



# Becoming the benchmark

Magma Fincorp Limited | Annual Report, 2010-11

## Forward looking statement

In our report we have disclosed forward-looking information so that investors can comprehend the Company's prospects and make informed investment decisions. This annual report and other written and oral statements that we make periodically contain such forward-looking statements that set out anticipated results based on the Management's plans and assumptions. We have tried, wherever possible, to qualify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words and terms of similar substance in connection with any discussion of future operating or financial performance.

We do not guarantee that any forward-looking statement will be realised, although we believe we have been diligent and prudent in our plans and assumptions. The achievement of future results is subject to risks, uncertainties and validity of inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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# Corporate Information

## Board of Directors:

Mayank Poddar *Chairman*

Sanjay Chamria *Vice Chairman and Managing Director*

Shrawan Kumar Todi *Vice Chairman*

Ravi Todi *Joint Managing Director*

Neil Graeme Brown

Narayan K Seshadri

Nabankur Gupta

Kailash Nath Bhandari

Satya Brata Ganguly

## Company Secretary:

Girish Bhatia

## Bankers:

- Punjab National Bank
- State Bank of India
- ICICI Bank Limited
- Axis Bank Limited
- The Hongkong and Shanghai Banking Corporation Limited (HSBC)
- UCO Bank
- Oriental Bank of Commerce
- United Bank of India
- Corporation Bank
- IDBI Bank Ltd
- Indian Bank
- Bank of Baroda
- Union Bank of India
- Bank of India
- Dena Bank
- Andhra Bank
- State Bank of Hyderabad

- State Bank of Mysore
- Syndicate Bank
- Punjab & Sind Bank
- Central Bank of India
- State Bank of Patiala
- Indian Overseas Bank
- Allahabad Bank
- Bank of Maharashtra

## Financial Institutions / Mutual Funds:

- FMO, Netherlands (Nederlandse Financierings-Maatschappij-Voorontwikkelingslanden N.V.)
- Industrial Renewable Energy Development Agency Limited
- Small Industries Development Bank of India (SIDBI)
- LIC Mutual Fund
- Fortis Mutual Fund
- Axis Mutual Fund
- Religare Mutual Fund
- UTI Mutual Fund
- Deutsche Mutual Fund
- Sundaram Mutual Fund
- L&T Mutual Fund

## Statutory Auditors:

S.S. Kothari & Co.  
Chartered Accountants  
India Steamship House  
21, Old Court House Street  
Kolkata- 700 001

## Registered Office:

"MAGMA HOUSE"  
24, Park Street,  
Kolkata-700 016

# Directors' Report



MAYANK PODDAR  
Chairman

*Dear Shareholders,*

Your directors have pleasure in presenting the 31st annual report on the audited accounts of the Company for the year ended 31st March, 2011. The summarised financial results are given below:

## Financial results

(Rs. in lac)

	Year ended 31 March 2011	Year ended 31 March 2010
Total income	84,732.98	70,300.89
Profit before interest and depreciation	53,648.17	45,207.66
Less: Interest and finance charges	33,813.00	31,624.96
Less: Depreciation	2,785.07	3,278.58
Profit before tax	17,050.10	10,304.12
Tax Expense	5,606.78	3,658.09
Profit after tax	11,443.32	6,646.03
Add: Surplus brought forward	10,191.97	6,677.91
Balance available for appropriation	21,635.29	13,323.94
- Statutory reserves	2,290.00	1,330.00
- General reserve	1,150.00	500.00
Provision for dividend		
- On Preference Shares	961.53	599.28
- On Equity Shares	778.64	517.39
- Dividend tax	282.42	185.30
Balance carried forward to the next year	16,172.70	10,191.97
Net worth	72,214.16	46,458.69
Earning per equity share (Rs.)		
- Basic	8.12	5.46
- Diluted	7.94	5.45
Book value per equity share (Rs.)	43.36	32.00

**Note:** EPS and Book Value are shown after adjusting for split of share in ratio of 1 share of Rs.10/- into 5 shares of Rs.2/-

## Business

The Indian economy achieved good growth in the year and is estimated to have grown at 8.6 percent during FY 2010-11, as compared to 7.4 percent during FY 2009-10. WPI based inflation remained high in major part of the year and was at 8.9 percent at March end. High food inflation, which was 9.2 percent for the week ended 26 March 2011, has been one of the major contributors to overall high inflation in the economy. Responding to this, RBI has been following policies of monetary tightening for the entire year, which has pushed up the interest rates in the economy. Despite this, retail assets demand continues to be strong.

There was robust growth in sales of new vehicles during fiscal 2010-11. Domestic sales of new commercial vehicles registered a healthy growth of 27.3 percent during 2010-11 as compared to 2009-10, while sales of new cars and UVs registered a growth of 29.3 percent during the financial year. Tractors sales also grew about 21 percent during the year under review.

As supported by strong growth in primary sales, Magma Fincorp Limited recorded total funding of Rs.5,262 crore (on a standalone basis) during FY 2010-11, resulting in 31.9 percent growth over Rs.3,989 crore recorded during FY 2009-10. Aided by growth in business, build up of on-book assets and increasing share from high yield products such as Savidha (Used CV), Tractors and SME Loans, total income enhanced to Rs 847.33 crore, representing a 20.53 percent growth over Rs.703.00 crore achieved in last year.

Higher business volumes have been accompanied by better asset quality, superior collection performance, dramatically lower write-offs and higher cost efficiency. Accordingly, profit before tax increased to Rs.170.50 crore during 2010-11, compared to Rs.103.04 crore for 2009-10, a growth of 65.5 percent. Profit after tax recorded remarkable 72.2 percent growth, from Rs.66.46 crore in last year to Rs.114.43 crore in 2010-11.

Profitability parameters of the Company have shown significant improvement during the year. RoA (return on average assets) has improved from 1.7 percent in 2009-10 to 2.2 percent in 2010-11, while RoE (Return on Average Equity) has enhanced from 18.5 percent in 2009-10 to 22.7 percent in 2010-11.

## Insurance Joint Venture :

The Company is in Joint Venture Agreement with HDI Gerling International Holding AG for the purpose of entering into General Insurance Business in India through the existing Company, Magma HDI General Insurance Company Ltd. (the "JV Company"). The JV Company has since received the R1 approval and is in the process of filing the R2 application with IRDA.

## Dividend

Your Directors recommend a tax-free dividend of 30 percent, i.e. Rs.0.6 per Equity Share on 12,97,73,550 Equity Shares of Rs.2 each; a 9.7 percent dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs.100 each for the period from 1.4.2010 to 17.2.2011 and 9.7 percent on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs.80/- each (reduced to Rs.80/- upon redemption of 1st installment of Rs.20/- each per share on 17th Feb,2011) for the period from 18.2.2011 to 31.3.2011; a 5 percent dividend on 30,00,000 Cumulative Non-convertible Redeemable Preference Shares of Rs.100 each; a 3.7 percent dividend on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs.100 each; a 12 percent dividend on 25,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs.100 each for the period from 30.6.2010 to 31.3.2011; a 9.6 percent dividend on 10,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs.100 each for the period from 19th June, 2010 to 31st March,2011; a 1 percent dividend on 21,09,199 Cumulative Non Convertible Redeemable Preference Shares of Rs.100 each for the previous year ended 31 March 2010, subject to your approval at the ensuing Annual General Meeting .

## Employee Stock Option Scheme

Your Company formulated and implemented an ESOP scheme ('Magma Employees Stock Option Plan 2007') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The details of options granted and outstanding as on 31 March 2011 along with other particulars as required by Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Auditor's Certificate required to be

## Directors' Report

placed at the forthcoming Annual General Meeting pursuant to Clause 14 of the said guidelines are set out in the Annexure to the Report.

Pursuant to Subdivision of Equity Share of the face value of Rs.10/- each into 5 Equity Shares of the face value of Rs.2/- each, the existing 7,41,900 Options of Rs.10/- each available for grant out of the 10,00,000 Options under the Plan stands converted into and increased to 37,09,500 Options of Rs.2/- each and existing 2,58,100 live options of Rs.10/- each stands converted into 12,90,500 options of Rs.2/- each. The exercise price is also revised from Rs.180/- per option to Rs.36/- per option.

Pursuant to the Plan, 17,54,000 stock options of Rs.2/- each (increased from 3,50,800 stock options of Rs.10/- each to 17,54,000 stock options of Rs.2/- each following subdivision of 1 equity share of the nominal value of Rs.10/- each into 5 Equity Shares of the nominal value of Rs.2/- each) were granted to the eligible employees in October 2007 out of which 4,63,500 stock options of the nominal value of Rs.2/- each have lapsed and 7,74,300 stock options of the nominal value of Rs.2/- each were vested till 31st March,2011. During the year 5,51,750 stock options of the nominal value of Rs.2/- each were exercised by the eligible employees and equivalent number of Equity Shares of the nominal value of Rs.2/- each were issued and allotted under the scheme ranking pari passu with the existing Equity Shares of your company.

### Capital – issuances and redemptions

#### Changes in Share Capital

##### Equity Shares

During the year, the following changes were effected in the share capital of the Company :

##### i) Issue of Warrants:

During the year, 20,00,000 warrants (increased to 1,00,00,000 warrants following subdivision of 1 equity share of the nominal value of Rs.10/- each into 5 Equity Shares of the nominal value of Rs.2/- each) were allotted to one of the Promoter entities, carrying an option / entitlement to subscribe to equivalent number of Equity Shares at a price of Rs.250/- per Equity Share (revised to Rs.50/- per Equity share following Sub division), on a future date not exceeding 18 months from the date of issue of such warrants in terms of provisions of SEBI Guidelines for

Preferential Issue (Chapter VII of the SEBI (Issue and Disclosure Requirements) Regulations, 2009).

##### ii) Issue of Equity Shares through the Qualified Institutional Placement ( QIP ) route

The Company has raised a sum of Rs.122.42 crore through the Qualified Institutional Placement ( QIP ) route by way of issue of 40,67,220 Equity Shares of Rs.10/- each for cash at a price of Rs.301/- per equity share (including premium of Rs.291/- per equity share) to a host of Institutional Investors who are Qualified Institutional Buyers.

##### iii) Sub-division of Equity Shares

Each Equity share of the face value of Rs.10/- of the Company was sub-divided into 5 Equity Shares of the face value of Rs.2/- each with effect from 16th August,2010.

##### iv) Change in Authorised Equity Share Capital :

The Authorised Equity Share Capital of the Company comprising of 3.5 crore Equity Shares of Rs.10/- each stand revised to 17.5 crore Equity Shares of Rs.2/- each .

##### v) Issue of Equity Shares under the Magma Employees Stock Option Plan 2007:

During the year, 5,51,750 Equity Shares of the face value of Rs.2/- each at a price of Rs.36/- per share ( including a premium of Rs.34/- per share ) were allotted to the eligible employees under the Scheme against the exercise of stock options by them.

Consequently, the issued, subscribed and paid up equity share capital of your company stands increased to Rs.25.95 crore divided into 12,97,73,550 Equity Shares of Rs.2/- each.

The new Equity Shares issued during the year rank pari passu with the existing Equity Shares .

##### Preference Shares

##### (i) Issue of Preference Shares

During the year 10,00,000, 9.6% Cumulative Non - Convertible Redeemable Preference Shares of the face value of Rs.100/- each aggregating to Rs.10 crore were issued and allotted on preferential allotment basis, at par redeemable at the end of 5 years at a premium of 25 percent of the face value.

The Company also issued 25,00,000, 12%, Cumulative Non Convertible Redeemable Preference Shares of the face value Rs.100/- each aggregating to Rs.25 crore at par on preferential allotment basis which are redeemable at par at the end of

5 years.

#### (ii) Redemption of Preference Shares

As per the terms of issue of 9.7% Cumulative Non-Convertible Redeemable Preference Shares of Rs.100/- each, the first installment of 20 percent ( Rs.20/- each) on 21,09,199 Preference Shares aggregating to Rs.4.22 crore was redeemed on 17th Feb, 2011 out of the profits of the Company and an equivalent sum has been transferred to the Capital Redemption Reserve.

Consequently, the issued, subscribed and paid up Preference share capital of your Company stands revised to Rs.146.88 crore.

### Debt

#### Subordinated Debt

During the year, the Company issued 1,36,200 Unsecured Redeemable Non-Convertible Subordinated Debt in the nature of Debentures of Rs. 10,00,000 each, aggregating Rs.136.20 crore.

