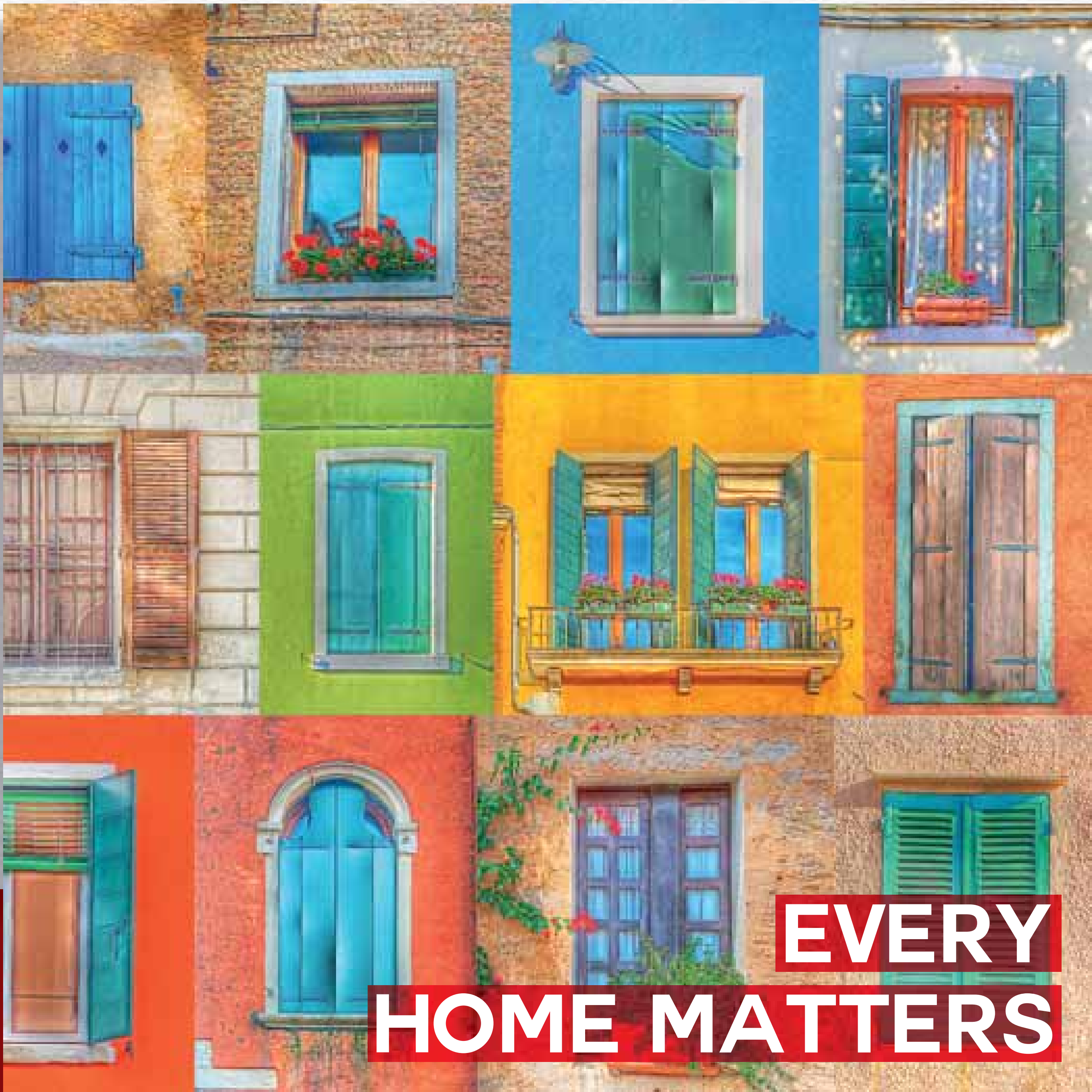
MAGMA HOUSING FINANCE



EVERY HOME MATTERS

ANNUAL REPORT
2019-2020

MAGMA HOUSING FINANCE LIMITED

CORPORATE INFORMATION

CIN: U65922WB2004PLC229849

BOARD OF DIRECTORS

Mr. Sanjay Chamria
Chairman, Non Executive Director

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

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

Mr. Manish Jaiswal
Managing Director & Chief Executive Officer

Ms. Mamta Binani (upto 27.03.2020)
Non-Executive Independent Director

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

Mr. Raman Uberoi (w.e.f. 20.03.2020)
Non-Executive Independent Director

Ms. Deena Mehta (w.e.f. 20.03.2020)
Non-Executive Independent Director

CHIEF FINANCIAL OFFICER

Mr. Ian Gerard Desouza (upto 30.06.2020)
Mr. Ajay Arun Tendulkar (w.e.f. 01.07.2020)

COMPANY SECRETARY

Ms. Priti Saraogi

REGISTERED OFFICE

Development House, 24 Park Street, Kolkata 700 016

BANKERS

- Andhra Bank (now merged with Union Bank of India)
- Bank of Baroda
- Bank of India
- Bank of Maharashtra
- Corporation Bank (now merged with Union Bank of India)
- ICICI Bank Ltd.
- IDFC First Bank Ltd.
- Oriental Bank of Commerce (now merged with Punjab National Bank)
- State Bank of India
- Syndicate Bank (now merged with Canara Bank)
- United Bank of India (now merged with Punjab National Bank)

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

SECRETARIAL 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, 2nd Floor
Okhla Industrial Area, Phase II
New Delhi 110 020

Board's Report & Management and Discussion Analysis Report

Dear Shareholders,

Your Directors have pleasure in presenting the 16th (Sixteenth) Annual Report on the Audited Financial Statements of the Company for the year ended 31 March, 2020. The summarized financial results are given below:-

FINANCIAL HIGHLIGHTS

The financial performance of your Company:

(Rs.in Lakh)

Particulars	2019-20	2018-19
Total Income	35,636.65	24,551.38
Finance Cost	17,668.95	11,334.26
Operating Expenses	12,428.52	8,486.08
Depreciation	110.62	30.76
Total Expenses	30,208.09	19,851.10
Profit/(Loss) before Tax	5,428.56	4,700.28
Provision for Taxation	494.15	868.32
Deferred Tax	669.57	430.45
Profit/(Loss) after Tax	4,264.84	3,401.51
Balance of profits for earlier years	15,158.76	12,459.83
Profits available for appropriation	19,423.60	15,861.34
Other Comprehensive income/(loss)	(0.57)	(12.58)
Balance Available for Appropriation	19,423.03	15,848.76
Transfer to Statutory Reserve	852.97	690.00
Balance carried forward	18,570.06	15,158.76

INDUSTRY STRUCTURE AND DEVELOPMENTS

Global Scenario

The Global economy has been facing headwinds for quite some time now. Amidst prolonged trade disputes and wide-ranging policy uncertainties, there has been a significant and all pervasive deterioration over the past year. World gross product growth reduced to 2.3 per cent in 2019— which recorded its lowest rate since the Global financial crisis of 2008-2009. Rising tariffs and monthly vacillation between the escalation and de-escalation of global trade tensions have led to policy uncertainty, significantly curtailed investment, and pushed global trade growth down to 0.3 per cent in 2019—its lowest level in a decade. Bilateral Trade between China and USA plummeted with significant impact on global supply chains.

Monetary policy by itself have been insufficient to stimulate investment which has remained muted in various countries on account of high financing costs and lack of business confidence. Accumulated global debt has been routed into financial assets rather than into raising productive capacities thereby showing a deeper disconnect between financial sector and real economic activity.

Before impact of the Corona Virus Disease (COVID-19) pandemic began to be felt, growth forecasts for 2020 were in range of 2% to 3%. However, post COVID-19 pandemic, as per International Monetary Fund's (IMF) World Economic Outlook (WEO), global economy is projected to contract by ~3% in 2020 which is much worse than Global Financial Crisis (2008-09).

Global Economy Outlook for FY2021

The COVID-19 pandemic has inflicted significant financial as well as human costs worldwide. Ensuring safety of human lives and recouping the capability of communities has required social distancing, isolation and prolonged lockdowns across the globe.

As per IMF's WEO Apr'20, the pandemic is expected to fade in second half of 2020 and path to economic recovery would begin. Accordingly, global economy is projected to grow by ~5.8% in 2021. However, these forecasts would depend on intensity, spread and containment of the pandemic. The economic fallout depends on multiple dynamic factors. Many nations are facing a cascading crisis moving from health, domestic demand disruption, plummeting exports, flight of capital and collapse in prices of commodities.

Measures necessary to limit the contagion and protect lives will definitely impact the economy in short term but same should be seen as an investment in economic and human health over long term. Immediate need is to push public as well as private investments in healthcare so as to build capacity.

Also, fiscal measures would need to be scaled up in light of persistent stoppages to economic activity. Economies facing financing constraints to combat the pandemic and its effects may require external support. However, any fiscal stimulus would most likely be more effective once the outbreak fades and people are able to move about freely.

*Source- UN World Economic Situation and Prospects 2020, World Economic Outlook April 2020

India Economic Overview

With weakening in global demand, the Indian economy also slowed down to 4.7% in Q3 FY2020 which was the slowest pace of growth recorded in last 7 years. Several sectors such as real estate, aviation, automobile and construction suffered decline in demand. India's financial sector also witnessed challenges in form of rising Non Performing Assets (NPAs) and squeezing of credit due to Non-Banking Financial Companies (NBFC) liquidity crisis.

In order to address these challenges, the Indian Government responded with a slew of measures which included Corporate tax rate cut, Rs.25000 crore Real estate fund, Bank Recapitalization, amendments to Insolvency and Bankruptcy code, boosting infrastructure investment through National Infrastructure Pipeline.

By Q3FY2020, an uptick was noticed in Consumer Price Inflation (CPI)-Core and Wholesale Price Inflation (WPI) inflation which suggested building of demand pressure. However, this remained a short term phenomena as in Mar'20 jitters were sent across Indian banking sector due to fear of contagion sparked by crisis in a major private bank and economic slowdown induced by nationwide lockdown due to spread of COVID-19.

As per Reserve Bank of India's (RBI) Seventh Bi-monthly monetary policy statement 2019-20, earlier estimates of real Gross Domestic Product (GDP) growth of ~5% for FY2020 is at risk due to COVID-19's impact on economy. High frequency indicators suggest that private final consumption expenditure has been hit hardest, on the supply side, the outlook for agriculture and allied activities appears to be the only silver lining, with food grains output at 292 million tons being 2.4% higher than a year ago. Meanwhile, most service sector indicators for January and February 2020 moderated or declined.

In order to limit the impact of COVID-19 on NBFCs/HFCs/Banks, RBI announced a regulatory package that includes a grant of moratorium of three months on payment of installments due between Mar'20 and May'20 on all term loans without reclassification of these loans. This is expected to give relief to borrowers who face stress due to slowdown in economic activity induced due to lockdown. Also RBI has decided to maintain accommodative stance till time COVID impact plays out.

On other hand, Government of India (GoI) also moved into action to mitigate the economic difficulties arising out of virus outbreak by launching a comprehensive package of ₹1.70 lakh crore, covering cash transfers and food security, for vulnerable sections of society, including farmers, migrant workers, urban and rural poor, differently abled persons and women.

India Economic Outlook for FY2021

FY2021 started amidst a lockdown prescribed to contain spread of COVID-19 pandemic. As per the Reserve Bank of India, top 6 industrialized states that account for 60% of industrial output were largely in red and orange zones. Electricity and petroleum consumption steeply declined indicating fall in demand. Private Consumption which stood for ~60% of domestic demand was hit hardest.

Industrial production shrank by close to 17% in March 2020, with manufacturing activity down by 21%. The output of core industries, constituting ~40% of overall industrial production, contracted by 6.5%. The Purchasing Managers' Index (PMI) for Apr'20 recorded its sharpest deterioration to 27.4, spread across all sectors. The services PMI plunged to an all all-time low of 5.4 in Apr' 20.

Amidst this gloom, agriculture and allied activities showed positive signs on the back of an increase of 3.7% in food grains production to a new record (as per the third advance estimates of the Ministry of Agriculture released on May 15, 2020). At the same time, forecast of a normal southwest monsoon in 2020 by the India Meteorological Department (IMD) is a hopeful sign.

In the external sector, India's merchandise exports and imports suffered their worst slump in the last 30 years as COVID-19 paralyzed world production and demand. India's merchandise exports plunged by 60.3% in Apr' 20 while imports contracted by 58.6%. The trade deficit narrowed to US$ 6.8 billion in Apr' 20, lowest since Jun' 16.

Against this backdrop, it is expected that prices of international crude oil, metals and industrial raw material would remain soft. This may help domestic firms. Inflation would depend on interplay between revival of demand and easing of supply lines.

In order to give boost to fight against COVID-19, the Central Government launched the Atmanirbhar Bharat Abhiyan worth Rs. 20 Lakh Crores in May'20. This economic stimulus was announced in four tranches and emphasizes on Land, Labour, Liquidity and Laws. The package entails measures across sectors such as Affordable Housing, Real Estate, NBFCs, MSMEs, Agriculture, Electricity Distribution Companies, Aviation, relief for migrants etc.

As per RBI, revival in economic activity is expected in H2FY2021 based on effectiveness of fiscal, monetary and administrative measures. However, there are significant downside risks and dependent on containment of COVID. As per RBI Governor, global economy is moving towards recession and India's GDP growth will be in negative territory for FY2021 due to COVID disruption.

*Source- RBI 7th Bi-Monthly Monetary Policy Statement, RBI Governor's Statement May 22, 2020.

Sector Overview

In line with the slowdown of Indian Economy, Housing finance sector which was grappling with liquidity crisis since Sep'18 witnessed a moderate growth. As per ICRA report, all Housing Finance Companies' (HFC) Credit grew just by ~6% in 9MFY2020. As on Dec'19, total housing credit outstanding stood at Rs. 20.7 Lakh Crores.

Competitive landscape for HFCs has witnessed tectonic shift over last 18 months with three out of top five players of Housing finance sector facing significant stress on asset quality and liquidity. This impacted availability and cost of liquidity for HFCs. With normal channels for liquidity support drying up, HFCs raised significant funds through the sell-down of their loan assets under either the securitization or the Direct Assignment route.

Accordingly GoI came out with various initiatives to support housing sector such as Alternate Investment Fund of Rs. 25000 Cr for real estate sector, Partial Credit Guarantee Scheme to address temporary cash flow mismatches of NBFCs/HFCs, Liquidity Infusion Facility (LIFT) Scheme.

In Union Budget 2020- 2021, GoI extended benefits to affordable housing sector and accorded industry status to real estate sector. In last Budget, the Central Government provided an additional deduction of Rs.1.5 Lakh of interest paid on affordable home loan under Pradhan Mantri Awas Yojana (PMAY). The deductions were allowed for home loans sanctioned before

March 31, 2020. This limit has been extended till March 31, 2021.

Housing Finance sector responded positively to the regulatory measures and uptick in demand. It saw build-up of momentum by end of Q3 FY2020 with business coming back to normal monthly levels. In Mar'20, in order to contain the spread of COVID-19, GoI announced an all India lockdown with strict restrictions on mobility and economic activity. Disbursals were halted in last week of Mar'20 by various players and housing finance companies shifted their focus to collections to maintain health of their portfolio.

Sector Outlook for FY2021

Given the changed scenario due to spread of pandemic post Feb'20, slowdown is expected even in affordable housing space as customers would like to defer their home purchase decisions to more certain times when COVID-19 is outlived completely.

Going forward, loss of livelihoods along with reduction in income levels would impact asset quality of all the segments viz. housing loans, loan against property and Construction Finance. Self-employed segment of customers against salaried are likely to be resilient as they face business losses and loss of jobs. However, lifetime losses on retail homes loans would be limited due to underlying collateral.

As per ICRA report, the Return on Equity (RoE) moderated to 12.6% in 9M FY2020 from 13.7% in FY2019 owing to some contraction in the interest spreads. The net interest margins (NIMs) are expected to remain stable as the cost of funds could moderate. However, a slowdown in growth is likely to impact the operating expense ratios. While the profitability indicators for FY2020 are likely to remain range bound between 13% and 15%, (partly supported by the upfront income booking on assignments), a prolonged slowdown in growth and the COVID-19 related impact on the asset quality could lead to an increase in credit costs in long term. This could lead to a moderation in the profitability indicators for FY2021.

In order to address slowdown in Housing sector, GoI as well as RBI have declared various measures to bolster the segment. RBI has announced to infuse liquidity through Targeted Long Term Repo Operations (TLTROs) of Rs. 1 lakh crore and 100 basis points (bps) cut in Cash Reserve Ratio (CRR) and increase in Marginal Standing Facility rate by 1% resulting in additional liquidity of Rs. 3.7 Lakh crore. This would help NBFCs as well as HFCs to access funds. GoI has launched Atmanirbhar Bharat and under it exclusive provisions has been made for Housing sector. Credit linked subsidy scheme for Lower middle Class housing under PMAY will be extended by one year to Mar'21, Rs. 30,000 Cr worth Special Liquidity Scheme, extension of Partial Credit Guarantee Scheme.

As fundamental drivers of home loan demand remain intact such as – favorable demographics, nuclear households due to urbanization, low mortgage penetration in India expectation is that once, COVID-19 plays out, home loan demand is expected to come back on track.

*Source- ICRA India Mortgage Finance Market Report April 2020, RBI Governor's Statement May 22, 2020

OVERVIEW OF COMPANY'S PERFORMANCE

Magma Housing Finance Limited (MHFL) is an affordable housing finance company with pan India presence. We have based our business on basis of having a value driven direct relationship model with our customers. Direct Sourcing model ensures superior quality of assets which provide stability to book being built and are not prone to risks of balance transfer.

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 96% of the total loan originations, and 72% of loans have been disbursed in Tier 2 and Tier 3 towns. Given the granularity of portfolio, the Company has been cautious on the collaterals with minimal construction risk. The under-construction builder property constitutes only 2% of the disbursement.

The Company also contributed to government objective of Housing for all by facilitating our customers to avail benefit of Credit Linked Subsidy Scheme (PMAY). As of Mar'20, we have provided subsidy benefit to 845 customers worth Rs. 25 Crore Out of all fresh HL cases sourced, PMAY Penetration stood at 51% for FY2020.

In line with the decision of the RBI to extend moratorium to customers who are facing crisis due to impact of COVID, we also extended benefits to our customers who were in need of moratorium for months of Mar'20 to May'20.

The Company disbursed Rs. 827 Cr of Home Loans and Rs.481 Cr of LAP as compared to previous year of Rs. 647 Cr for Home Loans and Rs. 400 Cr for LAP.

Despite the pandemic, the asset quality momentum continues to significantly improve and the company has been able to record an even lower GNPA of 1.61% and NNPA of 0.97%. Capital Adequacy ratio for the Company was at 36.0% for FY2020 which shows that Company is well above the minimum required level.

During the year under review, the Company has recorded an operating Profit before Tax of Rs.54.3 Crore and Profit after Tax of Rs.42.6 Crore respectively as against Rs.47.0 Cr and Rs.34.0 Cr in previous financial year. Assets under Management at the end of the year amounted to Rs. 3,283 Cr (growth of 35% year on year). Disbursements in FY2020, amounted to Rs. 1,315 Cr (growth of 21% year on year). These results are after making additional provision of Covid-19 of Rs. 7.35 Cr (0.22% of AUM) towards potential impact of the pandemic considered in FY 20 Financials. The overall PCR of the firm stands at ~40% which should stand normalized once the pandemic settles.

During the year the company substantially invested in training the sales force, leveraging leadership team and expanding to new locations. The company also reported an improvement in operational efficiencies as Operating expense to Average AUM ratio has reduced from 3.9% in FY19 to 3.6% in FY20 in pursuit of its lean and productive business model.

