



# MAGMA HOUSING FINANCE

Dated: 03 May, 2017

**BSE Limited**

Department of Corporate Services  
25<sup>th</sup> Floor, P. J. Towers, Dalal Street, Fort,  
Mumbai - 400 001

**Scrip Code No. - 108793**

Dear Sir/Madam,

**Sub: Audited Financial Results for the half year ended and year ended 31 March, 2017 along with Statement of disclosure of line items and Declaration for Unmodified Opinion**

**Ref: Regulations 52(1), 52(3) and 52(4) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015**

This is to inform you that the Board of Directors of the Company at their Meeting held today, i.e., 03 May, 2017 have approved the Audited Financial Statements for the year ended 31 March, 2017 and the Audited Financial Results for the half year and year ended 31 March, 2017. In compliance with the provisions of Regulations 52(1), 52(3) and 52(4) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, we are enclosing herewith the below mentioned documents for your perusal and records:

1. Audited Annual Financial Results of the Company for the half year ended and year ended 31 March, 2017 pursuant to Regulation 52(1)
2. Declaration for Unmodified Opinion on Financial Results in pursuance of Regulation 52(3)
3. Statement of disclosures of line items pursuant to Regulation 52(4)

You are requested to take note of the same.

Further please note that Certificate received in compliance with Regulations 52(5) of LODR 2015 from Catalyst Trusteeship Limited (Formerly, GDA Trusteeship Limited), Debenture Trustee of the Company is being forwarded to you separately.

This is for your information and record.

**Thanking you,**

Yours faithfully,  
For **Magma Housing Finance Limited**

*Priti Saraogi*

**Priti Saraogi**  
**Company Secretary**  
Membership No.: A26360

Encl: As above



**MAGMA HOUSING FINANCE**

**MAGMA HOUSING FINANCE LIMITED**

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

**Statement of Standalone Audited Financial Results for the Half Year and Year Ended 31 March 2017**

(₹ in lacs)

Particulars	Half Year Ended		Year Ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	(Audited) <sup>#</sup>	(Audited) <sup>#</sup>	(Audited)	(Audited)
1. <b>Interest earned (a)+(b)</b>	<b>12,036.75</b>	<b>12,443.45</b>	<b>24,861.11</b>	<b>23,964.59</b>
(a) Interest/disc. on advances/ bills	11,606.84	11,486.81	23,804.23	22,527.60
(b) Others	429.91	956.64	1,056.88	1,436.99
2. Other Income	136.78	210.98	243.07	277.89
3. <b>Total income (1+2)</b>	<b>12,173.53</b>	<b>12,654.43</b>	<b>25,104.18</b>	<b>24,242.48</b>
4. <b>Interest Expended</b>	<b>6,765.56</b>	<b>6,913.67</b>	<b>14,275.64</b>	<b>14,195.83</b>
5. <b>Operating Expenses (i)+(ii)+(iii)+(iv)</b>	<b>2,225.45</b>	<b>2,747.87</b>	<b>4,855.31</b>	<b>5,379.40</b>
(i) Employees cost	1,157.94	1,682.42	2,741.98	3,390.47
(ii) Depreciation expense	10.09	9.87	19.58	12.10
(iii) Brokerage and commission	176.19	174.23	337.61	318.34
(iv) Other operating expenses	881.23	881.35	1,756.14	1,658.49
6. <b>Total Expenditure (4+5) excluding provisions and contingencies</b>	<b>8,991.01</b>	<b>9,661.54</b>	<b>19,130.95</b>	<b>19,575.23</b>
7. <b>Operating Profit before Provisions and Contingencies (3-6)</b>	<b>3,182.52</b>	<b>2,992.89</b>	<b>5,973.23</b>	<b>4,667.25</b>
8. <b>Provisions (other than tax) and Contingencies (i)+(ii)</b>	<b>245.68</b>	<b>691.65</b>	<b>775.35</b>	<b>1,133.79</b>
(i) General provision against standard assets	(100.00)	110.00	(130.00)	50.00
(ii) Provision for non-performing assets and bad debts written-off	345.68	581.65	905.35	1,083.79
9. <b>Exceptional Items</b>	-	-	-	-
10. <b>Profit (+)/ Loss (-) from Ordinary Activities before tax (7-8-9)</b>	<b>2,936.84</b>	<b>2,301.24</b>	<b>5,197.88</b>	<b>3,533.46</b>
11. <b>Tax expense (includes deferred tax)</b>	<b>1,032.34</b>	<b>826.44</b>	<b>1,823.94</b>	<b>1,252.91</b>
12. <b>Net Profit(+)/ Loss(-) from Ordinary Activities after tax (10-11)</b>	<b>1,904.50</b>	<b>1,474.80</b>	<b>3,373.94</b>	<b>2,280.55</b>
13. <b>Extraordinary items (net of tax expense)</b>	-	-	-	-
14. <b>Net Profit(+)/ Loss(-) for the period (12-13)</b>	<b>1,904.50</b>	<b>1,474.80</b>	<b>3,373.94</b>	<b>2,280.55</b>
15. Paid-up equity share capital (face value of ₹ 10/- each)	14,810.25	14,810.25	14,810.25	14,810.25
16. Reserves excluding Revaluation Reserves (as per balance sheet of previous accounting year)	-	-	12,691.57	9,317.63
17. <b>Analytical Ratios</b>				
(i) Capital Adequacy Ratio	23.2%	16.5%	23.2%	16.5%
(ii) Earnings per share (not annualised)				
(a) Basic (in ₹)	1.29	1.00	2.28	1.54
(b) Diluted (in ₹)	1.29	1.00	2.28	1.54
18. <b>NPA Ratios</b>				
(a) Gross NPA	6,889.53	6,954.15	6,889.53	6,954.15
(b) Net NPA	5,750.80	5,491.14	5,750.80	5,491.14
(c) % of Gross NPA	4.5%	3.9%	4.5%	3.9%
(d) % of Net NPA	3.8%	3.1%	3.8%	3.1%
(e) Return on Assets (Annualised)	2.2%	1.7%	1.9%	1.3%