#### Perpetual Debt

During the year, the Company issued 250 Unsecured Subordinated Perpetual Bonds in the nature of Debentures of Rs.10,00,000 each, aggregating Rs.25 crore.

### Consolidated financial statements

In accordance with the requirements under Clause 32 of the Stock Exchange Listing Agreement, your Company prepared consolidated financial statements in accordance with Accounting Standard-21 issued by The Institute of Chartered Accountants of India. The consolidated financial statements form a part of the Annual Report.

### Corporate Governance

Your Company has consistently been complying with the Corporate Governance Code prescribed by SEBI and a detailed report on Corporate Governance together with a certificate of compliance from the statutory auditors, as required by Clause 49 of the Stock Exchange Listing Agreement, forms a part of this Annual Report.

### Directors' responsibility statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors confirm

- 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;
- Having selected such accounting policies and applied them consistently and made judgements 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 2011 and of the profit of the Company for the period under review;
- That proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, if any, have been taken;
- That the annual accounts have been prepared on a going concern basis.

### RBI regulations – compliance

Your Company continues to carry on its business of Non-Banking Finance Company as a Non-Deposit Taking Company and follows prudent financial management norms as applicable and continues to progressively follow the internationally accepted accounting principles on revenue recognition, provisioning and asset classification which are more stringent than the guidelines prescribed by the RBI. A detailed note is appended in Schedule 16 Notes on Accounts. The gross and net NPA's stood at Nil and Nil respectively. Your Company appended a statement containing particulars as required in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 in Note 2 (xxvi), Schedule 16 Notes on Accounts and additional disclosures required for NBFCs-ND-SI in terms of notification dated 1 August 2008 issued by the RBI in Note 2 (xxv) Schedule 16 Notes on Accounts.

### Subsidiary

Magma ITL Finance Limited, a subsidiary of the Company and the Company's joint venture with International Tractors Limited, manufacturers of Sonalika Brand of Tractors is registered with the RBI as a non-deposit taking NBFC. The Company has earned a PBT of Rs.11.71 crore for the year ended 31st March, 2011.

## Directors' Report

Information regarding the subsidiary, in accordance with the provisions of Section 212 of the Companies Act, 1956 is enclosed as an Annexure to this Report.

### Directors

During the year, Mr. Satya Brata Ganguly was appointed as Additional Director by the Board of Directors at their meeting held on 15th July, 2010 w.e.f 16 July, 2010 as Non Executive Independent Director to hold office till the date of the Annual General Meeting .The Company has received a notice under Section 257 of the Companies Act, 1956 from the member of the Company proposing to appoint Mr. Satya Brata Ganguly as Director at the ensuing Annual General Meeting.

During the year, Mr. Ved Prakash Taneja, an Independent, Non-Executive Director, ceased to be the Director of the Company w.e.f 12 October, 2010. Mr. Taneja was also a member of the Audit Committee, Nomination and Remuneration Committee, Management Committee, Shareholders/Investors Grievance Committee and Fair Practice Committee of the Board. The Board places on record its sincerest appreciation for the invaluable guidance provided by him to the growth of the Company during his tenure as the Director of the Company.

During the year, Mr. Mayank Poddar and Mr. Sanjay Chamria were reappointed as Chairman and Vice Chairman & Managing Director w.e.f 1/4/2011 and 1/7/2011 respectively by the Board of Directors at their meeting held on 14th January, 2011 subject to the approval of the Shareholders.

Mr. Nabankur Gupta retires at the ensuing Annual General Meeting and being eligible offers himself for reappointment. Mr. Ravi Todi retires at the ensuing Annual General Meeting but has not offered himself for reappointment. Disclosures in respect of these Directors as stipulated under Clause 49 of the Listing Agreement are provided in the Report on Corporate Governance forming a part of the Annual Report.

### Auditors

M/s. S. S. Kothari & Co., Chartered Accountants, Kolkata, bearing Registration No. 302034E retire at the conclusion of the forthcoming Annual General Meeting and have expressed their

willingness to be reappointed. They confirmed that their reappointment, if made, would be covered within the ceiling specified under Section 224(1B) of the Companies Act, 1956.

### Investor Education and Protection Fund

During the year under review, your Company transferred a sum of Rs.81,502/- to the Investor Education and Protection Fund (IEPF), the amount which was due and payable and remained unclaimed and unpaid for a period of seven years, as provided in Section 205A(5) of the Companies Act, 1956.

### Auditors' Observations

Observations of the Auditors when read together with the relevant notes to the accounts and accounting policies are self-explanatory.

### Statutory information

- 1) Your Company does not have any activity relating to conservation of energy or technology absorption.
- 2) The Company does not have any foreign exchange earnings. The foreign exchange outgo of the Company is furnished in Note No. 2 (xix), Schedule 16, Notes on Accounts.
- 3) Information in respect of employees of the Company who are in receipt of remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956 is given in Annexure attached to the Report.
- 4) The comments in the Auditors' Report read with Notes on Accounts (Schedule 16) are self-explanatory.

### Appreciation

Your Directors would like to record their appreciation of the hard work and commitment of the Company's employees, which resulted in the strong performance recorded for the year and warmly acknowledge the unstinting support extended by its bankers, alliance partners, and other stakeholders in contributing to the results.

For and on behalf of the Board

Kolkata  
18th April, 2011

**Mayank Poddar**  
Chairman



# Annexure to Directors' Report



## As amended and forming part of the Directors' Report for the year ended 31 March 2011

Particulars of Employees under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Amendment Rules, 1975 as amended vide notification no. G.S.R 289(E) dated 31st March, 2011.

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

Name	Age (in years)	Qualification	Designation and nature of duties	Date of commencement of employment	Experience (years)	Remuneration (in Rs.)	Particulars of last employment, last post, employer
Ashutosh Shukla	48	FCA	Sr. VP & Chief Operations Officer	01-Oct-92	29	10,776,124	Consortium Finance Limited (erstwhile) - General Manager
Brahmajyoti Mukherjee	53	B-Tech from IIT, PGDIE	Sr. VP & Chief People Officer	16-Aug-06	31	9,414,705	Hindalco Industries Limited - Vice President
Guru Prasad Pattanaik	51	ACA	Sr. VP & Chief Receivables Management	17-Apr-00	30	10,403,399	Nicco Uco Financial Services Ltd - Vice President
V Lakshmi Narasimhan	46	FCS, LLB, PGDBM	Sr. VP & Chief Financial Officer	01-Nov-90	26	8,030,673	Consortium Finance Ltd (erstwhile) - General Manager and Company Secretary

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

Name	Age	Qualification	Designation and nature of duties	Date of commencement of employment	Experience (years)	Remuneration (in Rs.)	Particulars of last employment, last post, employer
Not Applicable							

### Notes:

1. Gross remuneration comprises salary, medical reimbursement, leave travel concession, housing, Company's contribution to provident fund, pension and gratuity fund, monetary value of other perquisites computed on the basis of the Income Tax Act and Rules, leave encashment and performance bonus.

2. All appointments were made in accordance with the terms and conditions as per Company Rules.

3. None of the above employee is a relative of any Director of the Company.

For and on behalf of the Board

Kolkata  
18th April, 2011

**Mayank Poddar**  
Chairman

## Annexure to Directors' Report

### Statement as at 31 March 2011, pursuant to Clause 12 (Disclosure in the Directors' Report) of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

#### Employee Stock Option Scheme

The details of options as required by the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out herein below.

The Company instituted "Magma Employees Stock Option Scheme 2007" for the employees of the Company. The vesting options are 30 percent, 30 percent, 20 percent and 20 percent of the total options granted after 24, 36, 48 and 60 months, respectively, from the date of grant.

Serial number	Description	Details
1	Number of options granted	17,54,000 Each option is equivalent to one equity share of face value of Rs.2 each of the Company
2	Pricing formula	Closing market price of the day immediately prior to the date of grant of option
3	Options vested	7,74,300
4	Options exercised as at the year end	5,51,750
5	Total number of Equity Shares of Rs.2 each arising as a result of exercise of options	5,51,750
6	Options lapsed as at the year end	4,63,500
7	Variation in terms of options	Nil
8	Money realised by exercise of options	Rs.1,98,63,000/-
9	Total number of options in force as at the year end	7,38,750
10	Employee-wise details of options granted to	
(i)	Senior managerial personnel	Details in appendix
(ii)	Any other employee who received a grant in any one year of option amounting to 5 percent or more of the options granted during that year	Nil
(iii)	Identified employees who were granted options during any one year, equal to or exceeding 1 percent of the issued capital of the Company at the time of grant	Nil
11	Diluted earnings per share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS 20) 'Earnings per Share'	Rs.7.94
12	Method of calculation of employee compensation cost	The Company calculated the employee compensation cost using the intrinsic value method of accounting to account for Options granted.
13	Difference between the employee compensation cost so computed in 12 above and the employee compensation cost that shall have been recognised if it had used the fair value of the options	The employee compensation cost that shall have been recognised if the Company had used fair value of options is Rs.50.95 lac
14	Exercise price of the options	Rs.36/-

Serial number	Description	Details	Basic	Diluted
15	The impact of this difference on profits and on the EPS of the Company	Net income (Rs. in lac)	10,325.68	10,325.68
		Add: Employee cost intrinsic value (Rs. in lac)	24.08	24.08
		Less: Employee cost fair value (Rs. in lac)	50.95	50.95
		Adjusted net income (Rs. in lac)	10,298.81	10,298.81
		Earning per share		
		As reported (Rs.)	8.12	7.94
		As adjusted (Rs.)	8.10	7.92
16	Fair value of each options based on black scholes methodology	Rs.30.32		
	<b>Assumptions</b>			
	Risk free rate	7.67 percent		
	Expected life of options	4.80 years		
	Expected volatility	73.94 percent		
	Expected dividend	3.03 percent		

## APPENDIX

List of senior management employees to whom stock options were granted on 12 October 2007

Name of the employee	Designations	Stock options granted
Mr. Ashutosh Shukla	Senior Vice President	1,70,000
Mr. Brahmajyoti Mukherjee	Senior Vice President	1,70,000
Mr. V. Lakshmi Narasimhan	Senior Vice President	1,70,000
Mr. Guru Prasad Pattanaik	Senior Vice President	1,25,000

For and on behalf of the Board

**Mayank Poddar**  
Chairman

Kolkata  
18th April, 2011

## Annexure to Directors' Report

### Auditor's Certificate as required under Clause 14 of the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999

We have examined the books of account and other relevant records of Magma Fincorp Limited having its Registered Office at "Magma House", 24 Park Street, Kolkata – 700 016 and based on the information and explanations given to us, we certify that in our opinion, the Company has implemented the Employee Stock Option Scheme in accordance with SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 and in accordance with the special resolution passed by the Company in the Extra-Ordinary General Meeting held on 5th June, 2007.

India Steamship House  
21, Old Court House Street,  
Kolkata – 700 001  
18th April, 2011

For S. S. Kothari & Co.  
ICAI Firm Registration No. 302034E  
Chartered Accountants  
**(R. N. Bardhan)**  
Partner  
Membership No. 17270

### Statement of interest in Subsidiary Company

Pursuant to Section 212(1)(e) of the Companies Act, 1956

(in Rs.)

Name of the Subsidiary Company	Magma ITL Finance Limited
Financial year to which the accounts relate	31 March 2011
Holding company's interest –	
– Number of shares held – Equity ( Rs.10 each)	1,84,99,400
– Extent of holding	74 percent
The net aggregate amount of subsidiary's profit/(loss) so far as it concerns the holding company.	
(a) Dealt with in the accounts of the Company for the subsidiary's financial year ended 31 March 2011	Nil
(b) i) Not dealt with in the accounts of the Company for the subsidiary's financial year ended 31 March 2011	5,70,72,727
ii) For previous financial years since it became a subsidiary	3,78,17,067

For and on behalf of the Board

Kolkata, 18th April, 2011

**Mayank Poddar**  
Chairman

# Report of the Directors on Corporate Governance



## 1. Company's philosophy on the Code of Governance

Magma pursues its long-term corporate goals on the bedrock of financial discipline, high ethical standards, transparency and trust. Enhancing shareholder value and protecting the interests of all stakeholders is a tradition at Magma. Every effort is made to follow best practices in all the functional areas and in discharging the Company's responsibilities towards all stakeholders and the community at large.