We have adequate liquidity and have not sought any relief in terms of moratorium from our lenders. We aim to become India's best in class digitally efficient Affordable Housing Finance Company. Accordingly, we have initiated various measures to improve our process by going digital and improving the work flow for all stakeholders in the process from our employees to customer. We are confident that it would not only lead to an improved turnaround time but also satisfy the expectation of our customers.

OPPORTUNITIES, CHALLENGES AND OUTLOOK

Strengths

- Over last two years we have transitioned into a Direct Sourcing relationship driven model. Direct sourcing has improved to ~80% by end of FY2020. Our Home Loan ratio in fresh disbursements has grown to around 65% in FY2020.
- The Company has pan India presence across 19 states with West and North zone contributes majority of the business, which is in line with our affordable housing strategy. We continue to enhance productivity across regions with high potential.
- The Company has dedicated Collections Team which has contributed to Collection Efficiency (CE%) of>98% Q-o-Q in FY2020 except Q4FY2020 when collections process was disrupted by lockdown.
- Asset Quality saw an improvement and over 12M period in FY2020 GNPA stood at 1.6% as at 31 March 2020 compared to 1.8% as at 31 March 2019.

Challenges

- Segment to which MHFL caters is vulnerable to vagaries of slowdown in economy and thus impacting their debt serviceability. However, MHFL maintains Loan to Value ratio well below 40% and most of the assets are self-occupied thus are tied up with moral obligation to pay.

Opportunities

- Pradhan Mantri Awas Yojana allocation up by 8.5% with Rs 27,500 crore in FY2021 as compared to Rs 25,328 crore in FY2020. Our PMAY penetration stands at 51% of all fresh HL cases for FY2020. We intend to deepen it further in FY2021.
- New Personal Tax structure- introduction of highly reduced personal income tax rates will ease the burden of EMI

repayment upon the salaried middle class. Also money, thus saved might prompt a large pool of salaried middle-income professionals to enter the home loan market with an eye on purchase of affordable houses.

- **Cost of Funds** is expected to moderate given excess liquidity in the economy due to various measures taken by RBI. With regulatory package including reduction in CRR and relief in terms of moratorium for Working Capital we expect with robust pipeline and improved business metric we would have cost effective access to funds. We have good coverage from PSU banks and in line with our view of diversifying our liquidity sourcing strategy, we would establish relationships with Private and MNC banks, DFIs and multilateral institutions.
- Significant change in competitive landscape has happened since intensification of spread of COVID, we would use this opportunity to increase our market share by deepening our existing direct relationship with customers and showing our care towards them by passing on benefits of GoI subsidy benefit program such as CLSS under PMAY.
- We have initiated a PMAY referral program wherein customers who have been transferred subsidy benefits by us would assist us in improving our sourcing and building new relationships.

Threats

- **Asset Quality**- Affordable Housing segment can witness increase in delinquencies because of large number of self-employed borrowers who have been impacted most by lockdown.
- At the same time, as most of these borrowers are self-occupants and given the moratorium given by the RBI, we expect that strong moral obligation linked to the residential property will limit the impact on asset quality. We are deploying bureau analytics to determine individual customer based collections effort.
- In order to enable collections during lockdown and also increase efficiency, the Company has taken proactive steps leveraging technology to provide ease of access in payments via almost all digital payment modes available including G-Pay, Payment Gateway, PayTM etc.
- **Restriction on Physical Movement-** Collection efforts impacted given the situation of lockdown, it would be difficult to collect the dues. However, our analytics team has worked on our customer data and have done risk based segmentation. This would help us in creating a differentiated collection strategy thereby improving efficacy of our collection efforts. We have also invested in building digital payment capabilities and trained collections team to use it effectively.

Outlook

Magma Housing differentiates itself with its direct relationship-based model and have already enabled 845 customers to avail PMAY benefits and further the company is processing over 4000 PMAY customer applications. PMAY beneficiaries stand out on asset quality to conserve the deep government subsidy.

The company will keep securing NHB Refinancing facilities, the company has received aggregate sanction of Rs.227crs which is expected to lower its cost of funds and provide even better ALM. Post peaking, MHF's cost of funds are now on a declining trajectory.

Over next year, the company will continue with its momentum of control over operating expenses through a GO DIGITAL approach and has just gone live with its digital platform across the country. The company has ushered operating expenses initiatives of branch-light models, delayering through better span of controls and has imposed control on discretionary spends. In a sense, this crisis is being used for a bariatric on costs and we endeavor to further reduce MHF's operating expenses to AUM ratio by 30-40 bps.

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

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

CHANGES IN THE NATURE OF BUSINESS

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

LOAN BOOK

As at 31 March 2020, the loan book stood at Rs. 240,696.71 lakh as against Rs. 189,560.96 lakh in the previous year.

HOLDING COMPANY

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

DETAILS OF SUBSIDIARY/ASSOCIATES/JOINT-VENTURE COMPANY

Your Company has no Subsidiary/Associates/Joint-Venture Company as at 31 March, 2020.

SHARE CAPITAL

During the year under review, 17,727,353 Equity Shares of the face value of Rs. 10 each were allotted upon issue / offer on a Rights basis for cash at a premium of Rs. 46.41 per Equity Share aggregating to Rs. 1000 lakhs. The issue proceeds were utilised for augmenting the Company's lending business.

Post allotment of Equity Shares as aforesaid, the issued, subscribed, and paid-up Share Capital of the Company stands at Rs. 1,658.29 lakhs comprising of 16,58,29,853 Equity Shares of Rs. 10 each fully paid-up.

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, 2020. 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 9 June, 2020, has transferred Rs. 852.97 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 2020 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

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

RESOURCE MOBILISATION

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

A. Term Loans

Your Company has borrowed fresh Secured long term loans of Rs. 72,500 lakh from banks and financial institutions during the Financial Year 2019-20 as compared to Rs. 20,000 lakh during the previous year.

The aggregate of term loans outstanding at the end of the financial year 2019-20 stood at Rs. 117,870 lakh as against Rs. 68,272 lakh as at the end of the previous year.

B. Commercial Paper

During the year 2019-20, your Company has raised resources by issuing Commercial Paper, however the outstanding amount as on 31 March, 2020 is NIL.

C. Non-Convertible Debentures

The Company has an aggregate outstanding balance of Rs. 5,492 lakh through issue of Secured Redeemable Non-Convertible Debentures on Private Placement basis as on 31 March 2020. 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 2019-20. During the year, your Company did not raise any funds 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 2020 is Rs. 38,560 lakh.

E. Any Other Borrowing

Your Company has borrowed from Banks through fresh issue of Pass Through Certificate (PTC) and under Partial Guarantee Scheme (PCG) of Rs. 23,691 lakh during the financial year 2019-20. The aggregate outstanding through PTC borrowings net of investment stood at Rs. 35,737 lakh as on 31 March 2020.

NHB REFINANCING

During the financial year under review, your Company received its first refinance line from National Housing Bank. The Company has been granted a sanction amounting to Rs. 145 Crores under the NHB's 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

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

CREDIT RATING

During the FY 2019-20, 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 Secured NCDs and 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 reaffirmed its ratings on long term Secured NCDs of the Company at BWR AA.

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

All the above mentioned ratings carry Stable outlook except ICRA which has changed its outlook from Stable to Negative. Further, CARE has revised its outlook from Stable to Negative in April 2020.

BRANCH EXPANSION

During the year under review, your Company operated from 103 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

As required under Housing Finance Companies (NHB) Directions, 2010 your Company is presently required to maintain a minimum capital adequacy of 12% on a stand-alone basis. Your Company's capital adequacy ratio stood at 36.0% as at 31 March 2020, which provides an adequate cushion to withstand business risks and is above the minimum requirement of 12% stipulated by the National Housing Bank ("NHB"). In addition, Section 29C of the National Housing Bank Act, 1987, requires a Company to transfer minimum 20% of its net profit to a reserve fund and in accordance with the said provision, your Company has transferred 20% of its net profit to the reserve fund in the year under review.

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

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, your Company initiated action against 346 defaulting borrowers under the SARFAESI Act and recovered Rs.3412.65 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 Rs. 2,893.78 lakh towards impairment allowance under Expected Credit Loss model.

The amount of Gross Non-Performing Assets (Stage 3 Assets) as on 31 March, 2020 is Rs. 3,884.27 lakh, which is equivalent to 1.61% of the loan portfolio of the Company. The total cumulative provision towards GNPA (Stage 3 Assets) as on 31 March, 2020 is Rs. 1,563.09 lakh.

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.

NATIONAL HOUSING BANK (NHB) GUIDELINES

The Company has complied with the provisions of Housing Finance Companies (NHB) Directions, 2010 as prescribed by NHB and has been complying with the various Circulars, Notifications and Guidelines issued by NHB from time to time. However, as directed by NHB, the Company had paid a penalty of Rs. 50,000 and Rs. 5,000 excluding taxes during the year on account of classification of 3 loan accounts as Home Loan instead of Commercial Real Estate exposure as per NHB Directions, 2010 and disclosure made not in line with the provisions of para 3.5.4 (b) to Annex – 4 of the Corporate Governance (NHB) Directions, 2016 respectively.

KYC & AML STANDARDS

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

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

DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the year under review, the Board on the recommendation of the Nomination and Remuneration Committee, appointed Mr. Raman Uberoi (DIN: 03407353) and Ms. Deena Mehta (DIN: 00168992) as Additional Directors in the capacity of Non-Executive Independent Director of the Company who shall hold office upto the date of ensuing Annual General Meeting (AGM) of the Company or the last date on which the Annual General Meeting should have been held, whichever is earlier and are not liable to retire by rotation. Mr. Uberoi and Ms. Mehta are also proposed to be appointed as Independent Directors of the Company with effect from 20 March, 2020, subject to the approval of the shareholders of the Company at the ensuing AGM.

Your Company has received notice from the members pursuant to Section 160(1) of the Companies Act, 2013 signifying the intention to propose the candidature of Mr. Raman Uberoi and Ms. Deena Mehta as the Directors of the Company.

In accordance with the provisions of section 152 of the Companies Act, 2013 and Articles of Association, Mr. Mayank Poddar (DIN: 00009409), Non-Executive Director being the longest in office among directors who are liable to retire by rotation, retires by rotation and is eligible for reappointment at the ensuing AGM; however, Mr. Poddar expressed his unwillingness to be reappointed and retired from the Board w.e.f. close of business hours on 09 June, 2020. Accordingly, Mr. Sanjay Chamria (DIN: 00009894), Non-Executive Director, being the longest in office among directors who are liable to retire by rotation, retires by rotation and being eligible offers himself for reappointment at the ensuing AGM. The Board of Directors placed on record their deep appreciation for guidance provided by him during the tenure as Director of the Company.

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, Ms. Mamta Binani (DIN: 00462925) who was the Non-Executive Independent Director of the Company has completed her tenure as a Director in the Company on 27 March, 2020. Owing to preoccupation in prior commitments, Ms. Binani 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 March 27, 2020. The Board of Directors placed on record their deep appreciation for guidance provided by her during the tenure as Director of the Company. The Company benefitted immensely from her rich management experience.

Mr. Kailash Baheti (DIN: 00192017), Non-Executive Director of the Company, owing to preoccupation in prior commitments, stepped down from the position of the Director w.e.f. close of business hours on 09 June, 2020. The Board of Directors placed on record their deep appreciation for guidance provided by Mr. Baheti during his 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.

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

STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTORS UNDER SUB-SECTION (6) OF SECTION 149

All the Independent Directors have given declaration to the Company stating that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 for the Financial Year 2020-21.

STATEMENT OF INTEGRITY, EXPERTISE AND EXPERIENCE OF INDEPENDENT DIRECTORS

During the financial year 2019-20, 1 Independent Director of the Company was yet to register on the Independent Directors Databank since the timeline for registering on the Databank has been extended till 30 June, 2020. However, out of 3 Independent Directors, 2 have already registered on the Databank and are exempted from appearing for the online proficiency self-assessment test conducted by the Indian Institute of Corporate Affairs at Manesar (IICA) and therefore possess the integrity, expertise and experience.

BOARD MEETINGS

During the financial year 2019-20, the Company has held five (5) Board Meetings, i.e. on 08 May 2019, 29 July 2019, 04 November 2019, 22 January 2020 and 19 March 2020. 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 2019-20, 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 2019-20
1.	Mr. Sanjay Chamria	3/5
2.	Mr. Mayank Poddar	3/5
3.	Mr. Kailash Baheti	5/5
4.	Ms. Mamta Binani[1]	5/5
5.	Mr. Satya Brata Ganguly	5/5
6.	Mr. Manish Jaiswal	5/5
7.	Mr. Raman Uberoi[2]	0/0
8.	Ms. Deena Mehta[2]	0/0

[1] Ceased to be a Director from the close of working hours on 27.03.2020.

[2] Appointed as Additional Director in the capacity of Non-Executive Independent Director w.e.f. 20.03.2020.

SEPARATE MEETING OF INDEPENDENT DIRECTORS

During the year under review, a separate meeting of the Independent Directors (IDs) was held on 22 January 2020, in terms of Schedule IV of the Companies Act, 2013, without the presence of Non-Independent Directors and members of the management. At this meeting, the IDs *inter alia* had:

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

All the Independent Directors were present at the Meeting.

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

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

The performance of the Board and individual Directors was evaluated by the Board seeking inputs from all the Directors. The performance of the Committees was evaluated by the Board seeking inputs from the Committee Members. The Nomination and Remuneration Committee ("NRC") reviewed the performance of the individual Directors. A separate meeting of Independent Directors was also held on 22 January 2020 to review the performance of Non-Independent Directors; performance of the Board as a whole and performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non-Executive Directors. The performance of the Board, its Committees and individual Directors taking into consideration of the evaluation done by the NRC and the Independent Directors was then discussed at the Board Meeting held on 22 January, 2020.

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

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

The Executive Director (Managing Director & Chief Executive Officer) is appointed based on terms approved by the Shareholders. The remuneration paid to Managing Director & Chief Executive Officer (MD & CEO) is recommended by the Nomination and Remuneration Committee (NRC) taking into account various parameters included in the Remuneration Policy document. His remuneration comprises of salary, allowances and perquisites as indicated in MGT 9 marked as **Annexure E** to the Report.

The Non-executive Independent Directors were paid sitting fees of Rs. 40,000/- per meeting of the Board and Rs. 30,000/- per meeting of the Committees of the Board for the year 2019-20. No sitting fees are paid to Non-executive Non Independent Directors.

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

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

AUDIT COMMITTEE

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

Terms of reference

The terms of reference of the Audit Committee prepared pursuant to the provisions of Section 177(4) of the Companies Act, 2013 and Directions issued by National Housing Bank was duly approved by the Board of Directors. These 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 was reconstituted on 24 May, 2020 and 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 2020, five (5) Audit Committee Meetings were held on 08 May 2019, 29 July 2019, 04 November 2019, 22 January 2020 and 19 March 2020. 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, 2020 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. Sanjay Chamria	Chairman, Non-Executive	3/5
2.	Ms. Mamta Binani[1]	Independent, Non- Executive	5/5
3.	Mr. Satya Brata Ganguly	Independent, Non- Executive	5/5

[1] Ceased to be a Director from the close of working hours on 27.03.2020.

NOMINATION & REMUNERATION COMMITTEE

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

Review of matters by the Committee

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

Approval of matters by the Committee

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.
   a. Identifying, evaluating and recommending to the Board;
   b. 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;
   c. Appointment of Senior Management Personnel (all the Direct Reportees to the Managing Director) in accordance with the criteria laid down;
2. 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 was reconstituted on 24 May, 2020 and 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 2020, three (3) NRC Meetings were held on 08 May 2019, 22 January 2020 and 19 March 2020. Following table sets out the composition of the NRC as at 31 March, 2020 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. Kailash Baheti	Chairman, Non-Executive	3/3
2.	Ms. Mamta Binani[1]	Independent, Non- Executive	3/3
3.	Mr. Satya Brata Ganguly	Independent, Non- Executive	3/3

[1] Ceased to be a Director from the close of working hours on 27.03.2020.

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 as performance of the company.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Pursuant to Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility) Rules, 2014 made thereunder, your directors have constituted the Corporate Social Responsibility (CSR) Committee. As on 31 March 2020, the CSR Committee comprises of Mr. Mayank Poddar, Non-Executive Director who serves as the Chairman of the Committee, Mr. Satya Brata Ganguly, Non-Executive Independent Director and Mr. Manish Jaiswal, Managing Director & Chief Executive Officer. The Committee was reconstituted on 24 May, 2020 and 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 2019-20 was recommended by the Committee at its meeting held on 29 July, 2019.

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 Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016. The Committee met four(4) 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 Risk Management Policy duly approved by the Board.

To make the current Risk Management practice more robust and aligned to the industry practice, the management has set up an internationally accepted forward looking Integrated Risk Management (IRM) Framework. This covers all risks families 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 IRM 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 product 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 end of financial year, we have been faced with unprecedented health and economic crisis on account of COVID-19 which has led us to further enhance the credit processes due to uncertain economic conditions. All Credit approved customers were again approached to understand the need for loan in uncertain scenario and appropriate actions viz withdrawing of Credit approval has been taken where we found that the customer may not need the loan anymore. We have touched base with few customers as sample to understand how they have been affected by these crisis and obtained invaluable feedback which will help us further modify our credit policies and processes.

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.

In FY20, the Operational Risk (OR) team has helped identify, assess, monitor and mitigate risks across the organization. RCSA exercises and OR reviews have been conducted for key business units / support functions, and action plans have been developed to plug process gaps. The OR team helps senior management monitor risks through quarterly reporting of OR information to the RMC.

The OR team has also developed an Event Risk register to document the risks the organization is exposed to, and corresponding controls put in place, to deal with the COVID-19 situation.

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, investigative, 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.

Roles and Responsibility of Fraud Risk Management

Component	Principle
Control Environment	• Fraud Risk Operating manual is developed and reviewed periodically. • All processes are being reviewed through ORM and Fraud risk to mitigate unforeseen gaps
Risk assessment	• Comprehensive fraud risk assessments are done in support with ORM. • Processes are being reviewed to plug the gaps. • Learning through investigations is shared to mitigate the open risks for more effective policy.
Control activities	Preventive and detective fraud control activities are deployed to mitigate the risk of fraud events occurring or not being detected in a timely manner. • Customer Screening through documents review • Fraud prevention tool for sophisticated de-duplication • Investigations & Mystery Shopping • Post Disbursement Checks • Branch Assurance • Negative Database Repository • Regulatory reporting
Information & communication	Magma Housing has established a communication process to obtain information about potential fraud through whistle blower policy and has deployed a coordinate approach to investigation and corrective action to address fraud appropriately and in a timely manner.
Monitoring	All frauds are reported to the regulator and are reviewed by the Audit committee as well as board of directors.

Enhanced surveillance during lockdown

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

The team will also focus on the training of other support functions (credit and operations) 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.

