. The Company's capital and liquidity position remains sufficient and would continue to be the focus area for the Company; accordingly, the Company does not expect a stress on its liquidity situation in the immediate future.

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

51 Disclosure as required under RBI notification no. RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated 17 April 2020 on COVID-19 Regulatory Package - Asset Classification and Provisioning

Rs. In lacs

Particulars	As at 31 March 2021	As at 31 March 2020
i) Respective amounts in SMA/overdue categories, where the moratorium/ deferment was extended *	101,863.58	86,027.10
ii) Respective amount where asset classification benefits is extended**	-	4,827.00
iii) Provision made on the cases where asset classification benefit is extended ***	-	-
iv) Provisions adjusted during the respective accounting periods against slippages and the residual provisions	-	-

* Outstanding as on 31 March 2021 and 31 March 2020 respectively on account of all cases in SMA/ overdue categories where moratorium benefit was extended by the Company up to 31 August 2020.

** There are NIL accounts where asset classification benefit is extended till 31 March 2021. Post the moratorium period, the movement of aging has been at actuals.

*** The Company has factored the collections performance in FY21 in its revised ECL parameters. Therefore, the ECL parameters now factor the impact of the COVID year.

52 During the year, to relieve COVID-19 pandemic related stress, the Company has invoked resolution plans for eligible borrowers based on the parameters laid down in accordance with the one time restructuring policy approved by the Board of Directors of the Company and in accordance with the guidelines issued by the RBI on 6 August 2020

(i) Disclosure as per format prescribed under notification no. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 for the year ended 31 March 2021

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan***
Personal Loans	884	10,783.51	-	-	666.74
Corporate persons*	-	-	-	-	-
Of which, MSMEs	282	2,883.64	-	-	184.88
Others	-	-	-	-	-
Total	**884**	**10,783.51**	**-**	**-**	**666.74**

(ii) Disclosure as per format prescribed under notification no. RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 (for restructuring of accounts of Micro, Small and Medium Enterprise (MSME) sector – Restructuring of Advances having exposure less than or equal to ₹25 crores) for the year ended 31 March 2021

Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2021 (Contd.)

(All amounts in ₹ lacs, unless otherwise stated)

No of accounts restructured	Amount (₹ in lacs)
282	3,841.52**

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016.

** This figure represents amount outstanding as on 31 March 2021.

*** Includes management's overlay.

53 The Indian Parliament has approved the Code on Social Security, 2020 which subsumes the Provident Fund and the Gratuity Act and rules there under. The Ministry of Labour and Employment has also released draft rules thereunder on 13 November 2020 and has invited suggestions from stakeholders which are under active consideration of Ministry. The Company will evaluate the rules, assess the impact, if any, and account for the same once the rules are notified and became effective.

54 In accordance with the instructions vide RBI circular dated April 07 2021, and the Indian Banks' Association ('IBA') advisory letter dated 19 April 2021, the Company has put in place a Board approved policy to refund / adjust the 'interest on interest' charged to borrowers during the moratorium period i.e., 1 March 2020 to 31 August 2020.. The Company has estimated an amount of ₹ 16.56 lacs which has charged to Profit and Loss for the year ended 31 March, 2021.

55 The Government of India, Ministry of Finance, vide its notification dated 23 October 2020, had announced COVID-19 Relief Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months period from 01.03.2020 to 31.08.2020 to borrowers in specified loan accounts ("the Scheme"), in accordance with the eligibility criteria and other aspects mentioned therein. Accordingly, the management has submitted claim amounting to ₹ 606.24 lacs, which is yet to be received as on 31 March 2021.

56 The Company had made an application to the RBI seeking their prior approval in relation to the 'change in control' pursuant to the proposed acquisition of control of Magma Fincorp Limited ('MFL' or 'the Holding Company') by Rising Sun Holdings Private Limited ('RSHPL') which has since been approved by RBI. MFL has completed the allotment of its shares to RSHPL and existing promoters and the open offer ,process, pursuant to which the Company is now a step-down subsidiary of RSHPL.

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

Vikram Dhanania
Partner
Membership No.: 060568

Place : Kolkata
Date : 24 May 2021

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

Ajay Arun Tendulkar
Chief Financial Officer

Place : Mumbai
Date : 24 May 2021

Sanjay Chamria
Chairman
(DIN: 00009894)

Priti Saraogi
Company Secretary

Place : Kolkata
Date : 24 May 2021

NOTES

OLD WEBLINK	NEW WEBLINK
Old website: www.magmahfc.co.in	**New website:** www.poonawallahousing.com
Regulatory Disclosure: *https://www.magmahfc.co.in/regulatory-disclosure/secreterial-disclosures.php*	**Regulatory Disclosure:** https://poonawallahousing.com/secretarial-disclosures.php
Regulatory Disclosure: https://www.magmahfc.co.in/admin/upload/CSR_Disclosure.pdf	**Regulatory Disclosure:** https://poonawallahousing.com/secretarial-disclosures.php
Regulatory Disclosure: https://www.magmahfc.co.in/admin/upload/CSR_Disclosure.pdf	**Regulatory Disclosure:** https://poonawallahousing.com/secretarial-disclosures.php

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