## 2. Board of Directors

### 2.1 Composition and size

The Company has a judicious mix of Executive and Non-Executive Directors on its Board. At present, there are nine directors on the Board, with 3 (three) Executive Directors. The Chairman is an Executive Director and more than half of the Board (55.56%)

consists of Independent Directors (pursuant to the requirement of minimum 50 percent under clause 49 of the Listing Agreement). All the Non-Executive Directors are eminent professionals and bring the wealth of their professional expertise and experience to the management of the Company.

### 2.2 Pecuniary or business transaction

There were no materially relevant pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company during the year.

The status of attendance of each Director at Board meetings and the last Annual General Meeting (AGM) held on 15 July, 2010 and the number of companies and committees where each of them is a Director / Member as on 31 March 2011 is given below:

Name of Director	Category	Materially significant, pecuniary or business relationship with the Company	Number of shares held in the Company	F.Y 2010-11 Attendance at		Whether Sitting Fees paid	No. of Directorships in other Companies incorporated in India(*)	No. of Committee (other than Magma Fincorp Limited) in which Chairman /Member (**)	
				Board Meeting Attended /held	Last AGM held on 15th July, 2010			Director	Chairman
Mr. Mayank Poddar	Promoter, Executive	Executive Chairman	Nil	4/4	Yes	No	1	Nil	Nil
Mr. Sanjay Chamria	Promoter, Executive	Vice Chairman and Managing Director	Nil	4/4	Yes	No	3	Nil	1
Mr. Shrawan Kumar Todi	Promoter, Non-executive	Vice Chairman	2,75,980	3/4	Yes	Yes	13	3	Nil
Mr. Ravi Todi	Promoter, Executive	Joint Managing Director	2,10,060	2/4	Yes	No	10	Nil	3
Mr. Neil Graeme Brown	Independent, Non-executive	–	Nil	4/4	Yes	Yes	Nil	Nil	Nil
Mr. Narayan K Seshadri	Independent, Non-executive	–	Nil	4/4	Yes	Yes	7	3	2
Mr. Nabankur Gupta	Independent, Non-executive	–	Nil	4/4	Yes	Yes	9	2	4
Mr. Kailash Nath Bhandari	Independent, Non-executive	–	Nil	4/4	Yes	Yes	12	1	2
Mr. Satya Brata Ganguly***	Independent, Non-executive	–	Nil	2/2	N.A	Yes	7	Nil	4
Mr. Ved Prakash Taneja****	Independent, Non-executive	–	Nil	2/2	Yes	Yes	N.A	N.A	N.A

\*Excludes Directorships in Indian Private Limited Companies, Foreign Companies, Companies u/s 25 of the Companies Act, 1956, \*\*Includes only Audit Committee and Shareholders'/Investors' Grievance Redressal Committee, \*\*\* Mr. Satya Brata Ganguly was appointed as Additional Director w.e.f 16th July, 2010, \*\*\*\*Mr. Ved Prakash Taneja resigned w.e.f 12th October, 2010

## Report of the Directors on Corporate Governance

### 2.3 Number of Board meetings

During the year 2010-11, Magma's Board met four times on 31st May, 2010, 15th July, 2010, 12th October, 2010 and 14th January, 2011.

### 2.4 Disclosure regarding appointment or reappointment of Directors

Brief resumes along with additional information required under Clause 49 of the Listing Agreement for the Directors seeking appointment / reappointment is as under:

Name	Mr.Nabankur Gupta	Mr. Satya Brata Ganguly
Date of birth	15th October, 1948	23rd October, 1942
Date of appointment	22nd October, 2008	16th July, 2010
Qualification	B.Tech, AMP	<ul style="list-style-type: none"> <li>• Chemical Engineer</li> <li>• Fellow of Plastics &amp; Rubber (London)</li> <li>• Fellow of Institute of Chemical Engineers</li> <li>• Fellow of the Institute of Chemicals</li> </ul>
Expertise in specific functional area	He has rich experience of over 35 years in the field of Rural Marketing & Business Development. He has been associated with leading companies and has held senior management positions. He is the founder of Nobby Brand Architects & Strategic Marketing Consultants. He is also the cofounder of Blue Ocean Capital & Advisory services.	He has over 45 years experience in Corporate life, at the senior most positions. Currently Chairman Emeritus of India's largest automotive battery manufacturer, Mr Ganguly is also on the boards of various reputable Indian corporates and public bodies as an Independent Director.
List of outside *Directorships held excluding Alternate Directorship.	<ol style="list-style-type: none"> <li>1. Raymond Ltd</li> <li>2. Colorplus Fashions Ltd</li> <li>3. B.P. Ergo Limited</li> <li>4. Cravatex Limited</li> <li>5. Lexicon Public Relations &amp; Corporate Consultants Limited</li> <li>6. J K Helene Curtis Ltd.</li> <li>7. J K Investo Trade (India) Ltd</li> <li>8. Pritish Nandy Communications Ltd.</li> <li>9. PNC Wellness Limited</li> </ol>	<ol style="list-style-type: none"> <li>1. West Bengal Industrial Development Corporation Ltd.</li> <li>2. The Calcutta Stock Exchange Association Ltd.</li> <li>3. The Sundarban Infrastructure Development Corporation Ltd.</li> <li>4. Century Plyboards (I) Ltd.</li> <li>5. Paharpur Cooling Towers Ltd.</li> <li>6. Emami Ltd.</li> <li>7. Peerless Trust Management Company Ltd</li> </ol>
Membership/ Chairmanship of ** Committees of the Board of Directors of the Company	None	Chairman of the following Committee: <ol style="list-style-type: none"> <li>1. Shareholders'/Investors' Grievance Committee</li> </ol> Member of the following Committee: <ol style="list-style-type: none"> <li>1. Audit Committee</li> </ol>
Chairman/Member of the **Committee of the Board of Directors of other companies in which he/she is a Director	Chairman of the Audit Committee of <ol style="list-style-type: none"> <li>1. J K Investo Trade (India) Ltd</li> </ol> Member of the Audit Committee of <ol style="list-style-type: none"> <li>1. Pritish Nandy Communications Ltd</li> <li>2. Quantum Advisors Private Limited</li> <li>3. Raymond Ltd</li> </ol> Chairman of the Shareholders'/Investors' Grievance Redressal Committee of <ol style="list-style-type: none"> <li>1. Raymond Limited</li> </ol> Member of the Shareholders'/Investors' Grievance Redressal Committee of <ol style="list-style-type: none"> <li>1. J K Investo Trade (India) Ltd</li> </ol>	Member of the Audit Committee of <ol style="list-style-type: none"> <li>1. Century Plyboards (I) Ltd</li> <li>2. Emami Limited</li> <li>3. Peerless Trust Management Company Ltd</li> <li>4. West Bengal Industrial Development Co. Ltd</li> </ol>
Number of shares held in the Company	Nil	Nil

\* Excludes Directorships in Indian Private Limited Companies, foreign companies, companies u/s 25 of the Companies Act, 1956 \*\* Includes only Audit Committee and Shareholders'/Investors' Grievance Redressal Committee

## 2.5 Remuneration of Directors

The Independent and Non-Executive Directors were paid sitting fees of Rs.20,000/- per meeting of the Board and Rs.15,000/- per meeting of the Audit Committee and Rs.1,000 per meeting of Shareholders/Investor Grievance Committee till 14.1.2011. The Board of Directors have at their Meeting held on 14th Jan, 2011, revised the fee for the various meetings as under:

Board Meeting –Rs.20,000/-, Audit Committee Meeting – Rs.20,000/-, Nomination and Remuneration Committee Meeting – Rs.20,000/-, Management Committee Meeting – Rs.10,000/-, Shareholders/Investors Grievance Committee – Rs.10,000/-, Fair Practice Committee Rs.10,000/-. The details of the remuneration paid to the Directors during the financial year ending 31 March 2011-

Directors	Salary and allowances	Perquisites	Sitting fee	Commission	Total
Mr. Mayank Poddar	35,04,231	20,81,949	-	-	55,86,180
Mr. Sanjay Chamria	35,04,231	20,87,031	-	-	55,91,262
Mr. Ravi Todi	29,15,520	17,43,303	-	-	46,58,823
Mr. Shrawan Kumar Todi	-	-	60,000	-	60,000
Mr. Ved Prakash Taneja	-	-	74,000	-	74,000
Mr. Neil Graeme Brown	-	-	1,40,000	15,00,000	16,40,000
Mr. Narayan K Seshadri	-	-	1,40,000	15,00,000	16,40,000
Mr. Nabankur Gupta	-	-	80,000	15,00,000	15,80,000
Mr. Kailash Nath Bhandari	-	-	80,000	15,00,000	15,80,000
Mr. Satya Brata Ganguly	-	-	86,000	15,00,000	15,86,000
<b>Total</b>	<b>99,23,982</b>	<b>59,12,283</b>	<b>6,60,000</b>	<b>75,00,000</b>	<b>2,39,96,265</b>

Notes: (1) Commission will be paid subject to approval by shareholders.

## 2.6 Information supplied to the Board

The following information is regularly placed before the Board:-

1. Annual operating plans and budgets and any updates thereof.
2. Capital budgets and any updates.
3. Quarterly results for the Company and its operating divisions or business segments.
4. Minutes of meetings of Audit Committee and other Committees of the Board.
5. The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
6. Show cause, demand, prosecution notices and penalty notices which are materially important.
7. Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
8. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend and delay in share transfer, among others.

9. Minutes and financial results of the subsidiary company M/s Magma ITL Finance Limited.

10. Details of any joint venture or collaboration agreement.

## 3. Committees

Magma at present has five committees of the Board: -

1. Audit Committee,
2. Shareholders / Investors Grievance Committee,
3. Nomination and Remuneration Committee,
4. Management Committee and
5. Fair Practices Committee.

The terms of reference of these Committees is decided by the Board. Signed minutes of the Committee meetings are placed before the Board. The role and composition including the number of meetings and related attendance are given below.

### 3.1 Audit Committee

#### 3.1.1 Terms of reference

The terms of reference of the Audit Committee are wide enough to cover the matters specified under Clause 49 of the Listing

## Report of the Directors on Corporate Governance

Agreement, the Reserve Bank of India Guidelines, as well as Section 292A of the Companies Act 1956, which included the following:

### **Role of Audit Committee as per Listing Agreement Requirements:-**

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees, and confirm their Independence.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors, if authorised by the Board.
4. Reviewing, with the management, the annual financial statements and the CEO & CFO Certificate as per Clause 49 of the Listing Agreement before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgement by management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions (AS 18 of ICAI and RBI guidelines).
  - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval and secure the Certificate from CFO in terms of Clause 41 of the Listing Agreement.
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
8. Approve the appointment of the head of internal audit and reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing, reporting structure coverage and frequency of internal audit.
9. Discussion with Internal Auditors and the Management any significant findings, status of previous audit recommendations and follow up there on.
10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
13. Review Management letters/letters of control/weakness issued by the Statutory Auditors.
14. Review the Internal Audit Report relating to internal control weaknesses.

### **Role of Audit Committee as per Companies Act, 1956.**

1. Discuss with the Auditors periodically about the Internal Control System, the scope of Audit including the observations of the Auditors and review the half-yearly and annual financial statements before submission to the Board and also ensure compliance of Internal control system.
2. Investigate into any matter in relation to the items within the purview of the Terms of Reference of the ACB or referred to it by



the Board and for this purpose, shall have full access to information contained in the books, records, facilities, personnel of the Company and the External professional consultants and their advice, if necessary.

3. Recommend on any matter relating to financial management, including the audit report to the Board.
4. The going concern assumption.
5. Compliance with accounting standards.

**Role of Audit Committee as per Business Requirements:**

1. Provide oversight and review, at least annually, of the Company's risk management policies, including its investment policies.
2. Review the Company's compliance with employee benefit plans.
3. Oversee and review the Company's policies regarding Information technology and management information systems.
4. Review, approve and monitor the code of ethics that the Company plans for its senior financial officers.
5. Invite any Director/Official to attend the meeting(s).
6. Any other matter as delegated by the Board of Directors of the Company from time to time.