The Company has taken the following measures to rectify/bridge the cumulative negative mismatch in March 2020:

1. Raised funds through long term Secured and Unsecured Loan.
2. Raised long term funds through Securitisation.

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

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 Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016. The Committee was reconstituted on 24 May, 2020 and 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 2020, four (4) Risk Management Committee Meetings were held on 22 April 2019, 15 July 2019, 24 October 2019 and 21 January 2020. 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, 2020 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. Sanjay Chamria	Chairman, Non-Executive	3/4
2.	Mr. Kailash Baheti	Non- Executive	4/4
3.	Mr. Manish Jasiwal	Managing Director & Chief Executive Officer	4/4

ASSET LIABILITY MANAGEMENT COMMITTEE

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

Composition and Attendance

The Committee was reconstituted on 24 May, 2020 and presently comprises of Mr. Manish Jaiswal as the Chairperson and Mr. Sanjay Chamria and Mr. Raman Uberoi as members of the Committee. During the financial year ended 31 March 2020, three (3) Asset Liability Management Committee Meetings were held on 16 July 2019, 12 September 2019 and 10 December 2019. Following table sets out the composition of the Asset Liability Management Committee as at 31 March, 2020 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. Manish Jasiwal	Chairman, Managing Director & Chief Executive Officer	3/3
2.	Mr. Sanjay Chamria	Non-Executive	3/3
3.	Mr. Kailash Baheti	Non- Executive	3/3

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 was reconstituted on 24 May, 2020 and presently comprises of Mr. Manish Jaiswal as the Chairman and Mr. Sanjay Chamria and Ms. Deena Mehta as members of the Committee. During the financial year ended 31 March 2020, fifteen (15) Management Committee Meetings were held on 03 May 2019, 14 May 2019, 17 June 2019, 17 July 2019, 01 August 2019, 26 August 2019, 20 September 2019, 08 November 2019, 09 December 2019, 14 December 2019, 27 December 2019, 30 December 2019, 21 February 2020, 16 March 2020 and 23 March 2020. Following table sets out the composition of the Management Committee as at 31 March, 2020 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. Mayank Poddar	Chairman, Non- Executive	10/15
2.	Mr. Kailash Baheti	Non- Executive	15/15
3.	Mr. Manish Jasiwal	Managing Director & Chief Executive Officer	10/15

IT STRATEGY COMMITTEE (ITSC)

In compliance with Clause 1.1 of Section A on Information Technology Framework for HFCs issued by National Housing Bank vide Policy Circular No. NHB / ND / DRS / Policy Circular No.90/2017-18 dated 15 June 2018, 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 was reconstituted on 24 May, 2020 and 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 2020, two (2) IT Strategy Committee Meeting was held on 17 June, 2019 and 20 December, 2019. Following table sets out the composition of the IT Strategy Committee as at 31 March, 2020 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	Ms. Mamta Binani[1]	Chairperson, Independent, Non-executive	2/2
2	Mr. Manish Jaiswal	Managing Director & Chief Executive Officer	2/2
3	Mr. Sanjay Chamria	Non-executive Director	0/2
4	Mr. Ian Gerard Desouza	Chief Financial Officer	2/2
5	Mr. Harshvardhan Chamria[2]	Chief Digital Officer, Parent Company	0/2
6	Mr. Manoj Ajitsaria	Chief Information Officer & Chief Technical Officer	2/2

[1] Ceased to be a Director from the close of working hours on 27.03.2020.

[2] Ceased to be a Member of the Committee w.e.f. 22.01.2020.

INFORMATION TECHNOLOGY

Magma Housing continues to anchor on 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 empowering the sales and Customer service teams with reduced turnaround time, improved decision making and higher productivity to improve Customer engagement and the quality of service. In this year, Magma Housing also embarked upon its digital transformation journey on the cloud.

The augmentation of the mobile sales and collection applications to support the 'bring your own device' (BYOD) flexibility for the Field Officers have resulted in increased productivity and efficiency for them, along with cost savings for the Company by eliminating the need to procure Company owned tablets.

Data Analytics continues to remain as a top enabler for Magma Housing and the implementation of operational data store and data marts is a great stride forward towards elevating maturity in business intelligence and insights driven decision making. The data marts and downstream analytics will accelerate delivery of business insights and performance reporting, and will additionally enhance the architecture of solutions under business insights portfolio to be future ready.

The introduction of robotic process automation (RPA) technology for intelligent automation of back-office processes is bolstering efficiency and accuracy at a lower cost of operations. The organization continues to persistently identify opportunities for improving productivity and turn-around-time in key processes through meticulous leverage of proven technology, tools and platforms.

The COVID 19 situation developed rapidly from the end of March 2020 and Magma Housing could successfully use technology to empower its employees to work from home and remain productive, while not compromising on information and cyber security. During FY 2020-2021, the Information Technology will continue to deliver digital capabilities by driving productivity improvements, reducing turn-around-time for disbursements 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 was reconstituted on 24 May, 2020 and 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 2020, no meeting of Review Committee was held. Following table sets out the composition of the Review Committee as at 31 March, 2020:

Sl No.	Name of the Members	Category
1.	Mr. Sanjay Chamria	Chairman, Non- Executive
2	Mr. Mayank Poddar	Non- Executive
3	Mr. Kailash Baheti	Non- Executive
4	Mr. Manish Jasiwal	Managing Director & Chief Executive Officer

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, however the Company has disclosed its transaction of Direct Assignment with Magma Fincorp Limited in AOC 2 and the same is marked as **Annexure D**. The particulars of contracts/arrangements/ transactions entered into by the Company with related parties are mentioned separately in the notes to Financial Statement. Further, suitable disclosure as required by the Accounting Standards has been made in the Notes to the Financial Statements.

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

FRAUD REPORTING

Fraud reporting, if any, made in terms of National Housing Bank Guidelines and RBI Guidelines, as may be applicable, are reviewed by the Audit Committee of the Board. Further, the Auditors have reported that no material fraud by the Company or by its employees or officers has been noticed or reported during the year except for instances of loan disbursements based on forged documents, in collusion with the customers aggregating to Rs. 334.49 lacs, which has been fully provided for. The services of the concerned employees have been terminated by the Company.

INTERNAL CONTROL SYSTEM

Internal Audit

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

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

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

Internal Financial Control

Your Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively. 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 2020.

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. During the year, the Company had taken loans from the Parent or Holding Company, details of which are disclosed in Note Nos 39.

EXTRACT OF ANNUAL RETURN

Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of annual return in MGT–9 for the financial year ended 31 March 2020, is annexed as **"Annexure E"**. Further, pursuant to Sec 134(3) of the Companies Act 2013, the Annual Return of your Company 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 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, 2020 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 - Housing Finance Companies – Corporate Governance (National Housing Bank) Directions 2016 (NHB Directions), issued by National Housing Bank (NHB).

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 2019-20.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed M/s. MR & Associates, (Membership No. of the Partner: 4515), a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company for the financial year 2019-20. The Report of the Secretarial Auditor for the financial year ended 31 March 2020 is annexed herewith as **"Annexure F"**.

Secretarial Auditors' Observations

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark or disclaimer in FY 2019-20.

COST AUDIT

Maintenance of cost records as per 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.

➢ **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 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 came. We have been doing these webinars from June 2019 and have even converted our Induction program to a digital medium.

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

- The Navoday Project has been introduced to do the re-engineering in the business processes of Magma and enable it to becomes digitally enabled –Simulation based system training done for all employees
- Functional Learning Support through - Nuggets/video/webinars

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 joinee 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
- To strengthen our new joiners experience we launched "Aarambh" & "Maitree 3.0"

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.

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

Promote and conduct organisation level communication initiatives such as Leadership interaction through webcast – "Vartalaap", 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. 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, nearly 1/3rd of the world's population is under lockdown. Magma navigated the crisis, well before the lockdown began, 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.

COVID 19 – Support on the following has been implemented:

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

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

c. Prepare for "bounce back" scenarios

d. Constant reskilling – Nuggets/video/webinars

Magma Housing's priorities are ensuring employee safety, maintaining sufficient liquidity, 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 National Housing Bank for their continued assistance and support.

For and on behalf of the Board of Directors

Place: Mumbai **Sanjay Chamria**

Date: 09.06.2020 **Chairman**

(DIN: 00009894)

Annexure A to Board's Report

Statement as at 31 March, 2020 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)	Tranche 1
1	Number of options granted	140,000	490,000	200,000	2,960,000
2	Number of options vested	42,000	NIL	NIL	NIL
3	Number of options exercised	NIL	NIL	NIL	NIL
4	The total number of shares arising as a result of exercise of option	NIL	NIL	NIL	NIL
5	Options lapsed	NIL	NIL	NIL	NIL
6	The exercise price	24.25	36.66		Rs.10
7	Variation of terms of options	NIL	NIL	NIL	NIL
8	Money realized by exercise of options	NIL	NIL	NIL	NIL
9	Total number of options in force	140,000	490,000	200,000	2,960,000
10	Employee wise details of options granted to:				
(i)	Key managerial personnel	Chief Financial Officer: 65,000 Options	NIL	NIL	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	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 (Tranche 1)
1	Vishwas Shrungarpure	75,000	200,000	-	-
2	Ian Desouza	65,000	-	-	-
3	Anand Dinkar Wagh	-	100,000	-	-
4	Nitesh Kumar Jhanjee	-	50,000	-	-
5	Sunit Mahajan	-	30,000	-	-
6	Tarwinder Singh	-	30,000	-	-
7	Prakash G M	-	30,000	-	-
8	Dnyanesh Anil Nandurkar	-	25,000	-	-
9	Iqbal Singh	-	25,000	-	-
11	Shashi Sekharan	-	-	10,000	-
12	Sanjeev Jaswal	-	-	10,000	-
13	Gorrela Venkata Suraj	-	-	10,000	-
14	Ashutosh Verma	-	-	10,000	-
15	Shailendra Singh	-	-	10,000	-
16	Vipin Gupta	-	-	10,000	-
17	Atul Arora	-	-	10,000	-
18	Sudipta Paul	-	-	10,000	-
19	Chayan Gulati	-	-	10,000	-
20	Gurpal Singh	-	-	10,000	-
21	Rajesh Narayanan	-	-	10,000	-
22	Ashutosh Vishnuprsad Trivedi	-	-	10,000	-
23	Ram Prasad M	-	-	10,000	-
24	Prakash Mallick	-	-	10,000	-
25	Ashish Jaiprakash Chendwankar	-	-	10,000	-
26	Lalit Gupta	-	-	10,000	-
27	Indhumasagar Natarajan	-	-	10,000	-
28	Mirza Tauseef Baig	-	-	10,000	-
29	Sonia Sharma	-	-	10,000	-
30	Prakash Kumar Shaw	-	-	10,000	-
31	Manish Jaiswal	-	-	-	2,960,000
	TOTAL	**140,000**	**490,000**	**200,000**	**2,960,000**

For and on behalf of the Board

Place: Mumbai
Date: 09.06.2020

Sanjay Chamria
Chairman
(DIN: 00009894)

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 2019-20, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for FY 2019-20 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 2019-20 (Rs. in lakh)	% increase in Remuneration in FY 2019-20	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	126.71	4.64%	29.64	The increments were linked to market and industry information, on performance of the individual employee as well as company performance which impacted the budget for the increments. In the year under review, average increment is 5.36%. The Company PAT has increased by 0.65%
2	Ian Gerard Desouza Chief Financial Officer	185.47	0.02%	35.19	
3	Priti Saraogi Company Secretary	11.04	8.62%	2.44	
4	Mamta Binani[1] Non-Executive Independent Director	5.30	12.77%	1.13	
5	Satya Brata Ganguly Non-Executive Independent Director	4.70	27.03%	1.00	
6	Raman Uberoi[2] Non-Executive Independent Director	-	-	-	
7	Deena Mehta[2] Non-Executive Independent Director	-	-	-	
8	Sanjay Chamria Non-Executive Director	-	-	-	
9	Mayank Poddar Non-Executive Director	-	-	-	
10	Kailash Baheti Non-Executive Director	-	-	-	

[1] Ceased to be a Director from the close of working hours on 27.03.2020.

[2] Appointed as Additional Director in the capacity of Non-Executive Independent Director w.e.f. 20.03.2020.

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.

(ii) The median remuneration of employees of the Company during the financial year was Rs.4.69 lakh.

(iii) In the financial year, there was an increase of 4.22% in the median remuneration of employees.

(iv) There were 969 permanent employees on the rolls of Company as on 31 March 2020.

(v) Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2019-20 was 5.63% whereas the increase in the managerial remuneration for the same financial year was 2.31%.

(vi) It is hereby affirmed that the remuneration paid is as per the as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

For and on behalf of the Board

Place: Mumbai
Date: 09.06.2020

Sanjay Chamria
Chairman
(DIN: 00009894)

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, 2020 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 Rs. lakhs)	Particulars of last employment, last post, employer
Manish Jaiswal	50	Bachelor of Engineering and Fast Track General Management Program from IIM, Bangalore	Managing Director & Chief Executive Officer (President)	26-Jun-17	28	126.71	CRISIL Limited - Head of Business (SME Ratings)
Ian Gerard Desouza	49	Chartered Accountant	Senior Vice President	1-Jan-19	24	185.47	Chief Finance officer- India Mortgage Guarantee Corporation
Tarwinder Singh	42	Chartered Accountant	Associate Vice President	4-May-18	21	50.83	Tata Capital Housing Finance -RCM AVP
Prakash G M	40	MBA/PGDBM - Full Time	Associate Vice President	10-May-18	18	49.51	L&T Housing Finance Ltd - Zonal Credit Manager
Achuta Rama Murthy Sombhatla	51	MBA/PGDBM - FULL TIME	Vice President	31-May-18	26	51.86	Mannapuram Home Finance Ltd - Head Credit
Vishwas Shrungarpure	47	MBA/PGDBM - Full Time	Chief Business Officer (Senior Vice President)	04-Sep-18	23	130.83	Easy Home Finance Ltd - Chief Operating Officer
Milind Govind Deshmukh	45	Bachelor Of Commerce	Vice President	25-Mar-19	24	58.77	Aspire Home Finance Corp Ltd - Credit & Risk Head
Manoj Ajitsaria	52	Bachelor Of Commerce	Vice President	1-Dec-93	8	53.94	Senglo India Tea Company Ltd - Accounts Assistant
Anand Dinkar Wagh	53	Bachelor Of Legislative Law	Senior Vice President	25-Mar-19	29	97.45	Shriram City Union Finance Ltd - Head Collection
Nitesh Kumar Jhanjee	42	Bachelor Of Legislative Law	Vice President	5-Mar-19	20	49.90	Bajaj Finserv Ltd - Zonal Head

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

Name	Age (years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (in Rs. lakhs)	Particulars of last employment, last post, employer
Manish Jaiswal	50	Bachelor of Engineering and Fast Track General Management Program from IIM, Bangalore	MD & CEO	1-Jul-17	28	126.71	CRISIL Limited - Head of Business (SME Ratings)
Ian Gerard Desouza	49	Chartered Accountant	Senior Vice President	1-Jan-19	24	185.47	Chief Finance officer- India Mortgage Guarantee Corporation
Vishwas Shrungarpure	47	MBA/PGDBM - FULL TIME	Senior Vice President	4-Sep-18	23	130.83	Easy Home Finance Ltd - Chief Operating Officer

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

Name	Age (years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (in Rs. lakhs)	Particulars of last employment, last post, employer
Rajesh Matta	44	MBA/PGDBM - Full Time	Chief Credit Officer (Senior Vice President)	12 Dec-17	25	42.77	ING/ Kotak Bank - National Credit Manager - SME & Agri SME

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. Annual Performance Bonus included above is on Provisional basis.
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 Financial 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

Place: Mumbai
Date: 09.06.2020

Sanjay Chamria
Chairman
(DIN: 00009894)

Annexure C to Board's Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

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

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

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

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

Web-link of the CSR Policy:

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

2. The Composition of the CSR Committee

Sl No.	Name of the Directors	Category
1.	Mr. Mayank Poddar	Non-Executive
2.	Mr. Satya Brata Ganguly	Independent, Non-Executive
3.	Mr. Manish Jaiswal	Executive

*CSR Committee presently comprise of Ms. Deena Mehta as chairperson and Mr. Raman Uberoi and Mr. Manish Jaiswal as member of the Committee w.e.f. 24.05.2020

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

Average net profit of the Company for last three years is Rs. 4,232.17 lakh as per respective Ind-AS/GAAP applicable in each financial year.

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

The Company was required to spend Rs. 84.64 lakh based on the average net profit mentioned in Para 3 above.

5. Details of CSR spent during the financial year.

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

The total amount to be spent by the Company during the year was Rs. 226.4 lakh which includes amount brought forward from the previous year's i.e. Rs. 141.76 lakh.

b. Amount unspent, if any:

During the year the Company has spent a sum of Rs. 40.00 lakh and the balance unspent amount of Rs.186.4 lakh is carried forward for the next financial year.

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

(Rs. in lakh)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	**CSR project or activity identified**	**Sector in which the project is covered**	**Location of project (State & district)**	**Amount outlay (budget) project or programs wise**	**Amount spent on the projects or programs**	**Cumulative Expenditure up to the reporting period**	**Amount spent: Direct or through implementing agency**
1	Magma Swayam	Health Care and Education	WB, Gujarat, Telangana	17.50	18.55	25.40	Magma Foundation
2	Mid Day Meal	Education	Delhi, Jaipur, Kolkata, Nellore, Saraikella, Faridabad	5.00	19.49	29.8	Magma Foundation
3	M-Education	Education	Kolkata	2.50	1.29	8.81	Magma Foundation
4	Magma Green Park	Environment	West Bengal	75.00	0.67	0.67	Magma Foundation
	Total			**100.00**	**40.00**	**64.68**	

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

6. Key CSR activities

Magma Swayam – Corporate Volunteering Program

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

Mid Day Meal programme

Mid Day Meal is a strategic program, instituted by Government of India, to liberate the underprivileged children from scourge of hunger and malnutrition. ISKCON Food Relief Foundation (IFRF) is the biggest implementer of this program under the brand name 'Annamitra' in select schools in Delhi, Maharashtra, Rajasthan, Andhra Pradesh, Madhya Pradesh, Uttaranchal, Haryana, Jharkhand, Assam and West Bengal. The 'Annamrita' program is based on the belief that one meal a day brings thousands of children to school. Magma pledged support for "Annamrita" for 5300 students from Govt. schools located at Delhi, Faridabad, Jaipur, Aurangabad, Jamshedpur for a period of 10 months in a year. The idea was to provide hygienically cooked, balanced, nutritious, wholesome food for children in municipal and government aided schools in Delhi.

M-Education

Supporting NGOs who runs program with the goal of improving literacy and health condition of tribal people; projects involving street and slum children into proper school.

Magma Green Park

With a view to develop and support Environment, Magma has decided to develop a Man Made Forest to support the ecosystem balance. The forest will witness hundreds of trees which will act as a source of oxygen for the nearby people. The

Forest will have medicinal plants and the overall produce is proposed to be distributed to Orphanages/ Old Age homes. The setting up of the park will require high capital expenditure. The project will come up in South Bengal and currently, the land identification is in the final stages. When developed, the park will be open to school students for their biological excursions.

Magma Foundation

Magma along with its group company has formed a trust name as Magma Foundation. The purpose of this trust is to structure the CSR activity of the organization as a whole. CSR projects of the organization are taken care by the trust.

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

In FY20 the company didn't receive quality projects from its approved list of vendors' and as a result we couldn't able to spend our CSR obligated amount. Apart from this we have kept the fund aside to purchase the land for developing it into a mini forest. We have hired a consultancy firm for the identification of land and negotiation of same. The firm has shortlisted the land but in the end the owner refuses to sell the land at the agreed price, hence we could not purchase it in FY20. We are planning to complete the land purchase part in the first half of FY21.The unspent CSR amount which could not be utilised by the Company fully shall be carried forward for the next financial year.

In continuation of its CSR endeavour in lieu of COVID 19, the Company contributed in FY 20-21 Rs. 100 lakhs out of the unspent CSR fund to the Prime Minister Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund) to help India in its battle against the novel coronavirus. The aforesaid contribution to PM Cares Fund is an eligible CSR activity in accordance with MCA notification dated 26 May 2020.

8. Responsibility statement of the CSR Committee:

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

For Magma Housing Finance Limited

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

Place: Mumbai
Date: 09.06.2020

Deena Mehta
(Chairperson CSR Committee)
DIN: 00168992

Place: Mumbai
Date: 09.06.2020

Annexure D to Board's Report

FORM NO. AOC.2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis-

   Magma Housing Finance Limited (the Company) has not entered into any contract/arrangement/ transaction with its related parties, which is not in ordinary course of business or at arm's length during FY 2020. The Company has laid down policies and processes/ procedures so as to ensure compliance to the subject section in the Companies Act, 2013 (Act) and the corresponding Rules. In addition, the process goes through internal and external checking, followed by quarterly reporting to the Audit Committee.