# Balancing figures

Notes :

- The audited financial results have been reviewed by the Audit Committee and recommended for adoption to the Board of Directors. The Board of Directors of the Company have considered and approved the same at its meeting held on 3 May 2017.
- The Statutory Auditors have audited the standalone financial statement for the year ended 31 March 2017 and have issued an unqualified opinion thereon. The information presented above is extracted from the audited financial statements as stated.
- The figures of the last half-year in each of the years are the balancing figures between the audited figures in respect of the full financial year and the unaudited published year to date figures upto the half-year of the respective year.
- The Company is primarily engaged in the business of housing financing in India and as such no separate information is required to be furnished in terms of Accounting Standard - 17 - Segment Reporting prescribed under Section 133 of the Companies Act, 2013.
- Debentures are secured by first charge ranking pari-passu with each other on the Company's book debts and loan instalment receivables along with mortgage created over the Immovable Property. The total asset cover is hundred percent or above of the principal amount of the said debentures.
- The Company has been converted from an Unlimited Liability Company into a Company limited by shares vide Certificate of Incorporation dated 19 December, 2016 issued by Registrar of Companies, Delhi (RoC). Further, subsequent to the conversion of the Company, the name of the Company has been changed to Magma Housing Finance Limited vide Certificate of Incorporation dated 7 April, 2017 issued by Registrar of Companies, Delhi (RoC).
- During the quarter, the Company has sold non-performing assets (NPA) of ₹ 3,225.42 Lacs which were NPAs for more than 6 months. The aforesaid sale has resulted in a profit after tax of ₹ 117.73 Lacs for the quarter and year ended 31 March 2017 and reduction of the GNPA and NNPA ratios by 1.7 % and 1.3 % respectively on total Asset Under Management basis.
- Previous year/ half-year figures have been regrouped and rearranged wherever necessary.