**Others:**

1. To secure the attendance of outsiders with relevant expertise as also to seek information from any employee, for the purpose of fulfilling the Terms of Reference.
2. Oversee compliance with the requirements of the SEBI, as the case may be, for disclosure of auditor's services and audit committee members, members qualifications and activities.
3. Consider and if deemed fit, pre-approve all non auditing services to be provided by the independent auditor to the Company. For the purpose of this clause, "non – auditing services" shall mean any professional services provided to the Company by the independent auditor, other than those provided to the Company in connection with an audit or a review of the financial statement of the Company.
4. Review statement of significant related party transactions (as defined by ACB), submitted by the Management.

**3.1.2 Composition**

The composition of the Audit Committee is given below:

Sl No.	Name of the Members	Category
1.	Mr. Narayan K Seshadri	Independent, Non-executive
2.	Mr. Neil Graeme Brown	Independent, Non-executive
3.	Mr. Satya Brata Ganguly	Independent, Non-executive
4.	Mr Mayank Poddar	Promoter, Executive

At present, there are four members of the Audit Committee, of which three are Independent Directors. Mr. Narayan K Seshadri is the Chairman of the Committee .

Mr. Narayan K Seshadri and Mr. Satya Brata Ganguly were appointed as members w.e.f 29/5/2010 and 5/10/2010 respectively. Mr. Ved Prakash Taneja ceased to be the member of the Committee w.e.f 12/10/2010 pursuant to his resignation from the Board of Directors. Mr. Girish Bhatia, Company Secretary, acts as the Secretary to the said Committee.

**3.1.3 Meeting and the attendance during the year**

The Audit Committee of Directors met four times during the year under review on 31st May, 2010, 14th July, 2010, 11th October, 2010 and 13th January, 2011

Name of the Directors	Number of meetings Attended
Mr. Narayan K Seshadri (Appointed w.e.f. 29/5/2010)	4/4
Mr Mayank Poddar	4/4
Mr. Neil Graeme Brown	4/4
Mr. Satya Brata Ganguly (Appointed w.e.f 5/10/2010)	1/2
Mr. Ved Prakash Taneja (Resigned w.e.f 12/10/2010)	2/2

**3.2 Management Committee**

**3.2.1 Terms of reference**

The Management Committee reviews operations from time to time and also formulates and reviews corporate objectives and strategies including long range plans for expansion/ diversification of the Company's activities within the Board's approved directions/framework.

# Report of the Directors on Corporate Governance

## 3.2.2 Composition

Sl No.	Name of the Members	Category
1.	Mr Mayank Poddar	Promoter, Executive
2.	Mr. Sanjay Chamria	Promoter, Executive
3.	Mr. Satya Brata Ganguly	Independent, Non-executive

Mr. Satya Brata Ganguly was appointed as a member of the Committee w.e.f 12/10/2010. Mr.V.P.Taneja ceased to be a member of the Committee w.e.f 12/10/2010 following his resignation from the Board of Directors of the Company.

## 3.2.3 Meeting and the attendance during the year

The Management Committee of Directors met 23 times during the year under review on 17th April, 2010, 30th April, 2010, 7th May, 2010, 8th May, 2010, 24th May, 2010, 7th June, 2010, 19th June, 2010, 30th June, 2010, 16th July, 2010, 27th July, 2010, 30th July, 2010, 7th August, 2010, 17th August, 2010, 23rd August, 2010, 13th September, 2010, 30th September, 2010, 19th October, 2010, 10th November, 2010, 19th November, 2010, 9th December, 2010, 7th January, 2011, 31st January, 2011 and 26th March, 2011.

Name of the Directors	Number of meetings attended/held
Mr. Mayank Poddar	22/23
Mr. Sanjay Chamria	22/23
Mr. Ved Prakash Taneja (Resigned w.e.f. 12/10/2010)	3/16
Mr. Satya Brata Ganguly (Appointed w.e.f. 12/10/2010)	1/7

## 3.3 Shareholders/Investors Grievance Committee

### 3.3.1 Terms of reference

- To deal with and decide all matters relating to the registration of transfer and transmission of shares and debentures, issue of duplicate share certificates or allotment letters and certificates for debentures in lieu of those lost/misplaced.
- To redress shareholders and investors complaints relating to transfer of shares, non-receipt of Balance Sheet and non-receipt of declared dividends, among others.
- To monitor the compliance of Code of prevention of insider trading framed by the Company.

- To effect dematerialisation and re-materialisation of shares of the Company

## 3.3.2 Composition

Sl No.	Name of the Members	Category
1.	Mr. Satya Brata Ganguly	Independent, Non-executive
2.	Mr. Mayank Poddar	Promoter, Executive
3.	Mr. Sanjay Chamria	Promoter, Executive

Mr. Satya Brata Ganguly, Independent Director, was appointed as a member and Chairman of the Committee w.e.f 12/10/10. Mr.V.P.Taneja ceased to be a member of the Committee w.e.f 12/10/2010 following his resignation from the Board of Directors of the Company.

## 3.3.3 Meeting and the attendance during the year

The Committee met 9 times during the financial year ended 31 March 2011 on 20th April, 2010, 21st May, 2010, 8th July, 2010, 16th August, 2010, 3rd November, 2010, 6th December, 2010, 14th January, 2011, 21st February, 2011 and 30th March, 2011 to discharge its functions. The members attended the meetings as follows:

Name of the Directors	Number of meetings attended/held
Mr. Satya Brata Ganguly (Appointed w.e.f. 12/10/2010)	3/5
Mr. Mayank Poddar	9/9
Mr. Sanjay Chamria	9/9
Mr. Ved Prakash Taneja (Resigned w.e.f. 12/10/2010)	4/4

M/s. Niche Technologies Private Limited, D-551, Bagree Market, 71, B. R. B. B. Road, Kolkata - 700 001, are the Registrar and Share Transfer Agent both for physical as well as electronic mode. Mr. Girish Bhatia, Company Secretary, acts as the Compliance Officer. The table below gives the number of complaints received, resolved and pending during the year 2010-11:-

Number of complaints		
Received	Resolved	Pending
5	5	Nil

### 3.4 Nomination and Remuneration Committee

#### 3.4.1 Terms of reference

1. Recommending Board size and composition including the proportion of promoter vs. independent directors

2 a) Identifying, evaluating and recommending appointment of appropriate Independent and Non- Executive Directors/Executive Directors/ Whole time Directors/Managing Directors.

b) Determining processes for evaluating the skill, knowledge, experience and effectiveness of individual directors as well as the Board as a whole.

c) Approve appointment of Senior Management Personnel (all the Direct Reportees to the Managing Director).

3. Recommending Budget for Board related expenses

4. Remuneration package of the following:

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

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

c. Approve remuneration packages and service contract terms of Senior Management (all the Direct Reportees to the Managing Director ) including the structure, design and target setting for short and long term incentives / bonus.

d. Approve framework and broad policy in respect of all Employees for increments.

5. ESOPs - approve subscription and allotment of shares to the eligible employees under the shareholders approved ESOP.

6. Contracting Professional help to advise the nominating Committee on matters relating to the terms of reference of the Committee requiring independent input from outside experts.

7. a Recommend & Review succession plans for Managing Directors.

b Review and approve succession plans for Senior Management (all the Direct Reportees to the Managing Director).

8. Powers as may be delegated by the Board of Directors from time to time subject to the provisions of the MOA & AOA of the Company and the Companies Act, 1956.

9. Administration:

The Committee shall consist of at least three [3] members all of whom should be independent directors. The Company's Chairman and Managing Director will normally attend meetings. The Company Secretary will act as a Secretary to the Committee and the Chief People Officer will support the Committee. Committee will meet at least 2 times per year. The Chairman will report to the full Board after each committee and circulate minutes.

Quorum – 2 Independent Directors

10. Evolve policy for authorising expenses of Chairman and Managing Director.

11. Conduct annual review of the Committee's performance and effectiveness at the Board level.

#### 3.4.2 Composition

Sl No.	Name of the Members	Category
1.	Mr. Neil Graeme Brown	Independent, Non-executive
2.	Mr. Narayan K. Seshadri	Independent, Non-executive
3.	Mr. Nabankur Gupta	Independent, Non-executive
4.	Mr Mayank Poddar	Promoter, Executive
5.	Mr. Sanjay Chamria	Promoter, Executive

Mr. Neil Graeme Brown, an Independent and Non- Executive Director, acts as the Chairman of the Committee. Mr. Narayan K Seshadri was inducted as the member of the Committee w.e.f 6/7/2010. Mr. Nabankur Gupta, Mr Mayank Poddar and Mr. Sanjay Chamria were inducted as the members of the Committee w.e.f 12/10/2010. Mr. Ved Prakash Taneja and Mr. Shrawan Kumar Todi ceased to be the members of the Committee w.e.f 12/10/2010. Mr. Girish Bhatia, Company Secretary, acts as the Secretary to the said Committee.

#### 3.4.3 Meeting and the attendance during the year

The Committee met 2 times during the financial year ended 31 March 2011 on 14th July, 2010 and 13th January, 2011 to discharge its functions. The members attended

# Report of the Directors on Corporate Governance

the meetings as follows:

Name of the Directors	Number of meetings attended/held
Mr. Neil Graeme Brown	2/2
Mr. Narayan K. Seshadri (Appointed w.e.f 6/7/2010)	2/2
Mr. Nabankur Gupta (Appointed w.e.f 12/10/2010)	1/1
Mr Mayank Poddar (Appointed w.e.f 12/10/2010)	1/1
Mr. Sanjay Chamria (Appointed w.e.f 12/10/2010)	1/1
Mr. Ved Prakash Taneja (Resigned w.e.f. 12/10/2010)	1/1
Mr. Shrawan Kumar Todi (Resigned w.e.f. 12/10/2010)	1/1

## 4. Disclosures

There was no material transaction with related parties. None of the transactions recorded were in conflict with the interests of the Company. The details of related party transactions are disclosed in Note No. 2 (xi), Schedule 16, Notes to Accounts of the Annual Report.

The Company received sufficient disclosures from promoters, Directors or the Management wherever applicable. The Company complied with the statutory rules and regulations including those of the SEBI and the Stock Exchanges. There was no default on any related issue during last three years.

## 7. General Body meetings

a) Location and time of the last three Annual General Meetings

Year	Venue	Day and date	Time	Number of special resolutions
2007-08	Kala Kunj, 48, Shakespeare Sarani, Kolkata-700 017	Wednesday 23.07.2008	3.30 P.M	1
2008-09	Rotary Sadan, 94/2, Chowringhee Road, Kolkata-700 020	Friday 11.09.2009	3.00 P.M	-
2009-10	Gyan Manch, 11, Pretoria Street, Kolkata-700 071	Thursday 15.07.2010	3.00 P.M	-

## 5. Means of communication with shareholders

The quarterly/half yearly/annual un-audited/audited financial results of the Company are sent to the stock exchanges immediately after they are approved by the Board of Directors. In addition, these results are simultaneously posted on the web address of the Company, at [www.magma.co.in](http://www.magma.co.in) pursuant to Clause 54 of the Listing Agreement.

The results were published in the following local and national dailies

1. Aajkal (Vernacular language)
2. The Financial Express (English language)

The Company's web address is [www.magma.co.in](http://www.magma.co.in). The website contains a complete overview of the Company. The Company's Annual Report, un-audited financial results, details of its business, shareholding pattern, compliance with corporate governance, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievances, the distribution schedule, credit ratings and Code of Conduct are uploaded on the website.

During the financial year 2010–2011, Analyst Conference Call was conducted by Mr. Sanjay Chamria (Vice Chairman Cum Managing Director) on 16th June, 2010, 13th October 2010 and 17th January, 2011.

Press reports are given on important occasions. They are also placed on the Company's website.

## 6. Management Discussion and Analysis (MDA)

The MDA section is carried in detail and attached herewith.

#### b) Postal Ballot

During the year, the Company had conducted Postal Ballot on 8th May, 2010 under the Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001. M/s P. S. & Associates, Practicing Company Secretaries, Kolkata, was appointed as the Scrutinizer for overseeing Postal Ballot process.