2. Details of material contracts or arrangement or transactions at arm's length basis

   The details of material contracts or arrangements or transactions at arm's length basis for the year ended 31st March, 2020, are as follows:

Name(s) of the related party and nature of relationship	Nature of contracts / arrangements/ transactions	Transaction Value (Rs. In Lakhs)	Duration of contracts/ arrangements/ transaction	Salient terms of the contracts/ arrangements/ transactions	Date(s) of approval by the Board	Amount paid as advances (Rs. in Lakhs)
Magma Fincorp Limited, Holding Company	Direct Assignment of Standard Assets Loan against property (LAP) portfolio	22,946.51	Till the completion of the pool	Related Party Transaction entered during the period was in the ordinary course of business and on arm's length basis.	27 February 2019	Nil

For and on behalf of the Board

Place: Mumbai
Date: 09.06.2020

Sanjay Chamria
Chairman
(DIN: 00009894)

Annexure E to Board's Report

FORM NO. MGT-9

Extract of Annual Return as on the financial year ended on 31 March, 2020

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

I. REGISTRATION AND OTHER DETAILS:

i)	CIN	U65922WB2004PLC229849
ii)	Registration Date	21 April, 2004
iii)	Name of the Company	Magma Housing Finance Limited
iv)	Category of the Company/ Sub Category of the Company	Company limited by Shares/Non-Government Company
v)	Address of the Registered office and contact details	Development House, 24 Park Street, Kolkata – 700016 Telephone No.: 033 44017350
vi)	Whether listed company Yes / No	Yes (Debt Securities Listed)
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	1. Mas Services Limited (For Equity and Debt securities) Address: T-34, IInd Floor, Okhla Industrial Area, Phase II, New Delhi - 110 020 Telephone No.: 011 26387281 SEBI Registration No.INR000000049 2. Niche Technologies Private Limited (For Debt securities) Address: 7th Floor, Room No.7A & 7B 3A, Auckland Place, Kolkata – 700 017 Phones – 033-2280-6616/17/18/19/20 SEBI Registration No.INR000003290

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

Sl. No.	Name and Description of main products /services	NIC Code of the Product/service	% to total turnover of the Company
1	Other Credit Granting	64920	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

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

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

i. Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Share	Demat	Physical	Total	% of Total Share	
A. Promoters									
1. Indian									
a) Individual/ HUF	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Central Govt.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) State Govt. (s)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
d) Bodies Corp.	148102450	-	148102450	100	165829803	-	165829803	100	-
e) Banks / FI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
f) Any Other	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (A) (1):-	148102450	-	148102450	100	165829803	-	165829803	100	-
2. Foreign									
a) NRIs Individuals	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Other –Individuals	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) Bodies Corp.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
d) Banks / FI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
e) Any Other….	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (A) (2):-	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total Shareholding of Promoter (A) = (A)(1)+(A)(2)	**148102450**	**-**	**148102450**	**100**	**165829803**	**-**	**165829803**	**100**	**-**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Banks / FI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) Central Govt.	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
d) State Govt.(s)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
e) Venture Capital	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
f) Insurance Companies	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
g) FIIs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
h) Foreign Venture Capital Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Others (specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (B)(1):-	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
ii) Overseas	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	-	50	50	0.0	-	50	50	0.0	

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Share	Demat	Physical	Total	% of Total Share	
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c) Others (specify)									
(i) NRI/ OCB	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(ii) Trust	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(iii) Clearing Member	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Sub-total (B)(2):-	-	50	50	0.0	-	50	50	0.0	
Total Public Shareholding (B)=(B)(1)+(B)(2)	-	50	50	0.0	-	50	50	0.0	NIL
C. Shares held by Custodian for GDRs & ADRs	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Grand Total (A+B+C)	**148102450**	**50**	**148102500**	**100**	**165829803**	**50**	**165829853**	**100**	**NIL**

ii. Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company (approx.)	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company (approx.)	%of Shares Pledged / encumbered to total shares	
1.	Magma Fincorp Limited	148102450	100.00	0	165829803	100.00	0	0
	Total	**148102450**	**100.00**	**0**	**165829803**	**100.00**	**0**	**0**

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

Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the company (approx.)	No. of Shares	% of total shares of the company (approx.)
At the beginning of the year- **Magma Fincorp Limited**	148102450	100	148102450	100
Date wise Increase /Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment/transfer/ bonus/sweat equity etc.): Allotment of shares under rights issue on 23.03.2020	NIL	NIL	17727353	0
At the end of the year	148102450	100	165829803	100

iv. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company (approx.)	No. of shares	% of total shares of the Company (approx.)
1	**Jaideep Sharma**				
	At the beginning of the Year	10	0.00		
	Decrease: Transfer w.e.f. 03.05.19	10	0.00		
	At the end of the year			-	-
2	**Krishna Bahety**				
	At the beginning of the Year	10	0.00		
	Decrease: Transfer w.e.f. 12.04.19	10	0.00		
	At the end of the year			-	-
3	**Raj Kumar Kapoor**				
	At the beginning of the Year	5	0.00		
	Decrease: Transfer w.e.f. 03.05.19	5	0.00		
	At the end of the year			-	-
4	**Sanjiv Jha**				
	At the beginning of the Year	5	0.00		
	Decrease: Transfer w.e.f. 03.05.19	5	0.00		
	At the end of the year			-	-
5	**Shabnum Zaman**				
	At the beginning of the Year	-	-		
	Increase: Transfer w.e.f. 03.05.19			10	0.00
	At the end of the year			10	0.00
6	**Rajesh Singhania**				
	At the beginning of the Year	-	-		
	Increase: Transfer w.e.f. 03.05.19			10	0.00
	At the end of the year			10	0.00
7	**Rakesh Jodhani**				
	At the beginning of the Year	-	-		
	Increase: Transfer w.e.f. 03.05.19			5	0.00
	At the end of the year			5	0.00
8	**Stuti Pithisaria**				
	At the beginning of the Year	-	-		
	Increase: Transfer w.e.f. 03.05.19			5	0.00
	At the end of the year			5	0.00
8	**Ian Gerard Desouza**				
	At the beginning of the Year	-	-		
	Increase:Transfer w.e.f. 12.04.19			10	0.00
	Decrease: Transfer w.e.f. 03.05.19			10	0.00
	At the end of the year			0	0.00

Beneficial interest of the shares held by above shareholders, lies with Magma Fincorp Limited.

v. Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company (approx.)	No. of Shares	% of total shares of the company (approx.)
1	Mr. Sanjay Chamria, Non Executive Director				
	At the beginning of the year	10	0.00	10	0.00
	Date wise Increase / Decrease in Share Holding during the Year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus / Sweat equity etc.	-	-	-	-
	At the end of the year	10	0.00	10	0.00
2	Mr. Mayank Poddar, Non Executive Director				
	At the beginning of the year	10	0.00	10	0.00
	Date wise Increase / Decrease in Share Holding during the Year specifying the reasons for increase/ decrease (e. g. allotment / transfer / bonus / Sweat equity etc.	-	-	-	-
	At the end of the year	10	0.00	10	0.00
3	Mr. Ian Gerard Desouza, Chief Financial Officer				
	At the beginning of the year	-	-	-	-
	Date wise Increase / Decrease in Share Holding during the Year specifying the reasons for increase/ decrease (e. g. allotment / transfer / bonus / Sweat equity etc.: Transfer w.e.f. 12.04.19	10	0.00	10	0.00
	Transfer w.e.f. 03.05.19	10	0.00	10	0.00
	At the end of the year	0	0.00	0	0.00

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

V. INDEBTEDNESS

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

(Rs. in Lakh)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	119,251.74	19,768.64	-	139,020.38
ii) Interest due but not paid	205.55	-	-	205.55
iii) Interest accrued but not due	703.26	-	-	703.26
Total (i+ii+iii)	**120,160.55**	**19,768.64**	**-**	**139,929.19**
Change in Indebtedness during the financial year				
Addition	260,404.07	25,155.25	-	285,559.31
Reduction	(196,565.70)	(35,000.00)	-	(231,565.70)
Net Change	**63,838.36**	**-9,844.75**	**-**	**53,993.61**

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the end of the financial year				
i) Principal Amount	188,182.34	9,935.76	-	198,118.09
ii) Interest due but not paid	425.86	-	-	425.86
iii) Interest accrued but not due	105.12	3.42	-	108.55
Total (i+ii+iii)	**188,713.32**	**9,939.18**	**-**	**198,652.50**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl. No.	Particular of Remuneration	Name of MD/ WTD/ Manager	Total Amount (Rs. in Lakh)
		Mr. Manish Jaiswal (Managing Director & Chief Executive Officer)	
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	119.38	119.38
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission - as % of profit - others, specify…	-	-
5	Others, please specify	7.33	7.33
	Total (A)	**126.71**	**126.71**
	Ceiling as per the Act	**Rs.173 lakh** (As per Section II(A) of Part II of Schedule V of the Companies Act, 2013)	

B – Remuneration of other Directors

1. Independent Directors

Sl. No.	Particular of Remuneration	Name of Directors				Total Amount (Rs. in Lakh)
		Satya Brata Ganguly	Mamta Binani (upto 27.03.20)	Raman Uberoi (w.e.f. 20.03.20)	Deena Mehta (w.e.f. 20.03.20)	
1	Fee for attending board / committee meetings	4.70	5.30	-	-	10.00
2	Commission	N.A.	N.A.	N.A.	N.A.	N.A.
3	Others, please specify	N.A.	N.A.	N.A.	N.A.	N.A.
	Total (B)(1)					**10.00**

2. Other Non-Executive Directors:

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

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

Sl. No.	Particular of Remuneration	Key Managerial Personnel		Total Amount (Rs. in Lakh)
		Mr. Ian Gerard Desouza (Chief Financial Officer)	Ms. Priti Saraogi (Company Secretary)	
1	Gross salary			
a)	Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	176.49	10.33	186.82
b)	Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
c)	Profits in lieu of salary under section 17(3) Income Tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify…	-	-	-
5	Others, please specify	8.98	0.71	9.69
	Total (C)	**185.47**	**11.04**	**196.51**

VII. PENALTIES/ PUNISHMENT/ COMPOUNDING OF OFFENCES:

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

For and on behalf of the Board

Place: Mumbai
Date: 09.06.2020

Sanjay Chamria
Chairman
(DIN: 00009894)

Annexure-F to Board's Report

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 YEARENDED 31ST MARCH, 2020

[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 31st March, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the Financial Year ended on 31st March, 2020 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 Yearended 31stMarch, 2020.

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

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

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

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

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above and the Company had made suitable representation against the notice received for levy of penalty by National Housing Bank.

We further report that,

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There are changes made in the composition of the Board of Directors during the Yearunder review.

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

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

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

We further report that the due to the pandemic situation caused by COVID-19, the Company is in the process of filing of few returns under NHB Guidelines in compliance with extension of timelines for filing regulatory return granted by regulatory body.

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

(i) obtained approval of Shareholders at shorter notice in Annual General Meeting held on 09.05.2019 for keeping the statutory documents of the Company at a place other than the Registered Office of the Company.

(ii) obtained approval of shareholders at shorter notice in Extra Ordinary General Meeting held on 17.03.2020 for issuance of Non-Convertible Debt Securities pursuant to Sections 42, 71 and 180(1)(c) of the Companies Act 2013 up to an overall ceiling of Rs. 600 Crores on Private Placement basis.

(iii) made issue / allotment of17,727,353 equity shares on right basis to its Holding Company vide Board resolution dated 19.03.2020 and resolution passed by the Management Committee on 23.03.2020.

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 : A034458B000242985

Place : Kolkata
Date : 15.05.2020

Note: The COVID-19 outbreak was declared as a global pandemic by the World Health Organization and On March 24, 2020, the Indian government announced a strict lockdown across the country to stop the spread of the virus.The Audit was earlier completed till 31stDecember' 2019and due to COVID-19 pandemic impact, the required audit documents were obtained from the Company for the quarter January to March 2020 through electronic mode only and the same had been possibly verified with requirements.

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 YEARENDED 31STMARCH, 2020)

To,
The Members,
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 : A034458B000242985

Place : Kolkata
Date : 15.05.2020

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 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs of the Company as at 31 March 2020, 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 47 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 Matters

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 Refer Note 2(f) of significant accounting policies and Note 39 for credit risk disclosures. As at 31 March 2020, the Company has reported gross loan assets of ₹ 2,40,696.71 lacs against which an impairment loss of ₹ 2,882.97 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.	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. • Obtained the policy on moratorium of loans approved by the Board of Directors pursuant to the regulatory announcement made by the RBI • 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 including the impact of moratorium benefit extended to its customers in terms of the COVID-19 regulatory package announced by RBI on 27 March 2020. 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;

Considering the significance of the above matter to the overall financial statements and extent of management's estimates and judgements involved including compliance with the regulatory announcement of moratorium facility for certain customers, 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 47 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 2020, as the same is fundamental to the understanding of the users of financial statements	• 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 and moratorium announced by the RBI 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; • 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 39 "Financial risk management" disclosed in the accompanying financial statements in accordance with the applicable accounting standards.

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 38 for disclosures. As at 31 March 2020, the Company's loan portfolio comprised of 'Loan against Properties' ('LAP') amounting to ₹ 83,067.62 lacs and Housing Loans' ('HL') amounting to ₹ 154,887.28 lacs which are 34.51% and 64.35% 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 valuer and use of assumptions, estimates and valuation models. The fair value involves highly uncertain estimates where significant valuation inputs are unobservable inputs, i.e. based on "Level 3 inputs". 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.	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's valuation expert to understand the assumptions used in the valuation approach where in the future cash flows have been discounted. • Involved our valuation experts for assisting in testing the valuations conducted by the management and assessment of appropriateness of management judgements and assumptions. • Assessed the appropriateness of valuation methodology adopted, discount rate applied, long-term growth rate considered by benchmarking against 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 38 "Fair Value measurements" disclosed in the financial statements in accordance with the applicable accounting standards.

Information Technology system for the financial reporting process:	Our key audit procedures with the involvement of our IT specialists included, but were not limited to the following:
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.	• 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 Technology system for the financial reporting process:

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 do 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 2020 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 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 09 June 2020 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 51 to the financial statements, has disclosed the impact of pending litigation on its financial position as at 31 March 2020;

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 2020;

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 2020; 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

Manish Gujral
Partner
Membership No.: 105117
UDIN: 20105117AAAACG5584

Place: Mumbai
Date: 09 June 2020

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

(c) The title deeds of all the immovable properties (which are included under the head '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 granted secured loan to a party covered in the register maintained under section 189 of the Act, and with respect to the same:

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

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

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

(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 in the range of 213 days to 517 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) The dues outstanding in respect of income-tax, goods and service tax, sales-tax, service tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

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

(viii) The Company has not defaulted in repayment of loans or borrowings to any 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 Company has applied the term loans for the purposes for which these were raised.

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

(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

Manish Gujral

Partner

Membership No.: 105117

UDIN: 20105117AAAACG5584

Place: Mumbai

Date: 09 June 2020

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 2020, 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 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 on Audit of Internal Financial Controls Over Financial Reporting ('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.

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 2020, 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

Manish Gujral
Partner
Membership No.: 105117
UDIN: 20105117AAAACG5584

Place: Mumbai
Date: 09 June 2020

Balance Sheet

as at 31st March, 2020

(₹ in lacs)

	Note	As at 31 March 2020	As at 31 March 2019
ASSETS			
Financial Assets			
Cash and cash equivalents	3	110.49	357.18
Other bank balances	4	5,881.24	2,058.19
Loans	5	237,834.04	187,270.17
Other financial assets	6	7,866.21	5,435.25
		251,691.98	**195,120.79**
Non-financial Assets			
Current tax assets (net)	7	579.16	17.89
Property, plant and equipment	8	126.28	70.73
Capital work-in-progress		-	31.05
Intangible assets under development		108.46	-
Other intangible assets	9	57.96	56.84
Right of use assets	10	449.27	-
Assets held for sale	11	364.71	-
Other non-financial assets	12	1,989.56	981.72
		3,675.40	**1,158.23**
Total Assets		**255,367.38**	**196,279.02**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial Liabilities			
Payables	13		
(I) 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		539.21	478.94
(II) 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		1,339.94	973.85
Debt securities	14	5,491.93	13,661.94
Borrowings (other than debt securities)	15	182,848.31	115,658.45
Subordinated liabilities	16	9,939.18	9,928.48
Lease liabilities	10	486.15	-
Other financial liabilities	17	4,597.62	19,392.50
		205,242.34	**160,094.16**
Non-financial Liabilities			
Current tax liabilities (net)	18	-	95.71
Provisions	19	98.47	67.38
Deferred tax liabilities (net)	20	1,365.76	839.15
Other non-financial liabilities	21	602.37	1,096.62
		2,066.60	**2,098.86**
EQUITY			
Equity share capital	22	16,582.99	14,810.25
Other equity	23	31,475.45	19,275.75
		48,058.44	**34,086.00**
Total Liabilities and Equity		**255,367.38**	**196,279.02**
Notes 1 to 53 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

Sanjay Chamria
Chairman
(DIN: 00009894)

Manish Gujral
Partner
Membership No.: 105117

Priti Saraogi
Company Secretary

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

Ian Gerard Desouza
Chief Financial Officer

Place : Mumbai
Date : 09 June 2020

Place : Kolkata
Date : 09 June 2020

Place : Mumbai
Date : 09 June 2020

Statement of Profit and Loss

for the year ended 31st March, 2020

	Note	Year ended 31 March 2020	Year ended 31 March 2019
Revenue from operations			
Interest income	24	30,553.18	22,342.04
Fees and commission income	25	1,213.43	829.55
Net gain on derecognition of financial instruments	26	3,074.39	979.51
Total revenue from operations		**34,841.00**	**24,151.10**
Other income	27	795.65	400.28
Total income		**35,636.65**	**24,551.38**
Expenses			
Finance costs	28	17,668.95	11,334.26
Net loss on fair value changes	29	225.13	118.82
Impairment on financial instruments	30	2,174.26	173.10
Employee benefits expenses	31	6,997.57	5,099.81
Depreciation, amortisation and impairment	32	110.62	30.76
Others expenses	33	3,031.56	3,094.35
Total expenses		**30,208.09**	**19,851.10**
Profit before tax		**5,428.56**	**4,700.28**
Tax expense:			
Current tax	34	526.00	875.00
Deferred tax		669.57	430.45
Tax expense of earlier years		(31.85)	(6.68)
		1,163.72	**1,298.77**
Profit for the year		**4,264.84**	**3,401.51**
Other comprehensive income			
(I) Items that will not be reclassified to profit or (loss)			
(i) Remeasurement benefits of the defined benefit plans		(1.01)	(19.78)
(ii) Income tax relating to these items		0.44	7.20
		(0.57)	**(12.58)**
(II) Items that will be reclassified to profit or (loss)			
(i) Changes in fair valuation of financial assets		(653.63)	(931.31)
(ii) Income tax relating to these items		142.52	293.03
		(511.11)	**(638.28)**
Other comprehensive income		**(511.68)**	**(650.86)**
Total comprehensive income for the year		**3,753.16**	**2,750.65**
Earnings per equity share			
Basic (₹)	35	2.87	2.30
Diluted (₹)		2.82	2.27
Notes 1 to 53 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

Sanjay Chamria
Chairman
(DIN: 00009894)

Manish Gujral
Partner
Membership No.: 105117

Priti Saraogi
Company Secretary

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

Ian Gerard Desouza
Chief Financial Officer

Place : Mumbai
Date : 09 June 2020

Place : Kolkata
Date : 09 June 2020

Place : Mumbai
Date : 09 June 2020

Statement of Cash Flows

for the year ended 31st March, 2020

(All amounts in ₹ lacs, unless otherwise stated)