By order of the Board  
For Magma Housing Finance Limited

Sachin Khandelwal  
Managing Director & Chief Executive Officer

Place : Mumbai  
Dated : 03 May 2017

Registered Office : 8, Sant Nagar, East of Kailash, New Delhi - 110 065  
CIN : U65922DL2004PLC125931 ; Website : <http://www.magmahfc.co.in>

**MAGMA HOUSING FINANCE****MAGMA HOUSING FINANCE LIMITED**

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

**Statement under Regulation 52(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for Financial Year ended 31 March 2017**

Sl. No.	Particulars	As at 31 March 2017	
		Type of Instrument	Rating
a.	Credit rating and change in credit rating (if any)	Short Term Debt	CRISIL A1+
		Long Term Bank Facilities	CARE/ICRA AA-
		Long Term Debt (Secured NCD)	CARE/ICRA AA-
		There was no change in the credit rating of the Company during the last six months.	
b.	Asset cover available, in case of non convertible debt securities: Debentures are secured by first charge ranking pari-passu with each other on the Company's book debts and loan instalment receivables along with mortgage created over the Immovable Property. The total asset cover is hundred percent or above of the principal amount of the said debentures.		
c.	Debt-equity ratio (Total Debts / Shareholder's fund)	4.59	
d.	Previous due date for a) the payment of interest b) the repayment of principal of non convertible debt securities whether the same has been paid or not	As per Annexure	
e.	Next due date for a) the payment of interest b) the principal along with the amount of interest		
f.	Debt service coverage ratio [(Earning before interest and tax for the year) + (Principal collected from customers during the year)] / [(Interest expenses for the year) + (Principal repaid of the borrowings during the year)]	2.16	
g.	Interest service coverage ratio (Earning before interest and tax / Interest expense)	1.36	
h.	Debenture redemption reserve	Nil	
i.	Net worth (₹ in lacs)	27,501.82	
j.	Net profit after tax (₹ in lacs)	3,373.94	
k.	Earnings per share - Basic and diluted (in ₹)	2.28	

By order of the Board  
For Magma Housing Finance Limited  
Sachin Khandelwal

Managing Director &amp; Chief Executive Officer

Place: Mumbai  
Date: 03 May 2017Registered Office : 8, Sant Nagar, East of Kailash, New Delhi - 110 065  
CIN : U65922DL2004PLC125931 ; Website : <http://www.magmahfc.co.in>

**Annexure**

**Details of payment of interest / principal of non convertible debentures**

*₹ In crores*

S. No	Name of debenture holders	Date of Allotment	Last Interest payment date	Next Interest payment date	Last Principal Payment Date	Next Principal Payment Date	Principal Amount
1	HDFC CORPORATE DEBT FUND	06-Feb-15	On maturity	25-Apr-18	-	25-Apr-18	40.00
2	BANK OF MAHARASHTRA	31-Mar-15	31-Mar-17	31-Mar-18	-	31-Mar-20	10.00
3	BANK OF INDIA	31-Mar-15	31-Mar-17	31-Mar-18	-	31-Mar-22	20.00
4	BANK OF BARODA	31-Mar-15	31-Mar-17	31-Mar-18	-	31-Mar-20	25.00
5	BANK OF MAHARASHTRA	31-Mar-16	31-Mar-17	31-Mar-18	-	31-Mar-23	10.00
	<b>Total</b>						<b>105.00</b>

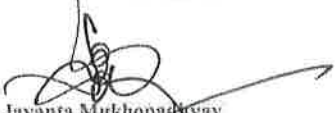


**DECLARATION**

(For audit report with **unmodified** opinion)

<b>1</b>	Name of the company	Magma Housing Finance Limited (Formerly: Magma Housing Finance (A Public Company with Unlimited Liability))
<b>2</b>	Annual financial statements for the year ended	31 March, 2017
<b>3</b>	Type of Audit observation	Unmodified Opinion


For BSR & Co. LLP  
Chartered Accountants  
Firm's Regn. No. 101248W/W-100022


  
Jayanta Mukhopadhyay  
Partner  
Membership No. 055757  
Mumbai, 03 May 2017



  
Sachin Khandelwal  
Managing Director & Chief Executive Officer

For Magma Housing Finance Limited

  
Sanjay Chamria  
Chairman

  
Gauri Shankar Agarwal  
Chief Financial Officer  
Mumbai, 03 May 2017

## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Magma Housing Finance Limited [Formerly Magma Housing Finance (A Public Company with Unlimited Liability)] ("the Company"), which comprise the Balance Sheet as at 31 March 2017, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