The following resolution was passed with requisite majority:

Date of Declaration of the result of Postal Ballot	Particulars of Special Resolution	% of votes cast in favour of resolution
12/6/2010	Issue of the following classes of Preference Shares on preferential basis in accordance with Section 81(1A) of the Companies Act, 1956 <ul style="list-style-type: none"> <li>• 12%, 30,00,000 Cumulative Redeemable Non Convertible Preference Shares of Rs.100/- each &amp;</li> <li>• 9.6%, 10,00,000 Cumulative Redeemable Non Convertible Preference Shares of Rs.100/- each</li> </ul>	99.99

### 8. Shareholders' information

The Shareholders are kept informed by way of mailing of Annual Reports, notices of Annual General Meetings and Extra Ordinary General Meetings and other Compliances under the Companies Act, 1956. The Company also regularly issues press releases and publishes quarterly results.

#### a) Listing of shares

The Equity Shares of the Company are listed on

Name of Stock Exchanges	Stock code
National Stock Exchange of India Ltd. 5, Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400 051.	MAGMA
Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001.	524000

The Company has paid Annual Listing fee for the financial year 2010–11 for both NSE and BSE.

#### b) Market price data

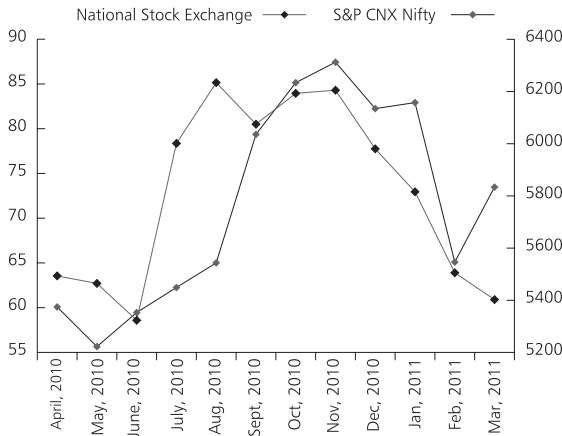
Monthly high and low quotation during 1 April 2010 to 31 March 2011 is given in the table below

Month	Bombay Stock Exchange Limited		National Stock Exchange of India Limited	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2010	64.40	56.00	64.20	56.00
May, 2010	64.70	50.62	64.50	50.09
June, 2010	64.00	55.96	61.80	54.80
July, 2010	79.59	57.20	79.94	57.40
August, 2010	87.00	71.60	86.40	72.22
September, 2010	83.90	75.55	83.85	76.00
October, 2010	88.00	73.60	85.70	73.75
November, 2010	87.35	64.05	87.40	66.00
December, 2010	84.80	60.35	79.40	60.40
January, 2011	74.50	58.30	74.70	57.60
February, 2011	65.80	56.25	65.00	56.15
March, 2011	61.15	56.60	62.00	56.15

Note : Share Price adjusted to reflect subdivision of the equity share of the nominal value of Rs.10/- each into 5 Equity Shares of the nominal value of Rs.2/- during the year

# Report of the Directors on Corporate Governance

## c) Magma Share Performance



d) Company's registered office	: "Magma House", 24, Park Street, Kolkata – 700 016
e) Address for correspondence for Shares/ Debentures and related matters	: Secretarial Department, 24, Park Street, 4th Floor, Park Centre Building, Kolkata - 700 016
f) Registrar and Share Transfer Agent (Physical and Demat Mode)	: Niche Technologies Private Limited, D-511, Bagree Market, 5th Floor 71, B.R.B.B. Road, Kolkata - 700 001, Tel No.033- 22357270 / 7271/ 3070 Fax No.033 - 22156823, Email Id : nichetechpl@nichetechpl.com
g) AGM details Date Venue Time	} As per the Notice calling the Annual General Meeting
h) Financial calendar (tentative) Financial reporting for the quarter ending 1st quarter ending 30 June 2011 2nd quarter ending 30 September 2011 3rd quarter ending 31 December 2011 4th quarter ending 31 March 2012 Annual General Meeting for the year ending 31 March 2012	: Last week of July, 2011 : Last week of October, 2011 : Last week of January, 2012 : Last week of April, 2012 : Last Week of September 2012
i) Dividend payment date and rate	: Within 30 days from the date of Annual General Meeting. Rs.0.60/- per Equity Share (30%) on 12,97,73,550 Equity Shares of Rs.2 each; a 9.7 percent dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs.100 each for the period from 1.4.2010 to 17.2.2011 and 9.7 percent on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs.80/- each (reduced to Rs.80/- upon redemption of 1st installment of Rs.20/- each per share on 17th Feb, 2011) for the period from 18.2.2011 to 31.3.2011; a 5 percent dividend on 30,00,000 Cumulative Non-convertible Redeemable Preference Shares of

	Rs.100 each; a 3.7 percent dividend on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs.100 each; a 12 percent dividend on 25,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs.100 each for the period from 30.6.2010 to 31.3.2011; a 9.6 percent dividend on 10,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs.100 each for the period from 19th June,2010 to 31st March,2011; a 1 percent dividend on 21,09,199 Cumulative Non Convertible Redeemable Preference Shares of Rs.100 each for the previous year ended 31 March 2010, will be paid, when approved. It will be paid on or after the AGM date.
j) Contact person for clarification on financial statements	: For clarification on financial statements, one should contact Mr. Dharendra Kumar Hota, 24, Park Street, Kolkata - 700 016. Ph: 033 4401 7200/359 Email: dkhota@magma.co.in

k) Distribution of shareholding as on 31 March 2011

Particulars	Number of shareholders	Number of shares held	percent of shareholding
Up to 500	11,003	12,21,774	0.9415
501 – 1,000	709	5,82,348	0.4487
1,001 – 5,000	641	14,76,976	1.1381
5,001 – 10,000	120	9,17,990	0.7074
10,001 – 50,000	110	26,44,914	2.0381
50,001 – 1,00,000	37	28,20,886	2.1737
1,00,001 – and above	79	12,01,08,662	92.5525
<b>Total</b>	<b>12,699</b>	<b>12,97,73,550</b>	<b>100.00</b>

Pattern of shareholding as on 31 March 2011

Category	Number of shares	Percentage
Promoter and Promoter Group	5,40,27,503	41.63
Resident individuals	75,99,644	5.86
Foreign holdings	5,30,11,565	40.84
Public financial institutions and banks	1,25,940	0.10
Other companies / mutual funds	1,34,90,478	10.40
Trusts	15,18,420	1.17
<b>Total</b>	<b>12,97,73,550</b>	<b>100.00</b>

l) Demat facility	: The Company's shares enjoy demat facility with NSDL and CSDL having ISIN Nos. INE511C01022 for Equity Shares, INE511C04018 for 9.70 percent 21,09,199 Preference Shares of Rs.100 each, INE511C04026 for 3.25 percent LIBOR 6,500,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs.100 each, INE511C04034 for 5% 30,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs.100 each.
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	<p>INE511C04042 for 12% 25,00,000 Cumulative Redeemable Non Convertible Preference Shares of Rs.100/- each.</p> <p>The demat facility is available since 16 January 2001 for Equity Shares and 10 March 2006 for Preference Shares, January 7, 2010 for 5% 30,00,000 Cumulative Non-Convertible Redeemable Preference Shares and July 13, 2010 for 12% 25,00,000 Cumulative Redeemable Non Convertible Preference Shares. As on 31 March 2011, 12,63,80,350 Equity Shares constituting 97.39 percent of the total holding and 1,41,10,198 Preference Shares of the Company were held in demat mode.</p>
m) Transfer of shares	: During the period, transfer of 34,038 Equity Shares was recorded by the Company. All transfers were effected within 30 days of receipt. Other than routine queries / requests, the Company did not receive any complaint during the period from the investors.
n) ISIN Number in NSDL and CDSL	ISIN Nos. INE511C01014 (Equity Shares), INE511C04018 (9.70 percent Preference Shares), INE511C04026 (3.25 percent LIBOR Cumulative Non-Convertible Redeemable Preference Shares.), INE511C04034 (5% Cumulative Non-Convertible Redeemable Preference Shares) and INE511C04042 for 12% 25,00,000 Cumulative Redeemable Non Convertible Preference Shares.
o) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity	As on 31st March, 2011, 1,00,00,000 warrants (Previous year- Nil) are outstanding and each warrant carries right to be allotted 1 Equity Share upon application and payment of the balance 75 percent of the issue price on or before 31st October, 2011.
p) E-mail ID of the grievance redressal division /compliance officer exclusively for the purpose of registering complaints by investors	bhatia.g@magma.co.in
q) Unclaimed Shares	SEBI by circular no CIR/CFD/DIL/10/2010 dated December 16, 2010 has amended Clause 5A of the Listing Agreement to provide that shares held physically which may have remained unclaimed by shareholders due to insufficient/incorrect information or for any other reason should be transferred in demat mode to one folio in the name of "Unclaimed Suspense Account" with one of the Depository Participants. The Company is taking steps to issue notices to the concerned shareholders before transferring the unclaimed shares to the Unclaimed Suspense Account.

## 9. Compliance to Other Non-Mandatory Requirements

### a) The Board

The Chairman of the Company is an Executive Chairman thus this provision is not applicable.

### b) Remuneration Committee

The Board has a Remuneration Committee under the

nomenclature 'Nomination and Remuneration Committee' whose terms of reference, composition and other relevant particulars have been mentioned in this report.

### c) Shareholders rights

The quarterly, half yearly and annual financial results of the Company are published in newspapers on an all India basis and are also posted on the Company's website. Further, significant



events are informed to the Stock Exchanges from time to time and then the same is also posted on the website of the Company under the 'Media Centre' section. The complete Annual Report is sent to every Shareholder of the Company.

**d) Audit qualifications**

It is always the Company's endeavour to present unqualified financial statements. There is no audit qualification in the

Company's financial statements for the F.Y. ended 31st March, 2011.

For and on behalf of the Board

Date: 25th April, 2011  
Place: Kolkata

**Mayank Poddar**  
(Chairman)

## Auditors' Certificate

### Certificate of Compliance from Auditors as Stipulated under Clause 49 of the Listing Agreement of the Stock Exchanges in India

To the Members of Magma Fincorp Limited

We have examined the Compliances of conditions of Corporate Governance by Magma Fincorp Limited for the year ended 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of Company's Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of a opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreements.

We state that in respect of investors grievances received during the year ended 31st March, 2011, no investor grievances are

pending against the Company for a period exceeding one month as per the records maintained by the Company and presented to the Investors/Shareholders Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **S. S. Kothari & Co.**  
ICAI Firm Registration No. 302034E  
*Chartered Accountants*

India Steamship House  
21, Old Court House Street,  
Kolkata – 700 001  
25th April, 2011

**(R. N. Bardhan)**  
*Partner*  
Membership No. 17270

# Certification as per Clause 49(v) of the listing agreement

18th April, 2011

The Board of Directors

Magma Fincorp Limited

Magma House, 24, Park Street, Kolkata – 700 016

We, the undersigned in our respective capacities as Vice Chairman and Managing Director and Chief Financial Officer of Magma Fincorp Limited, certify to the Board in terms of requirements of Clause 49(V) of the Listing Agreement that we have reviewed the financial statement and the cash flow statement of the Company for the financial year ended 31st March, 2011.

1. To the best of our knowledge and belief, we certify that:

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that are misleading;

(ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;

(iii) there are no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct;

(iv) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(v) accounting policies have been applied consistently and reasonable and prudent judgments and estimates have been made to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or

loss of the Company for that period;

(vi) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(vii) annual accounts are prepared on a going concern basis.

2. For the purpose of financial reporting, we accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

3. We do further certify that there has been:

(a) no significant changes in internal controls during the year;

(b) no significant changes in accounting policies during the year;

(c) no instances of material fraud have come to our notice. However, the Company has a fidelity guarantee insurance cover for losses against fraudulent activities;

(d) Compliance with listing and other legal requirements relating to financial statements.

For Magma Fincorp Limited

Sanjay Chamria

Vice Chairman & Managing Director

V. Lakshmi Narasimhan

Chief Financial Officer

# Code of conduct

18th April, 2011

The Board of Directors

Magma Fincorp Limited

Magma House, 24, Park Street, Kolkata – 700 016

Dear Sirs,

I, Sanjay Chamria, Vice Chairman and Managing Director of Magma Fincorp Limited hereby confirm that all Board Members and Senior Management Team have affirmed compliance with

the "Code of Business Conduct for Directors and Senior Executives of the Company" for the year ended 31.3.2011.