		Year ended 31 March 2020	Year ended 31 March 2019
A.	**Cash flow from operating activities**		
	Profit before tax	5,428.56	4,700.28
	Adjustments for:		
	Depreciation and amortisation expense	110.62	30.76
	Interest on lease liability	52.28	-
	Net gain/(loss) on financial instruments at fair value through profit or loss	225.13	118.82
	Allowance for impairment loss	2,174.26	173.10
	Miscellaneous income	-	(251.63)
	Liability no longer required written back	-	(126.52)
	Expense on employee stock option scheme	219.28	111.33
	Operating profit before working capital changes	**8,210.13**	**4,756.14**
	Changes in working capital:		
	(Increase) in loans	(53,389.46)	(46,767.81)
	(Increase) in other financial assets	(2,658.41)	(520.70)
	(Increase) in other non financial assets	(1,676.95)	(145.52)
	(Increase) in held for sale assets	(364.71)	-
	(Increase) in other bank balances	(3823.04)	(2058.19)
	Increase in trade and other payables	426.36	460.84
	Increase/(Decrease) in other financial liabilities	(15,169.28)	8,971.02
	Increase/(Decrease) in other non financial liabilities	(494.25)	240.75
	Increase/(Decrease) in provisions	30.08	(3.69)
	Cash (used in) operating activities	**(68,909.53)**	**(35,067.16)**
	Income tax paid (net of refunds)	(1,151.13)	(952.20)
	Net cash (used in) operating activities (A)	**(70,060.66)**	**(36,019.36)**
B.	**Cash flow from investing activities**		
	Purchase of property, plant and equipment, including CWIP and capital advances	(147.93)	(69.57)
	Investments in intangible assets and intangible assets under development (net)	(21.57)	-
	Net cash (used in) investing activities (B)	**(169.50)**	**(69.57)**
C.	**Cash flow from financing activities***		
	Proceeds from issue of equity shares including securities premium	10,000.00	-
	Proceeds from debt securities	-	6,500.00
	Repayment of debt securities	(7,500.00)	(4,000.00)
	Proceeds from borrowings other than debt securities	2,66,409.29	2,31,060.02
	Repayment of borrowings other than debt securities	(1,98,836.94)	(2,08,003.69)
	Payment of lease liability	(88.88)	-
	Loan received from holding company	57,000.00	35,000.00
	Loan repaid to holding company	(57,000.00)	(35,000.00)
	Proceeds from issue of subordinated debt	-	10,000.00
	Net cash generated from financing activities (C)	**69,983.47**	**35,556.33**
	Net (decrease) in cash and cash equivalents (A+B+C)	**(246.69)**	**(532.60)**
	Cash and cash equivalents at the beginning of the year	**357.18**	**889.78**
	Cash and cash equivalents at the end of the year (Refer note 3)	**110.49**	**357.18**
	Components of cash and cash equivalents:		
	Cash on hand	0.40	0.40
	Balances and deposits with banks	110.09	356.78
		110.49	**357.18**

* Refer note 44 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

Manish Gujral
Partner
Membership No.: 105117

Place : Mumbai
Date : 09 June 2020

Priti Saraogi
Company Secretary

Place : Kolkata
Date : 09 June 2020

Sanjay Chamria
Chairman
(DIN: 00009894)

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

Ian Gerard Desouza
Chief Financial Officer

Place : Mumbai
Date : 09 June 2020

Statement of changes in equity

for the year ended 31st March, 2020

(All amounts in ₹ lacs, unless otherwise stated)

A. Equity share capital

	As at 31 March 2020	As at 31 March 2019
Balance at the beginning of the reporting year	14,810.25	14,810.25
Equity share capital issued during the year	1,772.74	-
Balance at the end of the reporting year	**16,582.99**	**14,810.25**

B. Other equity

Particulars	Reserve and Surplus				Other comprehensive income	Total
	Statutory Reserves	Securities Premium	Retained Earnings	Share option reserve account	Change in fair value of financial assets	
Balance as at 1 April 2018	**3,710.00**	**-**	**12,459.83**	**-**	**243.94**	**16,413.77**
Profit for the year	-	-	3,401.51	-	-	3,401.51
Items of other comprehensive income, net of tax:						
- Remeasurement of defined benefit plans (net of tax)		-	(12.58)		-	(12.58)
- Changes in fair value of financial assets (net of tax)	-	-	-	-	(638.28)	(638.28)
Transfer from retained earnings	690.00	-	(690.00)	-	-	-
Employee stock option (net)	-	-	-	111.33	-	111.33
Balance as at 31 March 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 to/(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**

Notes 1 to 53 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

Manish Gujral
Partner
Membership No.: 105117

Place : Mumbai
Date : 09 June 2020

Priti Saraogi
Company Secretary

Place : Kolkata
Date : 09 June 2020

Sanjay Chamria
Chairman
(DIN: 00009894)

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

Ian Gerard Desouza
Chief Financial Officer

Place : Mumbai
Date : 09 June 2020

1. BACKGROUND:

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 is domiciled in India and its registered office is situated at 24, Park Street, Development House Kolkata – 700 016.

2. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS:

a) Basis of preparation

These financial statements have been prepared in accordance with Indian Accounting Standards ('Ind AS') as notified by Ministry of Corporate Affairs ('MCA') 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.

The Company has uniformly applied the accounting policies for all the periods presented in these financial statements. The financial statements have been prepared on going concern basis in accordance with accounting principles generally accepted in India. Further, the financial statements have been prepared on a historical cost basis, except for fair value through other comprehensive income (FVOCI) instruments, derivative financial instruments, and financial assets and liabilities designated at fair value through profit or loss (FVTPL), all of which have been measured at fair value.

b) Property, Plant and Equipment

Recognition and initial measurement

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

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

Subsequent measurement (depreciation method, useful lives and residual value)

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses. 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 of the Companies Act 2013. Depreciation is calculated on a pro-rata basis from the date of installation till date the assets are sold or disposed. The residual values, useful lives and method of depreciation are reviewed at the end of each financial year.

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

De-recognition:

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

Capital work-in-progress

Capital work-in-progress are carried at cost, comprising direct cost and related incidental expenses to acquire property, plant and equipment. Assets which are not ready to intended use are also shown under capital work-in-progress.

c) Intangible assets

Measurement at recognition:

Intangible assets are recognised where it is probable that the future economic benefit attributable to the assets will flow to the Company and its cost can be reliably measured. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment cost, if any.

Subsequent measurement (amortisation method, useful lives and residual value)

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. The estimated useful life (amortisation period) of the intangible assets is arrived basis the expected pattern of consumption of economic benefits and is reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.

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.

Intangible assets under development

Intangible assets under development represents expenditure incurred in respect of intangible assets under development and are carried at cost. Cost includes development cost, borrowing costs and other direct expenditure necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. These are recognised as assets when the Company can demonstrate following recognition requirements:

- The development costs can be measured reliably
- The project is technically and commercially feasible
- The Company intends to and has sufficient resources to complete the project
- The Company has the ability to use or sell such intangible asset
- The asset will generate probable future economic benefits.

Amortisation of the asset begins when development is complete and the asset is available for use.

d) Impairment of non-financial assets

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

e) Financial Instruments

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

Initial recognition and measurement:

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

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

Subsequent measurement

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.

Subsequent measurement

After initial measurement, such financial assets are 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.

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.

Subsequently, financial liabilities are classified either as fair value through profit or loss or amortised cost, as appropriate.

Equity instruments

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

Derecognition of financial assets and financial liabilities

Financial assets

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

* The rights to receive cash flows from the asset have expired, or

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

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

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

Financial liabilities

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

f) Impairment of Financial Assets

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

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

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

Loss allowances for financial assets are deducted from the gross carrying amount of the assets.

Recovery from bad debts written off is recognized in the Statement of profit and loss on actual realization from customers.

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 recognised in the Statement of profit or loss.

g) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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 is recognized on EIR method on time proportion basis applied on the carrying amount of financial assets including credit impaired financial assets.

Additional interest/overdue interest/penal charges are recognised only when it is reasonable certain that the ultimate

collection will be made.

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

Security Receipts

Fair value changes from security receipts is recognized in the Statement of profit and loss.

Fee and Commission Income

Fee and commission income include fees other than those that are an integral part of EIR. The Company recognises the fee and commission income in accordance with the terms of the relevant contracts / agreement and when it is probable that the Company will collect the consideration.

Income from assignment transactions

Income from assignment transactions i.e. present value of excess interest spread is recognised when the related loan assets are de-recognised. Interest income is also recognised on carrying value of assets over the remaining period of such asset.

Dividend income

Dividend is recognised when the right to receive the dividend is established by the reporting date.

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, amortization of ancillary costs incurred in connection with the arrangement of borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing costs are charged to the Statement of profit and loss on accrual basis as per the EIR method.

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.

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.

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.

<u>Other long-term employee benefits:</u>

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 payments

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

p) Held for Sale

Assets repossessed by the Company under SARFASI Act, 2002 and identified for sale has been classified as assets held for sale, as their carrying amounts will be recovered principally through a sale of asset. The Company is committed to sell these assets and they are measured at the lower of their carrying amount and the fair value less costs to sell.

q) Leases

The Company has adopted Ind AS 116 - Leases with effect from 1 April 2019, using the modified retrospective method. The Company has applied the standard to its leases with the cumulative impact recognised on the date of initial application i.e, 1 April 2019. Accordingly, previous period information has not been restated.

The Company's lease asset classes primarily consist of leases for offices. The Company assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

(i) the contract involves the use of an identified asset;

(ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease; and

(iii) the Company has the right to direct the use of the asset."

Recognition and initial measurement

At the lease commencement date, the Company recognises a right-of-use ("RoU") asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease (if any), and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent measurement

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the lease commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed payments) and variable payments based on an index or rate. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in the in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset.

Presentation

Lease liability and RoU asset have been separately presented in the balance sheet and lease payments have been classified as financing cash flows.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the Statement of profit and loss on a straight-line basis over the lease term.

r) Earnings per share

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

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

s) 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.

t) Events after reporting date

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

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

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

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

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
- Note 38 - determination of the fair value of financial instruments with significant unobservable inputs
- Note 31 - measurement of defined benefit obligations: key actuarial assumptions
- Note 20 - recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used
- Note 8 - determination of the estimated useful lives of tangible assets and the assessment as to which components of the cost may be capitalised

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

3 Cash and cash equivalents

	As at 31 March 2020	As at 31 March 2019
Cash on hand	0.40	0.40
Balances with banks		
- In current accounts	110.09	356.78
	110.49	**357.18**

4 Other bank balances

	As at 31 March 2020	As at 31 March 2019
In deposits with original maturity of less than 3 months*	-	2,058.19
In deposits with original maturity of more than 3 months**	5,881.24	-
	5,881.24	**2,058.19**

*Held as cash collateral for securitisation of receivables.

**Includes cash collateral for securitisation of receivables amounting to ₹ 4375.23 lacs (31 March 2019 : ₹ NIL)

5 Loans

	As at 31 March 2020			As at 31 March 2019		
	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**	2,741.81	1,54,887.28	1,57,629.09	1,24,927.52	-	1,24,927.52
- Loan against properties	-	83,067.62	83,067.62	-	64,633.44	64,633.44
(ii) Loans to staff	20.30	-	20.30	7.83	-	7.83
Total (A) -Gross	**2,762.11**	**2,37,954.90**	**2,40,717.01**	**1,24,935.35**	**64,633.44**	**1,89,568.79**
Less: Impairment loss allowance	146.03	2,736.94	2,882.97	1,474.38	824.24	2,298.62
Total (A) - Net	**2,616.08**	**2,35,217.96**	**2,37,834.04**	**1,23,460.97**	**63,809.20**	**1,87,270.17**
(B)						
(i) Secured by tangible assets	2,741.81	2,19,113.72	2,21,855.53	1,24,927.52	64,633.44	1,89,560.96
(ii) Covered by government guarantee***	-	18,841.18	18,841.18	-	-	-
(iii) Unsecured	20.30	-	20.30	7.83	-	7.83
Total (B) - Gross	**2,762.11**	**2,37,954.90**	**2,40,717.01**	**1,24,935.35**	**64,633.44**	**1,89,568.79**

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

	As at 31 March 2020			As at 31 March 2019		
	At Amortised Cost	At Fair Value Through other comprehensive income	Total	At Amortised Cost	At Fair Value Through other comprehensive income	Total
Less: Impairment loss allowance	146.03	2,736.94	2,882.97	1,474.38	824.24	2,298.62
Total (B) - Net	**2,616.08**	**2,35,217.96**	**2,37,834.04**	**1,23,460.97**	**63,809.20**	**1,87,270.17**
(C) Loans in India						
(i) Public Sector	-	-	-	-	-	-
(ii) Others	2,762.11	2,37,954.90	2,40,717.01	1,24,935.35	64,633.44	1,89,568.79
Total (C) - Gross	**2,762.11**	**2,37,954.90**	**2,40,717.01**	**1,24,935.35**	**64,633.44**	**1,89,568.79**
Less: Impairment loss allowance	146.03	2,736.94	2,882.97	1,474.38	824.24	2,298.62
Total (C) -Net	**2,616.08**	**2,35,217.96**	**2,37,834.04**	**1,23,460.97**	**63,809.20**	**1,87,270.17**

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

** It includes receivables towards insurance policies taken on behalf of customers amounting to ₹ 5,552.22 lacs (31 March 2019 : ₹ 2,499.17 lacs).

*** GOI has issued a scheme on 10th August, 2019 to provide a one time partial credit guarantee to PSB for purchase of pooled assets of financially sound NBFC/HFC's in order to provide them with liquidity.The Company has entered into a transaction under this scheme.

The Company has reassessed its business model and classified its housing loan portfolio from amortised cost to FVOCI from 1 July 2019.This is based on volume of direct assignment transaction undertaken. Consequently gain/loss on fair valuation has been recognised in other comprehensive income.

6 Other financital assets

	As at 31 March 2020	As at 31 March 2019
Receivables on assigned loans*	7,018.51	4,387.92
Security deposits	32.75	26.19
Security receipt(measured at FVTPL)	721.37	983.33
Others receivables	104.39	46.31
Total	**7,877.02**	**5,443.75**
Less: Impairment loss allowance	10.81	8.50
	7,866.21	**5,435.25**

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

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

7 Current tax asset (net)

	As at 31 March 2020	As at 31 March 2019
Advance income tax (net)	579.16	17.89
	579.16	**17.89**

8 Property, plant and equipment

	Buildings	Furniture and fixtures	Office equipment	Leasehold improvements	Total
Cost					
As at 01 April 2018	**20.08**	**9.74**	**5.19**	**14.05**	**49.06**
Additions	-	10.63	15.46	10.50	36.59
Disposals/adjustments	-	-	-	-	-
As at 31 March 2019	**20.08**	**20.37**	**20.65**	**24.55**	**85.65**
Additions for the year	-	29.12	13.88	29.23	72.23
Disposals/adjustments	-	-	-	-	-
Cost as at 31 March 2020	**20.08**	**49.49**	**34.53**	**53.78**	**157.88**
Accumulated Depreciation					
As at 31 March 2018	**0.36**	**0.96**	**0.98**	**1.94**	**4.24**
Depreciation charge for the year	0.36	4.30	3.47	2.55	10.68
Disposals/adjustments	-	-	-	-	-
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**
Net Block					
As at 31 March 2019	19.36	15.11	16.20	20.06	70.73
As at 31 March 2020	**19.00**	**38.73**	**24.99**	**43.56**	**126.28**

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

9 Intangible assets

	Computer software	Total
Cost		
As at 01 April 2018	**96.53**	**96.53**
Additions	-	-
Disposals/adjustments	-	-
As at 31 March 2019	**96.53**	**96.53**
Additions	21.57	21.57
Disposals/adjustments	-	-
As at 31 March 2020	**118.10**	**118.10**
Accumulated amortisation		
As at 31 March 2018	**19.61**	**19.61**
Amortisation for the year	20.08	20.08
Disposals/adjustments	-	-
As at 31 March 2019	**39.69**	**39.69**
Amortisation for the year	20.45	20.45
Disposals/adjustments	-	-
As at 31 March 2020	**60.14**	**60.14**
Net Block		
As at 31 March 2019	56.84	56.84
As at 31 March 2020	**57.96**	**57.96**

10 Leases

1) The Company incurs rental expense on account of its branches. Such rental expense was accounted in the previous year as operating lease under Ind AS 17 - Leases. Ind AS 116 - Leases has replaced Ind AS 17 and is effective from 1st April 2019. Accordingly such rental expense has been accounted under the new standard.

2)

		As at 31 March 2020	As at 31 March 2019
	Particulars		
i)	Amortisation on Right of Use assets		
	- Rental expense	73.49	-
ii)	Interest expense on lease liability	52.28	-
iii)	Total cash outflow for leases i.e., rent paid	88.88	-
iv)	Additions to right of use assets	522.76	-
v)	Right to use assets	449.27	-
vi)	Lease liability	486.15	-

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

3)

	As at 31 March 2020	As at 31 March 2019
Bifurcation of rent paid into interest & principal portion.		
Interest	36.60	-
Principal	52.28	-

11 Assets held for sale

	As at 31 March 2020	As at 31 March 2019
Assets held for sale (Refer note 11(a))	364.71	-
	364.71	

Note no 11(a) : The Company obtained the following assets during the year by taking possession of collateral held as security against loans and advances and held at the year end. The Company's policy is to realise collateral on a timely basis. The Company does not use non-cash collateral for its operations.

	As at 31 March 2020	As at 31 March 2019
Properties	364.71	-
Total assets obtained by taking possession of collateral	**364.71**	

12 Other non financial assets

	As at 31 March 2020	As at 31 March 2019
Prepaid expenses	1,588.35	557.01
Gratuity (excess of plan assets over obligation)	39.42	-
Capital advances	1.83	3.54
Balances with government authorities	359.96	421.17
Total	**1,989.56**	**981.72**

13 Payables

	As at 31 March 2020	As at 31 March 2019
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	539.21	478.94
Total	**539.21**	**478.94**

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

	As at 31 March 2020	As at 31 March 2019
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	1,339.94	973.85
Total	**1,339.94**	**973.85**

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 2020 & 31 March 2019. 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 2020	As at 31 March 2019
(Measured at amortised cost)		
Secured Redeemable non-convertible debentures [refer notes (a) & (b) below]	5,491.93	13,661.94
Total	**5,491.93**	**13,661.94**
Debt securities in India	5,491.93	13,661.94
Total	**5,491.93**	**13,661.94**

(a) Nature of security

250 number of debentures allotted in March 2019 are secured by exclusive first charge by way of hypothecation on the Company's book debts and loan instalments receivables along with pari -passu mortgage created over the immovable property situated at Barasat, Dist - 24 Parganas (N). All other debantures 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). The total asset cover is hundred percent or above of the principal amount of the said debentures.

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

Number of Debentures	Face Value (₹ in lacs)	Month of Allotment	Month of Redemption	As at 31 March 2020	As at 31 March 2019
100	10	Mar-16	Mar-23	999.84	1,098.88
200	10	Mar-15	Mar-22	1,990.02	2,185.93
400*	10	Feb-19	Feb-21	-	4,039.52
250	10	Mar-19	Sep-20	2,502.07	2,501.74
350	10	Mar-15	Mar-20	-	3,835.87
				5,491.93	**13,661.94**

The above debentures carry interest rates ranging from 10.00% p.a. to 10.88% p.a. (31 March 2019: from 10.00% p.a. to 11.06% p.a)

* The debentures have been issued in February 2019 for the tenor of 2 years. The same has been prepaid in February 2020.