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

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

## **Independent Auditors' Report (continued)**

### **Auditors' Responsibility (continued)**

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

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2017 and its profit and its cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of Section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
  - (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the balance sheet, the statement of profit and loss, and the cash flow statement dealt with by this Report are in agreement with the books of account;
  - (d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) on the basis of the written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
  - (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer our separate Report in "Annexure B"; and

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

**Independent Auditors' Report (continued)**

**Report on Other Legal and Regulatory Requirements (continued)**

- (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. the Company has disclosed the impact of pending litigations on its financial position in its financial statement – Refer Note 36(a) to the financial statements
  - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses – Refer Note 33(b) to the financial statements;
  - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and
  - iv. the Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016 and these are in accordance with books of account maintained by the Company – Refer Note 39 to the financial statements.

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

Place: Mumbai  
Date : 3 May 2017

**Jayanta Mukhopadhyay**  
*Partner*  
Membership Number: 055757



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

**Annexure A to the Independent Auditors' Report**

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

- (i)
  - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets during the year.
  - b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
  - c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) The Company is a Housing Finance Company, primarily engaged in the business of lending of housing loans and home equity loans. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable.
- (iii) The Company has granted loan to one company covered in the register maintained under Section 189 of the Companies Act, 2013 ("the Act").
  - a) In our opinion, the rate of interest and other terms and conditions on which the loans had been granted to the company listed in the register maintained under Section 189 of the Act, was not, prima facie, prejudicial to the interest of the Company.
  - b) In the case of the loan granted to the company listed in the register maintained under Section 189 of the Act, the borrower has been regular in the payment of the principal and interest as stipulated.
  - c) There are no overdue amounts in respect of the loan granted to the company listed in the register maintained under Section 189 of the Act.
- (iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not undertaken any transaction in respect of loans guarantees and securities covered under section 185 if the Act. The Company has not made any investments as referred in Section 186 (1) of the Act. The remaining provisions related to the Section 186 of the Act do not apply to the Company.
- (v) The Company has not accepted any deposits from the public.

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

**Annexure A to the Independent Auditors' Report (continued)**

- (vi) The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act, for any of the services rendered by the Company.
- (vii) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, income tax, service tax, employees' state insurance, cess and any other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities except for delays ranging from 23 days to 115 days with respect to deposit of professional tax with appropriate authorities due to pending registration. This was subsequently regularized during the year ended 31 March 2017, except for one branch. As explained to us, the Company did not have any dues on account sales tax, customs duty, excise duty and value added tax.

According to the information and explanations given to us, there are no undisputed amounts payable in respect of provident fund, income tax, service tax, employees' state insurance, cess and other material statutory dues which were in arrears, as at 31 March 2017, for a period of more than six months, except for delay in deposit of professional tax in case of one branch from the date they became payable due to pending registration. As explained to us, the Company did not have any dues on account of sales tax, customs duty, excise duty and value added tax.

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

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

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

**Annexure A to the Independent Auditors' Report**

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

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

**Annexure A to the Independent Auditors' Report (continued)**

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. The Company has obtained registration from the National Housing Bank on 16 May 2013.

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

**Jayanta Mukhopadhyay**  
*Partner*  
Membership Number: 055757

Place: Mumbai  
Date: 3 May 2017

DRAFT

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

## **Annexure B to the Independent Auditors' Report**

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

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

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

#### **Management's Responsibility for Internal Financial Controls**

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

#### **Auditors' Responsibility**

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

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

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

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

**Annexure to the Independent Auditors' Report (continued)**

**Meaning of Internal Financial Controls Over Financial Reporting**

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

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

**Opinion**

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

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

Place: Mumbai  
Date : 3 May 2017

**Jayanta Mukhopadhyay**  
*Partner*  
Membership Number: 055757

DRAFT