Thanking You,

Yours Sincerely,

For Magma Fincorp Limited

Sanjay Chamria

Vice Chairman & Managing Director

# Management discussion and analysis



## Economic and industry overview

The growth of Indian economy is reverting to its earlier high growth trajectory led by broad-based growth momentum across almost all sectors. Services sector growth and improved agricultural output has supported the strengthening of the growth process. Industrial growth was robust, however with greater volatility. The Indian economy has witnessed a GDP growth of 8.9 percent in first half of FY 2010-11 as against 7.5 percent in first half of FY 2009-10. The industrial sector has recorded a growth of 9.5 per cent during April-November 2010, mainly due to the robust performance of the manufacturing and mining sectors with the growth in electricity generation remaining at modest levels. However with the robust growth levels risks of capacity pressures are increasing.

Real GDP originating in Agriculture and Allied activities is estimated to have grown by 3.8 percent in first half of 2010-11, higher than 1 percent recorded in similar period the previous year. Real GDP originating in Industry rose by a healthy 10.3 percent in first six months in 2010-11 compared with 6.5 percent recorded in first half of last year. Growth rate of Real GDP originating in the Services sector has improved marginally from 9.6 percent during half year ended 2010-11 as compared with 9.1 percent a year ago. Activity in construction and financing, insurance, real estate and business services sector expanded by 9.6 percent and 8.1 percent, respectively, as compared with 8.4 percent and 11.5 percent during similar period last year. GDP growth in Q1 and Q2 in fiscal 2010-11 has been maintained at 8.9 percent respectively.

During April-November 2010, foreign investment of various components in India has witnessed a mixed trend. The inflows under gross Foreign Direct Investment (FDI) have exhibited a decrease to US\$19 billion as against US\$25.3 billion during the corresponding period 2009-10. However during April-September 2010 net inflows from FIIs increased sharply from US\$15.3 billion in April-September 2009 to US\$22.3 billion. Other avenue of capital inflows, ADRs/GDRs, witnessed a decrease of net inflows in 2010-11 versus 2009-10 during the first six months. Reflecting the easing liquidity conditions in

external markets and decrease in cost of funds, ECBs witnessed a significant increase in first half of 2010-11 to US\$6 billion as against US\$0.7 billion in 2009-10.

Indian rupee has appreciated marginally against the dollar during the last year. As on 31 March 2010, exchange rate was at Rs.45.14, it reached Rs.44.92 as on 29 September 2010 and firmed to Rs.44.65 on 31 March 2011 (a rupee appreciation of 1.1 percent).

Some of the advanced economies like the US and Japan face the macroeconomic challenge of generating some inflation to stimulate economic activity. Others like Europe are witnessing acceptable level of core inflation coupled with rising headline inflation and high rates of unemployment. However with the exception of Malaysia, all major South East Asian economies are facing inflationary pressures. In India, inflationary conditions in 2010-11 were marked by two distinct phases. During August-November 2010, the WPI inflation witnessed modest softening although the pace over the few months prior to December 2010 was weak due to persistent elevated levels of food and fuel inflation. In December 2010, however, renewed price pressures surfaced, driven by factors that were largely unanticipated and food inflation exhibited a strong rebound, led by onion and other vegetables, largely due to unseasonal rains and supply chain constraints. This resulted in the headline inflation increasing to 8.4 percent in December 2010 from 7.5 percent in November 2010. However, Inflation as per Consumer Price Indices (CPIs), which have a higher relative weight for food articles, has decreased from 13.5 percent in November 2009 to 8.3 percent in November 2010.

In an effort to counter increasing WPI inflation in the back of rising crude, commodity and food prices, the RBI has been undertaking monetary tightening measures a number of times in the past and has accordingly increased key rates. Continuing inflationary pressures pose a challenge to growth of the economy and may exert pressures of lending margins of banks and financial institutions, going forward.

All India sales of new Commercial Vehicles registered a healthy

## Management discussion and analysis

growth of 27.3 percent during 2010-11, while sales of new Cars recorded a growth rate of 29.3 percent during the same period as against 38.3 percent and 25.6 percent respectively in 2009-10. Similarly, as per industry feedback, sales of new construction equipment are believed to have recorded an overall growth of 21 percent in 2010-11 as against a growth of 9 percent in 2009-10.

For the fiscal 2011-12, it is now expected that the retail volumes of cars, commercial vehicles and construction equipment are firmly on growth track and will continue their sales growth through the year. The main factors driving this growth are enhanced domestic demand for vehicles for transportation sector and equipment for infrastructure development.

Magma believes that the retail finance segment offers tremendous opportunities, since many of the Indian consumers and small entrepreneurs are relatively under-served and under-leveraged, especially in the semi urban and rural markets. Continued economic growth as planned by the government and favourable demographic changes will drive demand in the future. Magma will continue to seek growth in its target market segments of semi-rural and rural India, with its business mission of investing in the smallest dreams and successes of the small Indian entrepreneurs. It will expand its branch network, increase its reach, use its customer knowledge and processes and systems to satisfy customer needs and offer better service than the competitors.

After witnessing slowdown during 2008-09, the Indian economy recovered in 2009-10, and firmed up in 2010-11. Various forward looking surveys including the RBI's industrial outlook survey indicate an improvement in business sentiments across all sectors. As per RBI report, overall growth rate for 2011-12 is expected to be 8.7 percent, driven mainly by growth in consumption demand, normal agri growth and investments in infrastructure and industry.

### Magma in 2010-11

In FY 2010-11, Magma has increased branch network to 172 branches from 153 at the beginning of the year, across 20 states and 1 union territory, of which around 80 percent are in the semi urban and rural India. The company has taken advantage of rising economy backed by strong domestic demand for

vehicles and tractors, by providing increased volumes of finance across its network.

During 2010-11, company focused on increasing the share of higher yield products, like Used Commercial Vehicles, Tractors and SME loans, which were launched in the last few years. These products not only contributed in achieving higher business, but also yielded higher margins for their funding in 2010-11.

On the strength of above company's total funding increased by 31.9 percent during the year. Company's collection efficiency and its portfolio quality also exhibited perceptible improvements during the year.

Company's total funding during the year was Rs.5,262 crore, which is a growth of 31.9 percent over total funding of Rs.3,989 crore recorded in last year. By the year end total Assets under the management of the Company increased to Rs.10691 crore, which is growth of 14 percent. Company's assets on finance includes commercial vehicle financing (new and used), cars including multi-utility vehicle funding, financing of construction equipment and tractor funding. A large portion of company's loan disbursements qualify as priority sector lending under the RBI guidelines, underlining the significance of NBFCs like Magma in providing financial support to sectors and customers which are still under served by the conventional banking system.

Company has installed capacity of 20 numbers of wind turbine generators (WTGs) (with rated capacity of 17.5 MW) which are located in states of Maharashtra, Madhya Pradesh, Karnataka and Rajasthan. Operation of these turbines was smooth during the year.

In a measure to support business growth of the Company by further capital infusion, company raised Rs.122 crore by issue of Equity Shares via QIP route. During the year, Company also raised perpetual debt of Rs.25 crore which qualifies as Tier 1 capital as per relevant RBI guidelines, and unsecured redeemable non-convertible subordinated debt of Rs.136 crore in the nature of debentures which qualifies as Tier-2 capital. Capital adequacy at the year end was a comfortable 18.2 percent, against the RBI norm of 15 percent for non-deposit taking asset financing companies like Magma.

## Financial performance

### Income

Income from operations during the year enhanced by 24.11 percent over last year on account of higher funding and increase in on-book assets. The total funding in the year 2011 increased by 31.90 percent over last year, while on-book assets grew by 34.64 percent to Rs.4284 crore by the end of the year over Rs.3182 crore at the end of last year. Average lending rates for funding done during the year decreased from 13.66 percent in last year to 12.99 percent in current year, caused by lowering of interest rates in the overall market during major part of the year. However, higher contribution from newly started high yield products such as Savidha, Tractors and SME loans have helped in maintaining the overall yield during the year.

### Expenses

Magma's total personnel cost during year has increased by 27.83 percent, due to increase in manpower and better compensation policy to retain talent. As a percentage of income, personnel cost during the year was 15.89 percent as compared 14.98 percent during last year. The good growth in Indian economy and strong demand of Cars, CV, Tractors, CE have contributed to increased business across all branches and regions by the Company.

Magma's other operative and administrative expenses increased during the year 2011, registering 27.5 percent growth over last year, and as a percentage of total income, it stood at 8.33 percent against 7.87 percent in year 2010.

Operating efficiency, defined as Employee cost and other operative and administrative expenses to total income increased from 30.00 percent during 2010 to 32.49 percent during financial year 2011.

DSA/ brokerage commission comprise mainly of payments made to the direct selling agents and business associates for generating business leads; this expense has increased by 39.52 percent in 2011 as compared to 2010. As a percentage to total income, brokerage commission increased from 7.14 percent to 8.27 percent in 2011, primarily on account of change in product mix and customer mix as also as a function of alteration of the pay out schemes from time to time.

The interest and finance charges of Company increased from

Rs.316 crore in fiscal 2010 to Rs.338 crore in fiscal 2011, an increase of 6.92%. The interest cost as a percentage of total income reduced from 44.99 percent in fiscal 2010 to 39.91 percent in the fiscal 2011. The decline in interest and finance cost has been by better fund management by the Company. Company, as part of its funding strategy regularly substitutes its relatively higher cost working capital loans (viz, cash credit and demand loans, among others) with a judicious mix of lower cost debt instruments such as short term loans / NCDs / commercial papers.

Better interest cost management and increased share of higher yield products achieved during the year have helped the Company to maintain net interest margin (NIM) of 5.0 percent for business done during the year 2011 which is close to 5.1 percent achieved for business done during the year 2010 even after substantial increase in key policy rates of RBI during the year.

An improved operating efficiency was also visible in the Company's collection function. Strengthened leadership and management bandwidth is yielding positive results for last few years. During the year 2011, company significantly improved its collection efficiency to 101.7 percent as compared to 99.8 percent witnessed in the previous year. This has had the impact of lower write-offs during the year, which decreased by 38.45 percent to Rs.24.63 crore while total assets under management of company increased by 14.02 percent to Rs.10691 crore.

Depreciation decreased by 15.05 percent from Rs.32.8 crore in fiscal 2010 to Rs.27.9 crore in fiscal 2011 mainly on account of decrease of 27.48 percent in the depreciation charge on operating lease assets to Rs.14.33 crore. Depreciation on other assets, viz. windmills and branch & office infrastructure, has increased from Rs.13.03 crore to 13.52 crore, an increase of 3.78 percent. The increase is on account of additional investments made in the branch renovation and increased network and new IT investments done during the financial year 2011.

### Profitability

Supported by higher funding, enhanced loan assets, better collection efficiency and asset quality, profit before tax (PBT) increased significantly by 65.47 percent from Rs.103.04 crore

## Management discussion and analysis

in last year to Rs.170.50 crore in current year. As percentage of total income, PBT increased remarkably from 14.66 percent in last year to 20.12 percent in current year.

Profit after tax (before deferred tax) recorded impressive growth of 62.00 percent from Rs.64.70 crore in last year to Rs.104.81 crore in the year 2011. Profit after deferred tax increased remarkably by 72.18 percent from Rs.66.46 crore in fiscal 2010 to Rs.114.43 crore in fiscal 2011.

As a result, key profitability parameters Return on Assets (RoA) and Return on Equity (RoE) have respectively improved significantly during the year under review. RoA improved from 1.69 percent in fiscal 2010 to 2.24 percent in fiscal 2011, while RoE recorded impressive increase to 22.66 percent in fiscal 2011 as compared to 18.49 percent in fiscal 2010.

### Initiatives

The company has in the past undertaken certain initiatives aimed at building a stable financial institution, with well established processes, enabled by latest IT platform, Magma's critical functions and processes such as human resources, technology, customers, branding and internal control systems are led by a strong team of professionals, which have continued to provide superior leadership, enabling Magma to reach greater heights every successive year.

### Employee ownership

Human resource is one of the most important element the key to the success of any financial services company. The Magma Employee Stock Options Scheme (ESOP) seeks to reward and retain leaders within the organisation as well as attract talent from a competitive marketplace. Magma formulated and implemented an ESOP scheme ('Magma Employees Stock Option Plan 2007') in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Pursuant to the Plan, 17,54,800 stock options were granted to the eligible employees in October 2007 out of which 774,300 stock options have been vested.