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

15 Borrowings (other than debt securities)

(Measured at amortised cost)

	As at 31 March 2020	As at 31 March 2019
(Secured)		
(a) Term loans (refer note (a)(i) & (b)(i) below)		
(i) from banks	79,149.87	58,560.55
(ii) from financial institutions	29,401.10	-
(b) Securitisation liability (refer note (a)(ii) & (b)(ii) below)	35,737.00	16,648.57
(c) Loans repayable on demand (refer note (a)(iii) & (b)(iii) below) - from banks	38,560.34	30,605.76
(Unsecured)		
(d) Commercial papers (refer note (b)(iv) below)	-	9,843.57
	1,82,848.31	**1,15,658.45**
Borrowings in India	1,82,848.31	1,15,658.45
	1,82,848.31	**1,15,658.45**

(a) Nature of security

(i) All term loans from banks (except for three term loans which are secured by way of first charge ranking pari-passu over the entire current assets 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.

(b) Terms of repayment

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

Frequency	Repayment commencing from	Repayment Maturity month	No. of instalments	As at 31 March 2020	As at 31 March 2019
Monthly	Jan-20	Dec-29	116	29,085.45	-
Monthly	Apr-20	Mar-24	48	15,004.32	15,004.32
Monthly	Feb-20	Jan-24	46	7,133.72	-
Quarterly	Jun-18	Mar-25	20	3,552.11	4,257.89
Quarterly	Sep-17	Jun-24	17	3,029.09	3,739.81
Quarterly	Mar-20	Dec-23	15	14,075.10	-
Quarterly	Dec-20	Jul-24	16	9,978.32	-
Quarterly	Mar-21	Dec-24	16	9,983.51	-
Quarterly	Jun-19	Mar-23	12	5,670.00	7,547.61

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

Frequency	Repayment commencing from	Repayment Maturity month	No. of instalments	As at 31 March 2020	As at 31 March 2019
Quarterly	Mar-20	Mar-22	8	4,420.90	4,957.29
Quarterly	Jun-17	Mar-21	4	2,525.45	5,044.82
Quarterly	Mar-17	Dec-20	3	3,789.91	8,826.15
Monthly	Aug-17	May-20	2	303.09	2,083.50
Quarterly	Jun-17	Mar-20	-	-	5,016.33
Quarterly	Sep-16	Jun-19	-	-	833.30
Half-Yearly	Jun-16	Dec-19	-	-	1,249.53
				1,08,550.97	**58,560.55**

The above term loans carry interest rates ranging from 9.30 % p.a. to 10.50 % p.a. (31 March 2019: from 9.00% p.a. to 12.50% p.a)

(ii) Terms of maturity of securitisation liability

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2020	**31 March 2019**	**31 March 2020**	**31 March 2019**
> 5 years	9.10% - 9.90%	9.75% - 9.90%	28,471.54	12,664.37
3 - 5 Years	9.10% - 9.90%	9.75% - 9.90%	3,413.49	1,649.24
1 - 3 Years	9.10% - 9.90%	9.75% - 9.90%	2,900.05	1,432.41
0 - 1 Years	9.10% - 9.90%	9.75% - 9.90%	951.92	902.55
			35,737.00	**16,648.57**

(iii) The cash credit facilities carries interest rate at 9.55 % p.a. to 10.45 % p.a.(31 March 2019: from 8.90% p.a. to 10.70% p.a). Working capital demand loans carry interest rates ranging from 7.80 % p.a. to 9.90 % p.a.(31 March 2019: from 8.55% p.a. to 9.45% p.a). As per the prevalent practice, cash credit facilities and working capital demand loans are renewed on a year to year basis and therefore, are revolving in nature.

(iv) Terms of repayment of commercial paper

Number of units	Face Value (₹ in lacs)	Repayment Terms	As at 31 March 2020	As at 31 March 2019
2,000	5	at Par	-	9,843.57
			-	**9,843.57**

Commercial papers carry interest rate ranging from 9.25% p.a. to 9.70% p.a. with maturity ranging between 2 months to 3 months.

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

16 Subordinated liabilities

	As at 31 March 2020	As at 31 March 2019
(Measured at amortised cost)		
(Tier II Capital):		
From banks (subordinated debts)	9,939.18	9,928.48
Total	**9,939.18**	**9,928.48**
Subordinated Liabilities in India	9,939.18	9,928.48
	9,939.18	**9,928.48**

(i) Terms of repayment of subordinated liabilities (Tier II capital)

Frequency	Interest rate	Repayment due	No. of instalments payable	As at 31 March 2020	As at 31 March 2019
On maturity	12.50%	Mar-26	1	9,939.18	9,928.48
				9,939.18	**9,928.48**

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

17 Other financial liabilities

	As at 31 March 2020	As at 31 March 2019
Amount payable on assigned loans	1,999.42	1,316.11
Temporary overdraft from banks	2,598.20	18,076.39
	4,597.62	**19,392.50**

18 Current tax liability (net)

	As at 31 March 2020	As at 31 March 2019
Provision for tax (net)	-	95.71
	-	**95.71**

19 Provisions

	As at 31 March 2020	As at 31 March 2019
Provision for employee benefits		
- Provision for gratuity	-	8.22
- Provision for compensated absences	98.47	59.16
	98.47	**67.38**

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

20 Deferred tax liabilities (net)

	As at 31 March 2020	As at 31 March 2019
Deferred tax liability arising on account of:		
Statutory reserve	761.54	808.96
Fair valuation of financial assets	1,770.11	1,115.75
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	8.01	12.01
Provision for expenses	14.71	-
	2,636.08	**1,936.72**
Deferred tax asset arising on account of:		
Impairment loss allowance on loan assets	696.60	671.84
Amortisation of transaction cost/income on assets on finance as per EIR model	-	271.17
Recognition/de-recognition of income and expenses pertaining to direct assignment transactions	189.65	136.06
Fair valuation of financial assets	353.79	0.22
Provision for expenses	30.28	18.28
	1,270.32	**1,097.57**
Total deferred tax liability (net)	**1,365.76**	**839.15**

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

i) 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 reserve	12.01	(4.00)	-	8.01
Provision for expenses	-	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**

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

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

Particulars	As at 01 April 2018	Statement of Profit or Loss	Other Comprehensive Income	As at 31 March 2019
Deferred tax liabilities for taxable temporary differences on:				
Statutory reserve	860.45	(51.49)	-	808.96
Fair valuation of financial assets	1,521.71	(112.93)	(293.03)	1,115.75
Recognition of interest income on non performing assets	223.67	(223.67)	-	-
Depreciation reserve	18.66	(6.65)	-	12.01
Provision for expenses	6.34	0.86	(7.20)	-
Total	**2,630.83**	**(393.90)**	**(300.23)**	**1,936.72**
Deferred tax assets for deductible temporary differences on:				
Impairment loss allowance on loan assets	1,729.29	(1,057.45)	-	671.84
Amortisation of transaction cost/income on assets on finance as per EIR model	35.57	235.60	-	271.17
Recognition/de-recognition of income and expenses pertaining to direct assignment transactions	94.77	41.29	-	136.06
Fair valuation of financial assets	0.18	0.04	-	0.22
Provision for expenses	62.13	(43.85)	-	18.28
Total	**1,921.94**	**(824.35)**	**-**	**1,097.57**
Deferred tax liabilities, net	**708.89**	**430.45**	**(300.23)**	**839.15**

21 Other non-financial liabilities

	As at 31 March 2020	As at 31 March 2019
Advances from customers	422.31	885.28
Statutory dues payable	180.06	211.34
	602.37	**1,096.62**

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

22 Share capital

	As at 31 March 2020		As at 31 March 2019	
	Number	Amount	Number	Amount
Authorized share capital				
Equity shares of ₹ 10 each	20,00,00,000	20,000.00	20,00,00,000	20,000.00
Total	**20,00,00,000**	**20,000.00**	**20,00,00,000**	**20,000.00**
Issued,subscribed and fully paid up				
Equity shares of ₹ 10 each	16,58,29,853	16,582.99	14,81,02,500	14,810.25
	16,58,29,853	**16,582.99**	**14,81,02,500**	**14,810.25**

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

Particulars	As at 31 March 2020		As at 31 March 2019	
	Number	Amount	Number	Amount
Balance at the beginning of the reporting year	14,81,02,500	14,810.25	14,81,02,500	14,810.25
Equity share capital issued during the year	1,77,27,353	1,772.74	-	-
Balance at the end of the reporting year	**16,58,29,853**	**16,582.99**	**14,81,02,500**	**14,810.25**

The Company has 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. 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 2020		As at 31 March 2019	
	Number	Percentage	Number	Percentage
Equity shares of ₹ 10 each:				
Magma Fincorp Limited	16,58,29,853	100%	14,81,02,500	100%

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

23 Other equity

	As at 31 March 2020	As at 31 March 2019
Retained earnings	18,570.06	15,158.76
Statutory reserves	5,252.97	4,400.00
Securities premium	8,227.26	
Share options reserve account	330.61	111.33
Other comprehensive income	(905.45)	(394.34)
Total	**31,475.45**	**19,275.75**

Nature and purpose of reserves:

(a) Retained earnings

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

	As at 31 March 2020	As at 31 March 2019
Balance at the beginning of the year	**15,158.76**	**12,459.83**
Add: Profit for the year	4,264.84	3,401.51
Items of other comprehensive income, net of tax:		
- Remeasurement of defined benefit plans	(0.57)	(12.58)
Less: Transfer to statutory reserve	(852.97)	(690.00)
Balance at the end of the year	**18,570.06**	**15,158.76**

(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.

	As at 31 March 2020	As at 31 March 2019
Balance at the beginning of the year	4,400.00	3,710.00
Add: Transfer from surplus in the Statement of Profit and Loss	852.97	690.00
Balance at the end of the year	**5,252.97**	**4,400.00**

(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.

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

(d) Share options outstanding account

The Company instituted the Magma Housing Finance Limited - Employee Stock Option Plan (MESOP) in 2018 and Magma Housing Finance - Restricted Stock Option Plan 2018 (MHRSO) in 2018, which were approved by the Board of Directors. The reserve is used to recognise the fair value of the options issued to the employees of the Company under the Plan.

Refer Note 41 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 Debt instruments through other comprehensive income under other equity. The Company transfers amounts from this reserve to retained earnings when the relevant financial asset is derecognised.

24 Interest income

	Year ended 31 March 2020			Year ended 31 March 2019		
	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	26,586.33	3,659.31	30,245.64	10,972.52	11,364.36	22,336.88
Interest on deposits with banks	-	305.43	305.43	-	3.73	3.73
Other interest Income	-	2.11	2.11	-	1.43	1.43
	26,586.33	**3,966.85**	**30,553.18**	**10,972.52**	**11,369.52**	**22,342.04**

25 Fees and commission income

	Year ended 31 March 2020	Year ended 31 March 2019
Collection and support services	96.66	52.03
Foreclosure charges	190.71	237.98
Commitment fees	888.00	515.78
Others	38.06	23.76
	1,213.43	**829.55**

26 Net gain on de-recognition of financial instruments

	Year ended 31 March 2020	Year ended 31 March 2019
Gain from derecognition on account of direct assignment transactions	3,074.39	1,351.84
Loss on sale of non performing assets*	-	(372.33)
	3,074.39	**979.51**

*Net of reversal of provision of Nil (31 March 2019 -1,774.10 lacs)

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

27 Other income

	Year ended 31 March 2020	Year ended 31 March 2019
Liabilities no longer required written back	-	126.52
Miscellaneous income	795.65	273.76
	795.65	**400.28**

28 Finance cost

	Year ended 31 March 2020	Year ended 31 March 2019
Interest on debt securities	1,262.68	750.43
Interest on borrowings (other than debt securities)	14,932.27	10,334.56
Interest on subordinated liabilities	1,264.12	8.63
Other borrowing costs	209.88	240.64
	17,668.95	**11,334.26**

29 Net loss on fair value changes

	Year ended 31 March 2020	Year ended 31 March 2019
Net loss on financial instruments at fair value through profit or loss - Security receipts (unrealised)	225.13	118.82
	225.13	**118.82**

30 Impairment on financial instruments

	Year ended 31 March 2020			Year ended 31 March 2019		
	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	658.23	(71.57)	586.66	106.28	(808.09)	(701.81)
Bad debts written-off (net of recoveries)*	1,250.82	336.78	1,587.60	443.41	431.50	874.91
	1,909.05	**265.21**	**2,174.26**	**549.69**	**(376.59)**	**173.10**

*During the year bad debts recovery for ₹ 211.79 lacs on financial assets measured at fair value through OCI and ₹ 23.43 lacs on financial assets measured at amortised cost has been netted off with bad debts written off. (31 March 2019- ₹ 83.81 lacs and ₹ 41.52 lacs)

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

31 Employee benefits expenses

	Year ended 31 March 2020	Year ended 31 March 2019
Salaries and wages	6,294.40	4,632.72
Contribution to provident and other funds	385.72	245.99
Share Based Payments to employees	219.28	111.33
Staff welfare expense	98.17	109.77
	6,997.57	**5,099.81**

(a) Defined contribution plans:

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

(b) Defined benefits plans:

Gratuity (funded)

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

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

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

	Year ended 31 March 2020	Year ended 31 March 2019
Present value of the obligations at the beginning of the year	96.09	75.72
Current service cost	64.00	36.70
Interest cost	6.75	4.00
Past service cost	-	-
Actuarial loss arising from assumption changes	19.49	1.01
Actuarial (gain) from demographic assumptions	(0.09)	-
Actuarial (gain)/loss arising from experience adjustments	(18.39)	18.77
Benefits paid	(15.55)	(40.11)
Present value of the obligations at the end of the year	**152.30**	**96.09**

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

(ii) Change in fair value of plan assets:

	Year ended 31 March 2020	Year ended 31 March 2019
Plan assets at the beginning of the year	87.87	93.85
Actual return on plan assets	10.29	6.75
Actual company contributions	109.11	27.38
Benefits paid	(15.55)	(40.11)
Plan assets at the end of the year	**191.72**	**87.87**

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

	Year ended 31 March 2020	Year ended 31 March 2019
Present value obligation as at the end of the year	152.30	96.09
Fair value of plan assets as at the end of the year	191.72	87.87
Net (asset)/liabilities recognized in balance sheet	**(39.42)**	**8.22**

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

	Year ended 31 March 2020	Year ended 31 March 2019
Employee benefits expense:		
Service cost	64.00	36.70
Interest costs	6.75	4.00
Interest income	(10.29)	(6.75)
Net impact on profit before tax	**60.46**	**33.95**

(v) Components Remeasurement losses in other comprehensive income

	Year ended 31 March 2020	Year ended 31 March 2019
Actuarial loss arising from assumption changes	1.01	1.01
Actuarial loss arising from experience adjustments	-	18.77
Remeasurement losses in other comprehensive income	**1.01**	**19.78**

(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.

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(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 2020	Year ended 31 March 2019
Discount rate (per annum)	6.65%	7.64%
Salary escalation rate (per annum)	5.00%	5.00%
Expected average remaining working lives of employees (years)	24.49	24.62
Mortality	"IALM(2012-14) ultimate table"	"ALM(2006-08) ultimate table"

(viii) Sensitivity analysis

	Year ended 31 March 2020	Year ended 31 March 2019
A quantitative sensitivity analysis for significant assumption is as shown below:		
DBO with discount rate +0.25pt	146.99	92.99
DBO with discount rate -0.25pt	157.86	99.34
DBO with +0.5% salary escalation	163.83	102.87
DBO with -0.5% salary escalation	141.73	89.84
DBO with +2% withdrawal rate	152.29	96.10
DBO with -2% withdrawal rate	152.30	96.09
DBO with +1% mortality rate	152.31	96.10
DBO with -1% mortality rate	152.29	96.08

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 2020	As at 31 March 2019
Year 1	0.68	0.56
2 to 5 years	8.76	3.56
6 to 10 years	61.57	54.87
More than 10 years	393.55	260.88

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

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

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

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

32 Depreciation, amortisation and impairment

	Year ended 31 March 2020	Year ended 31 March 2019
Depreciation on property plant and equipment	16.68	10.68
Depreciation Right of use asset	73.49	-
Amortisation of Intangible assets	20.45	20.08
	110.62	**30.76**

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33 Other expenses

	Year ended 31 March 2020	Year ended 31 March 2019
Rent, taxes and energy costs	316.07	314.73
Repairs and maintenance	108.07	110.55
Communication costs	81.51	72.28
Printing and stationery	98.54	69.45
Advertisement and publicity	117.75	80.06
Directors fees, allowances and expenses	10.72	9.07
Auditor's fees and expenses*	30.21	28.35
Legal charges and professional charges	1,014.32	1,022.03
Travelling and conveyance	371.90	377.41
Corporate social responsibility expenditure (refer note 51)	40.00	52.90
Outsourcing expense	426.43	570.16
Office maintenance	79.07	89.84
Record retention charges	80.50	55.60
Meeting and seminar expenses	21.55	28.34
Miscellaneous expenses	234.92	213.58
	3,031.56	**3,094.35**

***Payment to auditors (excluding taxes)**

	Year ended 31 March 2020	Year ended 31 March 2019
Audit fees	18.00	18.00
Limited review	7.00	7.00
Other services	2.48	1.20
Reimbursement of expenses	2.73	2.15
	30.21	**28.35**

34 Tax expenses

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

	Year ended 31 March 2020	Year ended 31 March 2019
Current tax	526.00	875.00
Deferred tax	669.57	430.45
Tax expenses of earlier years	(31.85)	(6.68)
	1,163.72	**1,298.77**

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(All amounts in ₹ lacs, unless otherwise stated)

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

	Year ended 31 March 2020	Year ended 31 March 2019
Taxes on remeasurement of defined benefit plans	0.44	7.2
Taxes on fair valuation of financial assets	142.52	293.03
	142.96	**300.23**

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

	Year ended 31 March 2020	Year ended 31 March 2019
Profit before tax	5,428.56	4,700.28
Enacted tax rates (%)	**25.17%**	**29.12%**
Income tax expense calculated at corporate tax rate	1,366.26	1,368.72
Tax impact of expenses not deductable	(35.97)	(11.83)
Impact of tax relating to earlier years	(31.85)	(6.68)
Impact due to change in enacted tax rate	(135.68)	(96.32)
Others	0.96	44.88
Income tax expense recognised in statement of profit and loss	**1,163.72**	**1,298.77**

35 Earnings per share (EPS)

	Units	Year ended 31 March 2020	Year ended 31 March 2019
Net profit attributable to equity shareholders	(₹ in lacs)	4,264.84	3,401.51
Nominal value of equity share (₹)	₹	10	10
Weighted average number of equity shares for basic earning per share	Nos.	14,85,38,419	14,81,02,500
Add : Diluting effect of potential equity shares issued as employee stock options	Nos.	27,56,665	20,39,177
Weighted average number of equity shares for diluted earning per share	Nos.	15,12,95,084	15,01,41,677
Earnings per share			
- Basic earnings per share (₹)	₹	2.87	2.30
- Diluted earnings per share (₹)	₹	2.82	2.27

36 Segment reporting

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

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37 Related party disclosures

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

(a) List of related parties

(i) Parties where control exists

Name of the related party	Nature of Relationship	Country of incorporation	% of holding as on	
			31 March 2020	31 March 2019
Magma Fincorp Limited	Holding Company	India	100%	100%

(ii) Joint venture of holding company

Magma HDI General Insurance Company

(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
Mayank Poddar	Non-Executive Director
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 (w.e.f 13.07.2018)
Gauri Shankar Agarwal	Chief Financial Officer (upto 30.09.2018)
Ian Gerard Desouza	Chief Financial Officer (w.e.f 01.01.2019)
Priti Saraogi	Company Secretary

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

Name of the related party	Nature of Relationship
CLP Business LLP	LLP in which Director is a Designated partner
Celica Developers Private Limited	Private Company in which Director is Member or Director
Moh Jaiswal	Relative of Key Managerial Personnel

Summary of Significant Accounting Policies and Other Explanatory Information

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(b) Transactions with related parties

(i) Holding Company

Name of the party	Nature of transaction	Year ended 31 March 2020	Year ended 31 March 2019
Magma Fincorp Limited	Common cost allocation (expense)	1,163.50	1,334.01
	Inter corporate loan taken	57,000.00	35,000.00
	Inter corporate loan refunded	57,000.00	35,000.00
	Issue of equity shares (including premium)	10,000.00	-
	Interest expense	683.87	870.41
	Sale of financial assets through direct assignment	22,946.51	22,802.95
	Collection & support fees received	31.29	1.81

(ii) Joint venture of holding company

Name of the party	Nature of transaction	Year ended 31 March 2020	Year ended 31 March 2019
Magma HDI General Insurance Company	Advance recoverable	1,347.89	561.73
	Adjustments of loans and advances given	1,165.91	493.00

(iii) Key management personnel

Name of the party	Nature of transaction	Year ended 31 March 2020	Year ended 31 March 2019
Manish Jaiswal	Directors' remuneration	126.70	139.00
	Loan given	-	639.56
	Repayment of loan	4.91	375.78
	Installment received in advance	2.41	2.41
	Interest income	24.07	13.69
Gauri Shankar Agarwal	Remuneration	-	62.34
	Repayment of loan	-	1.08
	Interest income	-	1.50
Ian Gerard Desouza	Remuneration	185.47	41.25
Priti Saraogi	Remuneration	11.04	10.53
Mamta Binani	Sitting Fees	5.30	4.70
Satya Brata Ganguly	Sitting Fees	4.70	3.70

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(All amounts in ₹ lacs, unless otherwise stated)

(iv) Others

Name of the party	Nature of transaction	Year ended 31 March 2020	Year ended 31 March 2019
Celica Developers Private Limited	Loan given	2,490.00	-
	Interest income	179.72	-
	Repayment of loan	94.65	-
CLP Business LLP	Rent expense	15.22	15.22
Moh Jaiswal	Loan given	-	221.12
	Repayment of loan	3.30	1.56
	Installment received in advance	1.95	1.95
	Interest income	20.07	8.17

(c) Balances with related parties

(i) Holding Company

Name of the party	Nature of balance	As at 31 March 2020	As at 31 March 2019
Magma Fincorp Limited	Loans and advances given	-	-
	Collection fees receivable	2.72	1.32

(ii) Joint venture of holding company

Name of the party	Nature of balance	As at 31 March 2020	As at 31 March 2019
Magma HDI General Insurance Company	Loans and advances given	299.46	117.48

(iii) Key management personnel

Name of the party	Nature of balance	As at 31 March 2020	As at 31 March 2019
Manish Jaiswal	Loan given	258.88	263.79
	Installment received in advance	2.41	2.41
Gauri Shankar Agarwal	Loan given	-	34.19
	Installment received in advance	-	-

(iv) Others

Name of the party	Nature of balance	As at 31 March 2020	As at 31 March 2019
Celica Developers Private Limited	Loan given	2,395.35	-
CLP Business LLP	Security deposit given	6.45	6.45
Moh Jaiswal	Loan given	216.26	219.56
	Installment received in advance	1.95	1.95

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(All amounts in ₹ lacs, unless otherwise stated)

(d) Compensation of key managerial personnel

	Year ended 31 March 2020	Year ended 31 March 2019
Short-term employee benefits (including remunerations)	318.34	249.58
Post-employment benefits	4.87	3.54

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

38 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 2019	As at 31 March 2020
(i) Financial assets measured at amortized cost			
- Cash and cash equivalents	3	110.49	357.18
- Other bank balances	4	5,881.24	2,058.19
- Loans	5	2,616.08	123,460.97
- Other financial assets	6	7,144.84	4,451.92
(ii) Fair value through profit and loss - other financial assets(Security receipts)	6	721.37	983.33
(iii) Fair value through other comprehensive income-Loans	5	235,217.96	63,809.20
Total		**251,691.98**	**195,120.79**
Financial liabilities measured at amortized cost			
Trade payables	13	539.21	478.94
Other payables	13	1,339.94	973.85
Debt securities	14	5,491.93	13,661.94
Borrowings (other than debt securities)	15	182,848.31	115,658.45
Subordinated liabilities	16	9,939.18	9,928.48
Lease liabilities	10	486.15	-
Other financial liabilities	17	4,597.62	19,392.50
Total		**205,242.34**	**160,094.16**

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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).

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 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

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

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 2020		As at 31 March 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	110.49	110.49	357.18	357.18
Other bank balances	5,881.24	5,881.24	2,058.19	2,058.19
Loans	2,616.08	2,612.99	123,460.97	122,937.60
Other financial assets	7,144.84	7,144.84	4,451.92	4,451.92
Total	**15,752.65**	**15,749.56**	**130,328.26**	**129,804.89**

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Particulars	As at 31 March 2020		As at 31 March 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities				
Trade payables	539.21	539.21	478.94	478.94
Other Payables	1,339.94	1,339.94	973.85	973.85
Debt securities	5,491.93	5,837.75	13,661.94	13,537.92
Borrowings (other than debt securities)	182,848.31	184,374.48	115,658.45	115,965.82
Subordinated liabilities	9,939.18	10,287.44	9,928.48	10,343.67
Lease liabilities	486.15	486.15	-	-
Other financial liabilities	4,597.62	4,597.62	19,392.50	19,392.50
Total	**205,242.34**	**207,462.59**	**160,094.16**	**160,692.70**

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:

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.

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b.4 Movement in Level 3 financial instruments measured at fair value

Particulars	As at 1 April 2019	Disbursed	Receipts	Transfer into Level 3	Transfer from Level 3	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**

Particulars	As at 1 April 2018	Disbursed	Receipts	Transfer into Level 3	Transfer from Level 3	Net interest income	Other Comprehensive Income	As at 31 March 2019
Loans*	69,980.43	39,107.79	54,495.99	-	-	10,972.52	(931.31)	64,633.44
	69,980.43	**39,107.79**	**54,495.99**	**-**	**-**	**10,972.52**	**(931.31)**	**64,633.44**

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

39 Financial risk management

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

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors 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:

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• a breach of contract such as a default or past due event;

• when a borrower becomes 3 months overdue in its contractual payments;

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

b) Probability of default (PD)

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

c) Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for Expected Credit Loss(ECL) calculations in all cases when the borrower becomes 3 months overdue 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.

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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 1 month overdue, the credit risk is deemed to have increased significantly since initial recognition.

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

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

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

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

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 3 months overdue, other than those assets where there is empirical evidence to the contrary. Financial assets which are contractually 1 month overdue 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

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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 2020				
Current (not past due)	2,408.51	0.18%	4.28	No
Upto 1 month overdue	1.77	0.85%	0.02	No
1 - 2 month overdue	-	-	-	No
2 - 3 month overdue	-	-	-	No
More than 3 months overdue	331.53	42.75%	141.73	Yes
	2,741.81	**5.33%**	**146.03**	

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit - impaired
As at 31 March 2019				
Current (not past due)	114,627.06	0.22%	251.07	No
Upto 1 month overdue	3,276.82	1.64%	53.63	No
1 - 2 month overdue	2,450.63	4.93%	120.86	No
2 - 3 month overdue	2,631.29	9.42%	247.94	No
More than 3 months overdue	1,941.72	41.25%	800.88	Yes
	124,927.52	**1.18%**	**1,474.38**	

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 2020				
Current (not past due)	218,037.62	0.14%	308.92	No
Upto 1 month overdue	7,234.60	0.86%	62.49	No
1 - 2 month overdue	4,161.21	8.53%	354.86	No
2 - 3 month overdue	4,968.73	11.86%	589.32	No
More than 3 months overdue	3,552.74	40.01%	1,421.35	Yes
	237,954.90	**1.15%**	**2,736.94**	

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit - impaired
As at 31 March 2019				
Current (not past due)	54,093.66	0.20%	110.85	No
Upto 1 month overdue	3,105.01	1.32%	41.11	No
1 - 2 month overdue	2,710.50	3.63%	98.46	No
2 - 3 month overdue	3,296.83	6.70%	220.99	No
More than 3 months overdue	1,427.44	24.72%	352.83	Yes
	64,633.44	**1.28%**	**824.24**	

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 ₹ 5991.73 lacs at 31 March 2020 (31 March 2019: ₹ 2415.37 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 :

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

Loans measured at amortized cost

Reconciliation of gross carrying amount	Stage 1	Stage 2	Stage 3
Gross carrying amount on 31 March 2018	65,207.44	7,232.42	4,109.11
Transfer to Stage 1	2,618.17	(2,281.42)	(336.75)
Transfer to Stage 2	(2,182.12)	2,587.87	(405.75)
Transfer to Stage 3	(357.89)	(794.64)	1,152.53
Loans assets originated or purchased	65,154.88	225.47	4.53
Loans assets that have been derecognised/repaid(excluding write offs)	(12,346.15)	(1,805.01)	(2,423.67)
Write offs	(190.46)	(82.79)	(158.25)
Gross carrying amount on 31 March 2019	**1,17,903.87**	**5,081.90**	**1,941.75**
Transfer from Amortised cost to Fair value through OCI	(114,303.75)	(5,081.90)	(1,263.63)
Transfer to Stage 1	-	-	-
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	**2,410.28**	**-**	**331.53**

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

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 2018	58,405.55	7,793.20	3,781.68
Transfer to Stage 1	1,495.14	(1,112.27)	(382.87)
Transfer to Stage 2	(2,366.53)	2,756.39	(389.86)
Transfer to Stage 3	(378.57)	(507.02)	885.59
Loans assets originated or purchased	39,044.43	-	63.36
Loans assets that have been derecognised/repaid(excluding write offs)	(38,843.70)	(2,881.93)	(2,285.73)
Write offs	(157.63)	(41.04)	(244.75)
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	1,14,303.75	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**

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

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

Loans measured at amortized cost

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 2018	330.69	750.37	2,281.84
Transfer to Stage 1	425.72	(247.09)	(178.63)
Transfer to Stage 2	(29.68)	307.50	(277.82)
Transfer to Stage 3	(2.84)	(60.09)	62.93
Net Remeasurement of loss allowance	(501.56)	(210.48)	190.33
Loans assets originated or purchased	134.65	13.87	-
Loans assets that have been derecognised/repaid(excluding write offs)	(38.68)	(114.09)	(829.60)
Write offs	(14.25)	(71.18)	(447.53)
Loss allowance on 31 March 2019	**304.05**	**368.81**	**801.52**

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

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**

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 2018	173.87	407.86	996.27
Transfer to Stage 1	168.39	(59.88)	(108.51)
Transfer to Stage 2	(15.39)	107.91	(92.52)
Transfer to Stage 3	(4.21)	(28.91)	33.12
Net Remeasurement of loss allowance	(150.44)	32.86	287.37
Loans assets originated or purchased	80.86	-	-
Loans assets that have been derecognised/repaid(excluding write offs)	(93.01)	(111.44)	(608.85)
Write offs	(8.14)	(28.95)	(154.02)
Loss allowance on 31 March 2019	**151.93**	**319.45**	**352.86**

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

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)	1,132.72
Net Remeasurement of loss allowance	733.87	484.80	(40.38)
Loans assets originated or purchased	168.47	26.35	21.76
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**	**1,421.35**

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 and advances to customer	As at 31 March 2020	As at 31 March 2019
Housing Loans	154,887.28	120,649.28
Construction Finance	2,741.81	4,278.24
Loan against property	83,067.62	64,633.44

Assets obtained by taking possession of collateral

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

Particulars	As at 31 March 2020	As at 31 March 2019
Property	24	32
Principle outstanding and installment overdue	671.02	1,961.07

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.

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

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 :

As at 31 March 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	107,442.48	250,231.61
Subordinated liabilities	1,250.00	2,500.00	13,750.00	17,500.00
Trade payables	1,879.15	-	-	1,879.15
Other financial liabilities	4,597.62	-	-	4,597.62
Lease liabilities	48.51	127.76	310.37	486.64
Total	**89,421.76**	**70,111.04**	**121,502.85**	**281,035.65**

As at 31 March 2019	**Less than 1 year**	**1-3 year**	**More than 3 years**	**Total**
Non-derivatives				
Debt Securities	7,428.71	7,378.72	1,100.00	15,907.43
Borrowings (other than debt securities)	67,516.24	44,404.19	32,881.47	144,801.90
Subordinated liabilities	1,253.42	2,500.00	15,000.00	18,753.42
Trade and other payables	1,452.79	-	-	1,452.79
Other financial liabilities	20,301.31	-	-	20,301.31
Total	**97,952.47**	**54,282.91**	**48,981.47**	**201,216.85**

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

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 2020	As at 31 March 2019
Fixed rate instruments		
Financial assets	13,857.94	7,850.62
Financial liabilities	37,394.03	59,435.71
Variable rate instruments		
Financial assets	237,834.04	187,270.17
Financial liabilities	167,848.31	100,658.45

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 2020		
Variable rate instruments	699.86	(699.86)
Cash flow sensitivity (net)	**699.86**	**(699.86)**
31 March 2019		
Variable rate instruments	866.12	(866.12)
Cash flow sensitivity (net)	**866.12**	**(866.12)**

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.

Summary of Significant Accounting Policies and Other Explanatory Information

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(All amounts in ₹ lacs, unless otherwise stated)

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 ₹ 1.95 lakhs (31 March 2019: Nil). Based on the opinion of the Company's legal advisors, the management believes that no liability is likely to arise from these cases.

Operational risk

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

The framework, at its core, has the following elements

1. Documented Operational Risk Management Policy

2. Well defined Governance Structure

3. Use of Identification & Monitoring tools such as Loss Data Capture, Risk and Control Self Assessment, Key Risk Indicators

4. Standardized reporting templates, reporting structure and frequency

5. Regular workshops and training for enhancing awareness and risk culture

The Company has adopted the internationally accepted 3-lines of defense approach to operational risk management.

First line - Each function/vertical undergoes transaction testing to evaluate internal compliance and thereby lay down processes for further improvement. Thus, the approach is "bottom-up", ensuring acceptance of findings and faster adoption of corrective actions, if any, to ensure mitigation of perceived risks.

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

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

Summary of Significant Accounting Policies and Other Explanatory Information

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40 Capital management

The Company maintains an actively managed capital base to cover risks inherent in the business and meets the Capital Adequacy Requirements (CRAR) 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 2020	As at 31 March 2019
CRAR (%)	35.99	34.98
CRAR -Tier I Capital (%)	30.56	26.82
CRAR -Tier II Capital (%)	5.43	8.16

Note : 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 for current year as compared to off balance sheet assets for the previous year. The unrealised gains, if any, is excluded from reserves from the current year.

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.

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

41 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 3,45,755 options during FY19, to the eligible employees of the Company in 3 tranches. Also during the year, the members of the NRC has approved the grant of 6,90,000 options, to the eligible employees of the Company in 2 tranches. 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. The Options granted under tranche 4 & 5 are not yet due for vesting.

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. The options shall vest in two equal instalments at the end of third year and fifth year from the date of joining. The Options are not yet due for vesting, hence no allotment made during the year.

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

Summary of Significant Accounting Policies and Other Explanatory Information

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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 2020	As at 31 March 2019
	No. of options	No. of options
Outstanding at the beginning of the year	294,902	-
Granted during the year	690,000	345,755
Lapsed during the year	154,902	50,853
Outstanding options at the end of the year	830,000	294,902
Exercisable at the end of the year	42,000	-

The options outstanding at 31 March 2020 have exercise price of ₹ 36.66 (Tranche 4 and 5) and ₹ 24.25 (Tranche 3). (31 March 2019: 24.25) and a weighted average remaining contractual life of 1.92 years (31 March 2019: 2 years)

MHRSO, 2018 :

Particulars	As at 31 March 2020	As at 31 March 2019
	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		-

The options outstanding at 31 March 2020 have an exercise price of ₹ 10 (31 March 2019: ₹ 10) and a weighted average remaining contractual life of 2.57 years (31 March 2019: 2 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 2020	31 March 2019
Fair market value of option as on the date of grant	16.33 - 31.76	16.33 - 19.72
Exercise price	10.00 - 36.66	10.00 - 24.25
Expected volatility (%) of share price	40.54% - 41.83%	39.85% - 42.69%
Expected option life (weighted average)	up to 3 years	up to 2 years
Risk free interest rate (p.a.)	6.32% to 6.44%	6.85% - 7.70%

Summary of Significant Accounting Policies and Other Explanatory Information

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(All amounts in ₹ lacs, unless otherwise stated)

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 ₹ 219.28 lacs (March 31, 2019: ₹ 111.33 lacs) .

42 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 2020		As at 31 March 2019	
	Within 12 months	More than 12 months	Within 12 months	More than 12 months
Financial assets				
Cash and cash equivalents	110.49	-	357.18	-
Other bank balances	4,659.83	1,221.41	2,058.19	-
Loans	40,379.07	197,454.97	8,745.40	178,524.77
Other financial assets	5,225.09	2,641.12	1,630.35	3,804.90
Total financial assets	**50,374.48**	**201,317.50**	**12,791.12**	**182,329.67**
Non Financial assets				
Current tax assets (net)	-	579.16	-	17.89
Property, plant and equipment	-	126.28	-	70.73
Capital work in progress	-	-	-	31.05
Intangible assets under development		108.46		
Other intangible assets	-	57.96	-	56.84
Right of use assets	72.76	376.51		
Assets held for sale	364.71		-	-
Other non-financial assets	964.91	1,024.65	978.18	3.54
Total non financial assets	**1,402.38**	**2,273.02**	**978.18**	**180.05**
Total Assets	**51,776.86**	**203,590.52**	**13,769.30**	**182,509.72**

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(All amounts in ₹ lacs, unless otherwise stated)

	As at 31 March 2020		As at 31 March 2019	
	Within 12 months	More than 12 months	Within 12 months	More than 12 months
Financial Liabilities				
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	539.21	-	478.94	-
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	1,339.94	-	973.85	-
Debt securities	2,496.94	2,994.99	6,172.83	7,489.11
Borrowings (other than debt securities)	68,558.72	114,289.59	61,628.22	54,030.23
Subordinated liabilities	-	9,939.18	3.42	9,925.06
Lease liability	48.51	437.64	-	-
Other financial liabilities	4,597.62	-	19,392.50	-
Total financial liabilities	**77,580.94**	**127,661.40**	**88,649.76**	**71,444.40**
Non Financial Liabilities				
Current tax liabilities (net)	-	-	95.71	-
Provisions	1.41	97.06	0.97	66.41
Deferred tax liabilities (net)	-	1,365.76	-	839.15
Other non-financial liabilities	602.37	-	1,096.62	-
Total non financial liabilities	**603.78**	**1,462.82**	**1,193.30**	**905.56**
Total Liabilities	**78,184.72**	**129,124.22**	**89,843.06**	**72,349.96**
Shareholders fund	**-**	**48,058.44**	**-**	**34,086.00**

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

43 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 2020**	**As at 31 March 2019**
Carrying amount of transferred assets measured	35,808.18	17,206.27
Carrying amount of associated liabilities	35,737.00	16,648.57
Fair value of assets	35,710.05	17,206.27
Fair value of associated liabilities	37,008.45	16,648.57
Net position at fair value	(1,298.40)	557.70

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.