### Information technology

Magma's business runs on an Oracle-based centralised database and application system (three-tier architecture), extensive VPN connectivity across key branches and CITRIX solution, along with

NetScaler, making it possible for remote branches to access real-time information. Information Technology (IT) has facilitated retail financing business processes across our vast branch network. The company has invested significantly in maintaining and updating its technological platform over the years.

New initiatives undertaken in IT during FY 2010-11 relating to:

#### Application

- Magma implemented an Oracle-based software, which replicated the data from the main server to the DR server in real time so that all reports are generated from the DR server, ensuring smooth and seamless operations 24x7 and distributed users load.
- Developed the 'Captive Suvidha' module to support the new business initiative which provided a cross-selling opportunity.
- Introduced a new SMS facility for the sales force which updates them on the status of the leads generated daily; this facility improved the turnaround time.
- Extended the IT network for facilitating credit and operations to 18 new branches, improving the turnaround time for processing leads.

#### Infrastructure

- Extended the IT infrastructure to 19 new branches.
- Increased server capacity for managing increased business volumes.
- Took initiative to benchmark the existing IT infrastructure, security framework and processes with the best in the world. The project will include a gap analysis and provide relevant solutions.

Going forward, IT department has lined up the following initiatives:-

- Revamp the website for better navigation and connect it with intranet so that the employee can login from the website itself.
- Enhance the Company's image and branding. Use social media tools like Facebook and Twitter to interact with young car buyers, analysts and employee groups.
- To bring new technologies and applications to automate various processes of the sales organisation.
- Initiate a lead generation system for sales and field investigation teams.

- Technology up gradation of the existing ERP Application System.

### Corporate image building

With the recovery in market scenario, Magma bolstered its corporate image building initiatives in 2010-11. Focus was given on below the line activities and efforts were made to build better relations with the customers. Emotional Connect initiatives such as performing puja during the delivery of vehicles, Health Camps, loan mela and customer meets were organised across the country. Almost 2000 such activities were held throughout the year. This along with a well devised PR campaign made sure Magma's unique story was present in the mass media more regularly than ever before.

Magma explored branding and communications from a 360 degree perspective. The PR programme included initiatives aimed at external and internal communications. The Company enjoyed high editorial visibility in print and electronic media facilitated by the PR campaign. The corporate advertising campaign and the regular dealer advertisements lent further visibility to the brand. The various consumer and trade shows and promotions that Magma participated helped the Company to reach to a larger audience including prospective customer and trade. Magma's show at IMME 2010 – India's largest mining expo, BC India 2011 – a construction equipment trade show organised by Bauma Conexpo in Mumbai, Agrotech Patna & Amravati – organised by CII showcasing farmers and farm equipment, Banking Conclave – the biggest conclave organised by FICCI and CII respectively for the banking and financial institutions added to the overall brand recall. Participation and sponsorship of major corporate events, developing and maintaining strong relations with investors through a planned IR campaign, conference calls, investor meets, dealer and channel partner meets were some of the other activities that Magma undertook. Corporate Social Responsibility has always featured prominently in Magma's list of activities and the Company organised health camp and eye check-up camps for truck drivers and helpers under the program 'Better Health with Magma'. To promote art and culture and to give a platform to the budding artists, the Company organised Painter's Workshop in seven locations across the country. Magma also continued association with the Friends of the Tribal Society, thereby sponsoring 13 schools in

tribal areas aimed at eradicating illiteracy. The company patronised Akshay Patra Foundation - an NGO, for providing mid-day meals to students and Parivar – an NGO to build residential school for the deprived children. The company published - "Magmaites" - the internal e-newsletter and "Graphitti" - the external newsletter, to help disseminate the news and views.

### Customer relationship management

Magma caters to a wide range of financial requirements of first time buyers and small customers in deeper reaches of rural and semi urban India. The company's growth is a reflection of faster growth that is being witnessed in these markets. The Company has all along believed in building long term sustainable relationships with its customers, fulfilling their smallest dreams, be it purchase of car for a good lifestyle or purchase of commercial vehicle, tractor or construction equipment for productive deployment.

Magma has developed and established standardised credit screens and processes for superior customer service across large branch network for its defined target customers in different products. The company continues to invest time and money in further refining sales processes and systematic measurement of process metrics, aimed at improving efficiency and reducing wasteful sourcing. Significant investments in branch network, efficient service and customer relationship management will hold key to winning the customers in an ever increasing competitive environment.

### Internal control systems

Magma has adequate internal control mechanism with well-defined structure and processes to prevent revenue loss and/or misappropriation of funds, and other assets of the Company. The internal audit department is vested with the tasks and responsibility of ensuring that various departments and Process owners exhibit adequate process compliance discipline in their business decisions.

Both on-site for operating units and off-site audit for departments and functions are conducted periodically by the department covering entire range business processes, functions and domains such as branch functioning, departmental control systems at branch and head office, fund and document

management, and credit process. The Board of the Company has constituted an Audit Committee, which is headed by a Non-Executive Independent Director. The audit committee periodically reviews internal audit reports and brings to the notice of the board any significant process deviations.

### Opportunities

Continuing growth from 2010, cars, commercial vehicles, and tractors have seen high double digit growth in sales during the year 2011, driven by good domestic demand and sustained growth in the Indian economy. Most economic estimates in the media, research and government circles point to Indian economy growing between 8.5 and 9.0 percent in the year 2012. Thus, going forward, we expect that the retail sales of cars, commercial vehicles, construction equipment and tractors shall maintain good growth rates, though sales of CV may be a bit down as compared to growth rates seen this year.

With the government aiming to achieve economic growth levels of 9.0 percent and upwards, supported by near normal agri growth, growth in core sectors, infrastructure spending and consumer demand are sure to happen. This would leave higher disposable incomes in the hands of young professionals, who are emerging as new age consumers of lifestyle products including cars. Infrastructure spending, though remaining muted for most part of fiscal 2011, continues to be thrust area for policy makers and the government. Construction equipment industry will ride on growth of infrastructure and many OEMs continue to be bullish on the Indian market.

Although, there is expectations that monetary tightening by RBI on account of high inflation may continue for couple of quarters, at the same time government's deficit and accordingly borrowing programmes for next year are on a lower scale, leaving money for private growth. Apart from higher tax collections, Govt has also planned to raise substantial money from disinvestments of PSUs in 2012, which will help reducing its fiscal deficit. In our view, downside risks to economic growth remains in terms of continuing flux in external developments such as sovereign debt crisis in Europe, Japan etc. Indian economy has proved to be resilient in the past against external crises.

### Challenges

While the economic growth and our own growth strategy would propel business volumes across all asset classes, maintaining and enhancing overall net interest margins will be a key challenge. To this end, we are set to increase the share of high yield products from the current level. With business volume increasing, another key challenge would be to drive up productivity improvements and branch throughput through process changes.

As earlier, the asset financing industry continues to remain very competitive, with aggression of few large PSU banks in various product segments and some other non-bank players trying to grow their asset base. While on the one hand, market growth itself offers a large pie for everyone to take a respectable share, enhancing Magma's competitive position and market share without compromising asset quality or margins would be a challenging task for the year.

Process efficiency and discipline across all key functions such as sourcing, credit & operations and collections, coupled with sound risk management practices would hold key to sustainable growth in future years. In the past, Magma has proved that it has superior business model for good quality underwriting and high-performance collection mechanism which have resulted in excellent portfolio quality, while at the same time ensuring business growth.

### Outlook

With the economic growth expected to be in the range of 8.5 to 9.0 percent in the future years, demand outlook for various asset financing products remain bullish. Auto boom, infrastructure investments and modernisation of agriculture point towards an optimistic asset growth in near future. The company's key growth drivers would be deepening its existing branch network, branch expansion, increased network coverage for various products and tapping new customer/ product sub-segments. Coupled with this, the Company would look forward to ramping up its high yield basket comprising Suidha (i.e. Used CV), Tractors, and SME Loans.

Magma believes that it has the right mix of business model, infrastructure, technology, management bandwidth and field



force, to propel to higher growth trajectory in future.

## Risk management

Risk management in Magma has evolved out of benchmarking of the best competitive practices, our own risk appetite and historical portfolio performance and addendum risk philosophy.

Following slowdown of the economy in FY09, Magma's underwriting norms have undergone changes thereafter with a view to focus more on containing credit risk. In FY11 the market opened up with almost all the financiers back in the market & some new ones too entering the retail finance industry. The main challenge in 2010-11 was to maintain the portfolio quality and at the same time to deliver process & policy to protect and increase the market share. Some of the steps taken were:

- The process were reviewed and monitored periodically so that there were no slippages.
- The policies were reviewed and benchmarked with the competition. The policies were changed with the improvement of economy with sufficient mitigants to maintain portfolio quality.
- Credit underwriting was focused towards establishing customers experience and ability to deploy the asset profitably with strong Field Investigation by in house team to establish stability and profile.
- To deliver better services to customer, process was introduced to measure end to end TAT. Operation department was made owner for overall TAT and during the year the overall TAT was reduced by more than 25%.

During the fiscal year under review the economy growth was again at its best with GDP growth of 8.5 percent approx. Magma continued its traditional lending focus to the retail end of the market, in its mission to play role in financial inclusion, loans were underwritten with calculated and manageable risks and in the course, the Company has built a balanced portfolio of retail and strategic customers. This has resulted in an optimum risk-return profile of our assets.

## Market risk

Magma follows an approach of mitigating market risk at two levels:-

- (1) Identification of lead economic indicators relevant to Magma's lending business and
- (2) Establishing and regular monitoring of delinquency parameters at a portfolio level

## Lead indicators

Lead indicators have been defined:

1. GDP growth
2. IIP
3. Core Sector performance
4. Inflation

These above indicators have a direct bearing impact on cash flows and viability of operation of a number of commercial assets that Magma funds. These indicators are tracked closely throughout the year and based on the movement of these industries, portfolio level-corrective steps are undertaken.

Regular portfolio review and market review process have also been formulated and implemented through Risk Management Committee (RMC). The RMC members comprise Collections, Sales, Credit, Operations, HR and Audit heads, and is chaired by the Managing Director. The RMC meets at regular intervals to assess evolving and changing market risks and monitors portfolio performance and decides on corrective steps to be taken to address the risk.

## Operational risk management

Operational risk is defined by Magma as anything which is neither a credit nor a market risk. Hence, operational risk covers a wide range of the Company's activities. The Company has implemented operation risk plan whereby all functions are aligned along vertical lines and key risks pertaining to these respective functions are identified. Once a key risk is identified, each functional vertical does transaction testing to evaluate the compliance to lay down processes. Thus, the approach is bottoms up, ensuring acceptance of the findings and quicker implementation of corrective action plan if need be.

Over the last two years, Magma has undertaken the following steps to minimise operational risk:-

- All processes are standardised and documented

## Management discussion and analysis

- Clearly defined delegation of authority matrix
- Credit and operations verticals segregated to ensure effective maker-checker system
- Implementation of training calendar for all functions
- Easy access for all employees to various processes, rules, regulations and operating guidelines web-based interactive system
- Internal audit process covering both on-site and off-site audit of branches and departments

In a nutshell, metrics are the key to the risk management process in Magma. The entire credit process is metrics-driven in order to achieve the goals set and ensure a healthy portfolio quality in the years to come.

### Asset liability risk

It is imperative that there exists no or minimal mismatch between the tenure of borrowings and assets. In Magma, prudence and appropriate risk is the guiding principle for decision making in its treasury functions. In this backdrop, the Company has maintained excellent asset liability maturity as regards its tenure and interest rates. Considering that the funding model of the Company includes sell down through bilateral assignments as an important tool, the exposure to interest rate risks is minimum. In turn, this model also supports in managing the cost of funds efficiently as over 70 percent of Magma's assets qualify for the priority sector lending categorisation and hence attracts lower rates of borrowing.

The company has maintained an appropriate balance in its borrowing profile thereby managing an excellent asset liability maturity profile.

### Foreign exchange risk

The Company has marginal exposure to foreign exchange risk, since its disbursements are in rupee terms and also bulk of its borrowings are also in the nature of domestic rupee debt.

Where ever limited foreign exchange exposure exists, the Company has entered into appropriate currency hedge transactions to cover the risks adequately.