44A Change in liabilities arising from financing activities

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**

Particulars	**As at 1 April 2018**	**Loan Taken**	**Loan Paid**	**Non Cash Changes***	**As at 31 March 2019**
Debt securities	10,455.03	6,500.00	(4,000.00)	706.91	13,661.94
Borrowings (other than debt securities)	92407.09	231,060.02	(208,003.69)	195.03	115,658.45
Subordinated liabilities	-	10,000.00	-	(71.52)	9,928.48
Total Liabilities from financing activities	**102,862.12**	**247,560.02**	**(212,003.69)**	**830.42**	**139,248.87**

* Represents adjustments on account of EIR and other adjustments

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

44B Disclosure regarding classification of provisions made and loans pursuant to the Prudential Norms contained in the Housing Finance Companies (NHB) Directions, 2010 as amended*

	As at 31 March 2020				As at 31 March 2019			
	Standard assets	Sub-standard assets	Doubtful assets	Total assets	Standard assets	Sub-standard assets	Doubtful assets	Total assets
Balances outstanding								
Housing loans*								
- Individuals	152,927.06	1,618.60	333.48	154,879.15	122,717.89	1,207.12	520.28	124,445.29
- Corporate	2,606.30	-	143.63	2,749.94	267.92	92.62	121.69	482.23
Other loans against property	81,279.07	1,541.38	247.17	83,067.62	63,205.98	1,085.67	341.79	64,633.44
Total	**236,812.44**	**3,159.98**	**724.29**	**240,696.71**	**186,191.79**	**2,385.41**	**983.76**	**189,560.96**
Provisions								
Opening provision	1,144.24	627.27	527.11	2,298.62	1,662.79	2,769.69	508.42	4,940.90
Provision made/ (written back) during the year**	175.64	634.27	(225.56)	584.35	(518.55)	(2,142.42)	18.69	(2,642.28)
Closing provision	**1,319.88**	**1,261.54**	**301.55**	**2,882.97**	**1,144.24**	**627.27**	**527.11**	**2,298.62**

* It includes receivables towards insurance policies taken on behalf of customers amounting to ₹ 5,552.22 lacs (31 March 2019 : ₹ 2,499.17 lacs). The same has been considered as non housing loan for the purpose of regulatory returns and filings.

** Provision made/ (written back) during the year includes reversal of ₹ NIL (31 March 2019: ₹ 1,774.10 lacs) for sale of non performing assets

45 Additional disclosures for the Housing Finance Companies pursuant to NHB circular no. NHB/ND/DRS/Pol-No. 35/2010-11 dated 11 October 2010:

(a) Capital to Risk Assets Ratio (CRAR)*

	As at 31 March 2020	As at 31 March 2019
(i) CRAR (%)	35.99	34.98
(ii) CRAR -Tier I Capital (%)	30.56	26.82
(iii) CRAR -Tier II Capital (%)	5.43	8.16
(iv) Amount of subordinated debt raised as Tier- II Capital	9,939.18	9,925.06
(v) Amount raised by issue of Perpetual Debt Instruments	-	-

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

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

(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;

	As at 31 March 2020	As at 31 March 2019
(a) Housing loans up to ₹ 15 lacs	89,982.90	62,811.24
(b) Housing loans greater than ₹ 15 lacs	64,823.47	57,312.80
(c) Others	70,805.10	54,951.00
Total	**225,611.47**	**175,075.04**

2 Commercial real estate**

	As at 31 March 2020	As at 31 March 2019
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;	2,600.07	3,935.10

3 Investments in Mortgage Backed Securities (MBS) and other securitized exposures***

	As at 31 March 2020	As at 31 March 2019
(a) Residential,	-	-
(b) Commercial real estate	721.37	983.33
(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)	-	-

*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 for the current year compared to off baance sheet assets for the previous year. The unrealised gains is not a part of reserves for the current year compared to previous year.

** Commercial Real estate - Residential housing

***It is included in "Other Financial Assets"

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

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

(a) Investments

		As at 31 March 2020	As at 31 March 2019
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 ₹ 721.37 lacs (31 March 2019 ₹ 983.33 lacs) inlcuded in "Other Financial Assets"		
2	Movement of provisions held towards depreciation on investments		
	(i) Opening balance	-	-
	(ii) Add : Provisions made during the year	-	-
	(iii) Less : Write-off / write-back of excess provisions during the year	-	-
	(iv) Closing balance	-	-

(b) Derivatives

The Company does not have any exposure to derivatives as at 31 March 2020 and 31 March 2019 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 2020 and 31 March 2019.

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

(c) Disclosures relating to securitisation*

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

		As at 31 March 2020	As at 31 March 2019
1	No. of Special Purpose Vehicles (SPVs) sponsored by the NBFC for securitisation transactions **	4	3
2	Total amount of securitized assets as per books of the SPVs sponsored	17,055.28	17,340.11
3	Total amount of the exposures retained by the NBFC to comply with MRR as on the date of balance sheet		
	a) Off-balance sheet exposures		
	First loss	-	-
	Others	-	-
	b) On-balance sheet exposures	-	
	First loss	1,293.61	1,057.90
	Others	653.68	680.25
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	(i) Exposure to own securitisation		
	First loss	-	-
	Others	1,235.92	1,000.21
	(ii) Exposure to third party securitisations		
	First loss	-	-
	Others	-	-
	b) On-balance sheet exposures		
	(i) Exposure to own securitisation		
	First loss	-	-
	Others	5,328.85	4,855.35
	(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.

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

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

	As at 31 March 2020	As at 31 March 2019
(i) No of Accounts	-	195.00
(ii) Aggregate value (net of provisions) of accounts sold to SC / RC	-	2,714.95
(iii) Aggregate consideration	-	2,342.62
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain / (loss) over net book value	-	(372.33)

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

	As at 31 March 2020	As at 31 March 2019
(i) Backed by NPAs sold by the Company as underlying*	-	-
(ii) Backed by NPAs sold by other banks/ financial institutions/ non-banking financial companies as underlying	-	-

*Security Receipts of ₹ 721.37 lacs (March 2019 ₹ 983.33 lacs) inlcuded in "Other Financial Assets"

(f) Details of Assignment transactions undertaken by HFCs

	As at 31 March 2020	As at 31 March 2019
(i) No of Accounts	4,957	2,615
(ii) Aggregate value (net of provisions) of accounts assigned	51,142.21	29,308.71
(iii) Aggregate Consideration	51,142.21	29,308.71
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain / loss over net book value	-	-

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

The Company did not purchase any non-performing financial assets during the year ended 31 March 2020 and 31 March 2019.

(h) Details of Non-performing Financial Assets sold:

	As at 31 March 2020	As at 31 March 2019
(i) No of Accounts sold	-	195
(ii) Aggregate outstanding (net of provisions)	-	2,714.95
(iii) Aggregate Consideration received	-	2,342.62

(i) Exposure to capital market

The Company does not have any exposure to capital market as at the financial year ended 31 March 2020 and 31 March 2019.

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

(j) Details of financing of parent company products

The Company has not financed any products of parent company in the financial year ended 31 March 2020 and 31 March 2019.

(k) Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the HFC

The Company has not exceeded the prudential exposure limits during the financial year ended 31 March 2020 and 31 March 2019.

(l) Unsecured advances

The Company has not given any advances against intangible securities such as charge over the rights, licenses, authority, etc. in the financial year ended 31 March 2020 and 31 March 2019.

(m) Registration obtained from other financial sector regulators

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

(n) Disclosure of Penalties imposed by NHB and other regulators

(i) NHB Vide Letter dated 14 October, 2019 levied a penalty of Rs. 5,000/- on account of noncompliance with the provisions of para 3.5.4 (b), for related to disclosure of details of non performing financial assets sold in the format prescribed.

(ii) NHB vide its letter dated 18 July, 2019 levied a penalty of Rs. 50,000/- for non- classification of third dwelling unit under Commercial Real Estate (CRE) category for three customers.

(o) Details of ratings assigned by credit rating agencies and migration of ratings during the year

Facilities	Name of rating agency	As at 31 March 2020	As at 31 March 2019
(i) Long term bank facilities	CARE	AA-	AA-
	ICRA	AA-	AA-
(ii) Secured non-convertible debentures	CARE	AA-	AA-
	ICRA	AA-	AA-
	BWR	AA	AA
(iii) PTC (on account os securitisation transaction)	ICRA	AA (SO)	AA (SO)
(iv) Commercial papers			CRISIL A1+

* Date of Rating assigned relates to rating valid on 31 March 2020

(p) Remuneration of Directors

Name of the non-executive directors	Nature of transaction	Year ended 31 March 2020	Year ended 31 March 2019
(i) Mamta Binani	Director sitting fee	5.30	4.70
(ii) Satya Brata Ganguly	Director sitting fee	4.70	3.70

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Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

(q) Provisions and contingencies

Break up of 'Provisions and contingencies' shown under the head expenditure in profit and loss Account	Year ended 31 March 2020	Year ended 31 March 2019
Provision for depreciation on investment	-	-
Under "Employee Benefit Expenses"		
(i) Provision for compensated absences	72.74	56.78
(ii) Provision for gratuity	60.46	33.95
Under "Impairment for Loss Allowances"		
(i) Provision towards non-performing assets (NPAs)	408.74	(182.03)
(ii) Provision for standard assets	177.92	(519.78)
Under "Tax expenses"		
(i) Provision made towards Income tax (includes deferred tax)	1,163.72	1,298.77

(r) Provisions and contingencies

Break up of Loan and Advances and Provisions thereon	Housing	Non Housing	Housing	Non Housing
	As at 31 March 2020		As at 31 March 2019	
Standard Assets				
(i) Total outstanding amount	1,55,533.37	81,279.07	1,22,985.81	63,205.98
(ii) Provision made	691.81	628.06	672.84	471.40
Sub-Standard Assets				
(i) Total outstanding amount	1,618.60	1,541.38	1,299.74	1,085.67
(ii) Provision made	626.88	634.67	387.30	239.97
Doubtful Assets-Category-I				
(i) Total outstanding amount	356.03	167.87	641.97	206.20
(ii) Provision made	143.34	67.67	414.24	33.57
Doubtful Assets-Category-II	**-**	**-**		
(i) Total outstanding amount	121.08	79.30	-	135.59
(ii) Provision made	51.80	38.74	-	79.30
Doubtful Assets-Category-III				
(i) Total outstanding amount	-	-	-	-
(ii) Provision made	-	-	-	-
Loss Asset				
(i) Total outstanding amount	-	-	-	-
(ii) Provision made	-	-	-	-
Total				
(i) Total outstanding amount	**1,57,629.08**	**83,067.62**	**1,24,927.52**	**64,633.44**
(ii) Provision made	**1,513.83**	**1,369.14**	**1,474.38**	**824.24**

(s) Draw down from Reserves

The Company has not drawn any amount from Reserves during the financial year ended 31 March 2020 and 31 March 2019 respectively.

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

(t) Concentration of Public Deposits, Advances, Exposures and NPAs.

(i) Concentration of Public Deposits (for Public Deposit taking/holding HFCs)

The Company has not taken any public deposits during the financial years ended 31 March 2020 and 31 March 2019 respectively.

(ii) Concentration of Loans and Advances

	As at 31 March 2020	As at 31 March 2019
Total Loans and Advances to twenty largest borrowers	7,523.84	7,789.64
Percentage of Loans and Advances to twenty largest borrowers to Total Advances of the HFC	3.13%	4.11%

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

	As at 31 March 2020	As at 31 March 2019
Total Exposure to twenty largest borrowers / customers	7,438.20	7,624.16
Percentage of Exposures to twenty largest borrowers / customers to total Exposure of the HFC on borrowers / customers	3.08%	4.02%

(iv) Concentration of NPAs

	As at 31 March 2020	As at 31 March 2019
Total Exposure to top ten NPA accounts	806.57	1,231.48

(v) Sector-wise NPAs

Sector	% of NPAs to Total Advances in that sector	
	As at 31 March 2020	As at 31 March 2019
(A) Housing Loan		
1 Individuals	1.14%	0.97%
2 Builders/Project Loans	12.09%	15.85%
3 Corporates	-	25.69%
4 Others (specify)	-	-
(B) Non-Housing Loan		
1 Individuals	2.21%	2.27%
2 Builders/Project Loans	-	-
3 Corporates	0.70%	-
4 Others (specify)	-	-

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

(u) Movement of NPAs

		As at 31 March 2020	As at 31 March 2019
i)	Net NPAs to Net Advances (%)	0.97%	1.18%
ii)	Movement of NPAs (Gross)		
	a) Opening balance	3,369.17	7,890.79
	b) Additions during the year	3,045.06	2,052.44
	c) Reductions during the year	(2,529.96)	(6,574.06)
	d) Closing balance	3,884.27	3,369.17
iii)	Movement of Net NPAs		
	a) Opening balance	2,214.79	4,612.68
	b) Additions during the year	1,659.99	1,500.35
	c) Reductions during the year	(1,553.60)	(3,898.24)
	d) Closing balance	2,321.18	2,214.79
iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a) Opening balance	1,154.38	3,278.11
	b) Provisions made during the year	1,385.07	552.09
	c) Write-off / (write-back) of excess provisions	(976.36)	(2,675.82)
	d) Closing balance	1,563.09	1,154.38

(v) Overseas Assets

The Company does not have any overseas assets as at 31 March 2020 and 31 March 2019

(w) Off- Balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

The Company does not have any exposure to off balance sheet SPVs sponsored as at 31 March 2020 and 31 March 2019

(x) Customer Complaints

		Year ended 31 March 2020	Year ended 31 March 2019
(i)	No. of complaints pending at the beginning of the year	3	-
(ii)	No. of complaints received during the year	7	15
(iii)	No. of complaints redressed during the year	10	12
(iv)	No. of complaints pending at the end of the year	-	3

47 COVID 19

COVID-19, a global pandemic has affected the world economy including India, leading to significant decline and volatility in financial markets and decline in economic activities. The Company's business is expected to be impacted by lower lending opportunities and decline in collection efficiencies. The impact of Covid 19 on Company's result remain uncertain and dependent on extent of spread of Covid 19, steps taken by the Government and central bank to mitigate the economic impact, steps taken by the Company and the time it takes for economic activities to resume at normal levels as a result of which, actual results may differ. The Company's capital and liquidity position remains strong and would continue to be the focus area for the Company. In accordance with the Reserve Bank of India (""the RBI"") guidelines relating to COVID-19 Regulatory Package

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

dated 27 March, 2020 and 17 April, 2020, the Company has granted moratorium upto 3 months on payment of all installments and/ or interest, as applicable, falling due between 1 March, 2020 and 31 May, 2020 to all the eligible borrowers as per the Company's policy. For all such loans where moratorium is granted, the Company has kept ageing of such loans and their asset classification standstill during the moratorium period. The Company is yet to assess the impact of the extension of the moratorium announced by the RBI on 22 May 2020. The Company has recognized provisions as on 31 March 2020 towards its loan assets, based on the information available at this point of time including economic forecasts, in accordance with the expected credit loss method. The Company believes that it has considered all the possible impact of the known events arising out of COVID-19 pandemic in the preparation of financial results. The Company has made an additional provision aggregating to ₹ 735.34 lacs towards potential impact of the pandemic during the year ended 31 March 2020. However, the impact assessment of COVID-19 is a continuing process given its nature and duration. The Company will continue to monitor any material changes to future economic conditions.

48 (a) Additional disclosures for the Housing Finance Companies pursuant to RBI circular no. DOR (NBFC).CC.PD. No.109/22.10.106/2019-20 dated 13.03.2020

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	2,27,682.50	375.70	2,27,306.80	700.33	(324.63)
	Stage 2	9,129.94	944.18	8,185.76	258.41	685.77
Subtotal		**2,36,812.44**	**1,319.88**	**2,35,492.56**	**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	130.98	80.03
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	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		**-**	**-**	**-**	**-**	**-**
Total	**Stage 1**	**2,27,682.50**	**375.70**	**2,27,306.80**	**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**	**685.13**	**877.96**
	Total	**2,40,696.71**	**2,882.97**	**2,37,813.74**	**1,643.87**	**1,239.10**

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

(b) Disclosures in respect of moratorium for the Housing Finance Companies, pursuant to RBI circular on COVID-19 - Regulatory Package

Due to the financial stress caused by the pandemic COVID-19, Reserve Bank of India (RBI) vide its circular on "COVID-19 – Regulatory Package" dated March 27, 2020 and April 17 2020, has permitted all financial institutions, including NBFCs, to grant moratorium to its customers on instalments of outstanding term loans falling due during the period from 1 March 2020 to 31 May 2020. Accordingly, Company has provided loan moratorium to borrowers as mentioned below:

a) Loan moratorium has been provided to 10704 number of borrowers having loan outstanding for ₹ 86,027.10 lacs as on 29 February 2020. This is based on the borrower consent received upto 2 May 2020. Request received after this date would be factored in the subsequent financial year.

b) Out of the above, in respect of 230 borrowers, having loan outstanding of Rs. 2,525.60 lacs, would have become NPAs as of 31st March 20, had loan moratorium not been provided.

c) Provisions held as on 31 March, 2020 in respect of loans for which moratorium has been given is Rs. 1,087.51 lacs

49 Asset Liability Management:

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

	Upto 1 month	Over 1 Months upto 2 Months	Over 2 Months upto 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Years to 3 Years	Over 3 Years to 5 Years	Over 5 Year to 7 Years	Over 7 Year to 10 Years	Over 10 Years	Total
Liabilities											
Borrowings from banks *	1,350.82	962.55	5,030.39	7,192.43	54,015.27	50,375.31	30,537.38	21,782.16	17,516.38	4,024.80	1,92,787.48
Market borrowings **	-	-	-	2,502.07	-	2,989.85	-	-	-	-	5,491.93
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-	
Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Advances	3,274.27	2,787.30	5,635.71	10,012.95	20,327.66	72,788.22	48,997.57	33,418.39	32,421.25	10,239.97	2,39,903.31
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"

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.

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

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

Balance at the beginning of the year

		As at 31 March 2020	As at 31 March 2019
a)	Statutory reserve u/s 29C of the National Housing Bank Act ("NHB Act"), 1987	1,587.63	1,247.63
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	2,812.37	2,462.37
c)	**Total**	**4,400.00**	**3,710.00**
	Additions/Appropriation/Withdrawal during the year		
	Add:		
a)	Amount transferred u/s 29C of the NHB Act, 1987	572.97	340.00
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	280.00	350.00
	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	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**

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

		As at 31 March 2020	As at 31 March 2019
(a)	**Contingent liabilities**		
	Claims against the Company not acknowledged as debt		
	(i) Service tax matters under dispute	80.72	80.72
	(ii) Legal cases against the company	1.95	-
	Guarantees *	750.00	-

* During the year the Company has issued a bank guarantee of Rs. 750 lakhs in order to comply with the conditions for availing loans from NHB.

Summary of Significant Accounting Policies and Other Explanatory Information

for the year ended 31 March 2020

(All amounts in ₹ lacs, unless otherwise stated)

(b) Commitments

		As at 31 March 2020	As at 31 March 2019
(i)	Estimated amount of contracts remaining to be executed on capital account and not provided for	61.82	7.19
(ii)	Undisbursed housing / other loans	13,157.10	12,850.15

(c) The Company has a process whereby periodically all long-term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision required under any law/Ind AS/ NHB Regulations for material foreseeable losses on such long term contracts has been made in the books of account. The Company has certain litigations pending with income tax authorities, service tax authorities and other litigations which have arisen in the ordinary course of business. The Company has reviewed all such pending litigations having an impact on the financial position, and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements.

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52 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.

	As at 31 March 2020	As at 31 March 2019
Gross amount required to be spent by the Company during the year:	84.64	81.98
Amount spent during the year	40.00	52.90
Construction/ acquisition of any assets	-	-
Purposes other than above	40.00	52.90
	40.00	**52.90**

53 Disclosures relating to fraud

During the year ended 31 March 2020, 11 cases (31 March 2019: 15 cases) of frauds have been detected and reported. The un-recovered amount aggregating to ₹ 339.35 lacs (31 March 2019: ₹ 594.71 lacs) have been fully provided for / written-off.

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

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

Manish Gujral
Partner
Membership No.: 105117

Place : Mumbai
Date : 09 June 2020

Priti Saraogi
Company Secretary

Place : Kolkata
Date : 09 June 2020

Sanjay Chamria
Chairman
(DIN: 00009894)

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

Ian Gerard Desouza
Chief Financial Officer

Place : Mumbai
Date : 09 June 2020

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