### Liquidity risk management

The Company manages liquidity risk by having a diversified

funding base. Magma has also built capability to augment its liquidity by generating stable funding relationships with various banks and financial institutions who seek to buy the underlying assets through the bilateral assignment route. It has an established track record in accessing the assignment market. The Company also increased its working capital substantially during the year, which was utilised effectively for enabling the Company to hold the assets in its own books. As a policy, Magma works towards maintaining adequate liquid assets, appropriate funding lines and access to unsecured funding, as a hedge against any unforeseen requirements.

The company has in place an Asset Liability Committee (ALCO), which reviews once every two months, the asset liability position, cost of funds and sensitivity of forecasted cash flow statements over short and long-term time horizons and recommends corrective measures, if any. The ALCO reviews the changes in the economic environment and financial markets and suggests guiding strategic principles for effective resource management. This results in proper planning for management of various financial risks viz. asset liability risk, foreign currency risk and liquidity risk, on an on-going basis.

### Cautionary Statement

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

For and on behalf of the Board

**Sanjay Chamria**  
*Vice Chairman and Managing Director*

Kolkata, 18th April 2011

## Auditor's Report

To  
The Members of  
**Magma Fincorp Limited**

- 1) We have audited the attached Balance Sheet of Magma Fincorp Limited ('the Company') as at 31st March, 2011, and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, as amended ('the Order') and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4) Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e) On the basis of written representations received from the Directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read together with the notes appearing on the Schedule 16, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India:
    - i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
    - ii) in the case of Profit and Loss Account, of the profit of the Company for the year ended on that date; and
    - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **S. S. KOTHARI & CO.**  
ICAI Firm Registration No. 302034E  
*Chartered Accountants*

India Steamship House  
21, Old Court House Street  
Kolkata - 700 001.

**R. N. Bardhan**  
*Partner*

Dated: 18 April, 2011

Membership No.17270

## Annexure to the Auditor's Report

(Referred to in paragraph 3 of our report of even date)

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) As explained to us, the fixed assets of the Company are physically verified by the management in a phased periodical manner which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. The physical verification conducted and the confirmation so obtained during the year did not reveal any material discrepancies between the book records and the physical inventory.
- c) The fixed assets disposed off during the year, do not constitute substantial part of the fixed assets of the Company and such disposal in our opinion, has not affected the going concern status of the Company.
- ii) a) The inventories have been physically verified during the year by the management at reasonable intervals.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iii) a) The Company has granted unsecured loans to the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Such loan was granted to one party and amount outstanding at the end of the year is Nil. The maximum amount outstanding on aggregate basis during the year is Rs. 4,516.05 lacs. The Company has not taken unsecured loans from companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted are not prima facie prejudicial to the interest of the Company.
- c) The payment of principal amounts and interest are regular.
- d) There is no overdue amount in respect of loans granted from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets, rendering of services and sale of power. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas and accordingly the question on commenting on whether there is a continuing failure to correct major weakness in the internal control system of the company does not arise.
- v) a) According to the information and explanations given by the management, the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been duly entered therein.
- b) In our opinion, the transaction in respect of any such parties during the financial year have been made at prices, which are reasonable, having regard to the prevailing market price at the relevant time.
- vi) The Company does not accept any deposits from public and it has been categorised as Non-Banking Finance (Non-Deposit Accepting or Holding) Company (NBFC-ND) by the Reserve Bank of India. However, in respect of Deposits taken over in the financial year 2006-07 by way of merger, the Company has complied with directives issued by the Reserve Bank of India.
- vii) In our opinion and according to the information and explanations given to us, the Company has an internal audit system which is commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost record under section 209(1)(d) of the Companies Act, 1956 in respect of generation of electricity from wind mill to which the said rules are made applicable and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- ix) a) According to the records of the Company, the Company is generally regular in depositing undisputed

statutory dues including Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, VAT, Service Tax, Wealth-tax, Custom Duty, Cess and other statutory dues, if any, to the extent applicable, with appropriate authorities.

- b) At the last day of the financial year, there was no amount outstanding in respect of undisputed Income-tax, Sales-tax, VAT, Service Tax, Wealth-tax, and other statutory dues, if any, to the extent applicable, which were due for a period of more than six months from the date they became payable.
- c) According to the records of the Company, following statutory dues have not been deposited on account of dispute:

Name of the Statute	Nature of dues	Amount (Rs.in lacs)	Financial Year to which the pending amount relates	Forum where dispute is
Chapter V of Finance Act, 1994	Service Tax	300.65	2002-03 to 2006-07	CESTAT, EZB, Kolkata
West Bengal Value Added Tax Act, 2003	VAT	20.89	2005-06 to 2007-08	Jt. Commissioner of Sales Tax, Kolkata (South) Circle

Also refer to Note 2 (xx) (a), (b) & (c), Schedule 16 to Accounts.

- x) The Company has no accumulated losses at the end of the financial year and has not incurred any cash losses in the current financial year covered by our audit and the immediately preceding financial year.
- xi) As per the information and explanations given by the management and as verified by us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institution, bank or debenture holders.
- xii) Based on our examination of documents and records, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a Chit Fund or a Nidhi / Mutual Benefit Fund/Society. Therefore, the provisions of the clause 4(xiii) of the Order are not applicable.
- xiv) The Company is not dealing in or trading in shares,

securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

- xv) According to information and explanations given to us, the Company has given guarantee for loans taken by its subsidiary from banks or financial institutions, the terms and conditions whereof in our opinion are not prima facie prejudicial to the interest of the Company.
- xvi) In our opinion, Term Loans have been applied for the purpose for which they were obtained.
- xvii) According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short term basis have not been used during the year for long term investment and vice versa.
- xviii) During the year, the Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Companies Act, 1956. However, the Company has made preferential allotment of Optionally Convertible Equity Warrants to one of the promoter entities covered in the register maintained under section 301 of the Companies Act, 1956 and the terms of the issue are not prima facie prejudicial to the interest of the Company.
- xix) According to the information and explanations provided by the management, security or charge has been created in respect of debentures issued during the year.
- xx) The Company has not raised any money by way of public issue during the year. Therefore, the provision of clause 4(xx) of the Order is not applicable.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For **S. S. KOTHARI & CO.**

ICAI Firm Registration No. 302034E

India Steamship House

*Chartered Accountants*

21, Old Court House Street

Kolkata - 700 001.

**R. N. Bardhan**

*Partner*

Dated: 18 April, 2011

Membership No.17270

## Balance Sheet

(Rs. in Lacs)

	Schedule No.	As at 31.03.2011	As at 31.03.2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	17,283.83	13,787.91
Optionally Convertible Equity Warrants		1,250.00	–
Reserves and Surplus	2	53,680.33	32,670.78
		72,214.16	46,458.69
<b>Loan Funds</b>			
Secured Loans	3	338,747.48	286,399.23
Unsecured Loans	4	102,094.29	70,309.84
		440,841.77	356,709.07
Deferred Tax Liability (Net)		3,829.40	4,791.55
<b>Total</b>		<b>516,885.33</b>	<b>407,959.31</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	38,823.01	38,207.05
Less: Depreciation and Amortisation		20,110.04	17,411.18
Net Block		18,712.97	20,795.87
<b>Investments</b>			
	6	2,988.38	3,021.58
<b>Current Assets, Loans and Advances</b>			
Assets on Finance		428,374.76	318,158.65
Stock-in-Trade		17.17	17.17
Sundry Debtors	7	606.25	744.65
Cash & Bank Balances	8	100,427.60	96,845.68
Other Current Assets		10.67	36.18
Loans and Advances	9	16,448.16	16,225.26
		545,884.61	432,027.59
<b>Less: Current Liabilities and Provisions</b>			
Current Liabilities	10	41,037.93	42,689.12
Provisions	11	9,662.70	5,196.61
		50,700.63	47,885.73
<b>Net Current Assets</b>		<b>495,183.98</b>	<b>384,141.86</b>
<b>Total</b>		<b>516,885.33</b>	<b>407,959.31</b>
<b>NOTES ON ACCOUNTS</b>	16		

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

For and on behalf of  
**S. S. KOTHARI & CO.**  
 ICAI Firm Registration No. 302034E  
 Chartered Accountants

**M. Poddar**  
 Chairman

**S. Chamria**  
 Vice Chairman &  
 Managing Director

**R. N. Bardhan**  
 Partner  
 Membership No. 17270  
 Kolkata, 18 April, 2011

**V. Lakshmi Narasimhan**  
 Chief Financial Officer

**Girish Bhatia**  
 Company Secretary

The Schedules referred to above form an integral part of Balance Sheet

## Profit and Loss Account

(Rs. in Lacs)

	Schedule No.	Year ended 31.03.2011	Year ended 31.03.2010
<b>INCOME</b>			
Income from Operations		79,001.82	63,653.11
Other Income	12	5,731.16	6,647.78
		<b>84,732.98</b>	<b>70,300.89</b>
<b>EXPENDITURE</b>			
Payments to and Provisions for Employees	13	13,464.99	10,533.55
Operative and Administrative Expenses	14	16,529.82	14,559.68
Provision for Standard Assets (As per RBI Directions) - Tier II Capital		1,090.00	-
Interest and Finance Charges	15	33,813.00	31,624.96
Depreciation and Amortisation		2,785.07	3,278.58
		<b>67,682.88</b>	<b>59,996.77</b>
<b>Profit Before Tax</b>		<b>17,050.10</b>	<b>10,304.12</b>
Provision for Taxation (Net of amount written back)		6,568.93	3,834.20
Provision for Deferred Tax		(962.15)	(176.11)
<b>Profit After Tax</b>		<b>11,443.32</b>	<b>6,646.03</b>
Balance Brought Forward		10,191.97	6,677.91
<b>Profit Available for Appropriation</b>		<b>21,635.29</b>	<b>13,323.94</b>
<b>APPROPRIATIONS</b>			
Statutory Reserve		2,290.00	1,330.00
General Reserve		1,150.00	500.00
Dividend on Preference Shares (Refer Note 2 (x), Schedule 16 to Accounts)		961.53	599.28
Proposed Equity Dividend		778.64	517.39
Corporate Dividend Tax (Refer Note 2 (x), Schedule 16 to Accounts)		282.42	185.30
Surplus Carried to Balance Sheet		16,172.70	10,191.97
		<b>21,635.29</b>	<b>13,323.94</b>
<b>Earning Per Share</b>			
(Face Value of Rs. 2/- per share)			
- Basic (in Rupees)		8.12	5.46
- Diluted (in Rupees)		7.94	5.45
(Refer Note 2 (viii), Schedule 16 to Accounts)			
<b>NOTES ON ACCOUNTS</b>	16		

This is the Profit and Loss Account referred to in our Report of even date

For and on behalf of  
**S. S. KOTHARI & CO.**  
ICAI Firm Registration No. 302034E  
Chartered Accountants

**M. Poddar**  
Chairman

**S. Chamria**  
Vice Chairman &  
Managing Director

**R. N. Bardhan**  
Partner  
Membership No. 17270  
Kolkata, 18 April, 2011

**V. Lakshmi Narasimhan**  
Chief Financial Officer

**Girish Bhatia**  
Company Secretary

The Schedules referred to above form an integral part of Profit and Loss Account

## Cash Flow Statement

(Rs. in Lacs)

Particulars	Year ended 31.03.2011		Year ended 31.03.2010	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit Before Tax		17,050.10		10,304.12
<b>Adjustments for :</b>				
Depreciation and Amortisation	2,785.07		3,278.58	
Bad Debts Written-off (net)	2,463.29		4,001.85	
(Profit) on Sale of Investments	-		(17.21)	
Loss on Sale of Fixed Assets	19.92		14.38	
Employee Compensation Expenses on account of ESOS	24.08		49.08	
Contingent Provision against Standard Assets	1,090.00		-	
Provision for Diminution in Value of Investments	-	6,382.36	(40.00)	7,286.68
<b>Operating profit before working capital changes</b>		<b>23,432.46</b>		<b>17,590.80</b>
<b>Adjustments for :</b>				
Trade and Other Receivables	1,837.76		(1,252.70)	
Assets on Finance	(117,346.58)		(127,994.11)	
Trade Payables	5,155.97	(110,352.85)	9,793.56	(119,453.25)
<b>Cash used in operations</b>		<b>(86,920.39)</b>		<b>(101,862.45)</b>
Taxes Paid (Net)	(5,722.37)	(5,722.37)	(2,616.32)	(2,616.32)
<b>Net cash used in operating activities (A)</b>		<b>(92,642.76)</b>		<b>(104,478.77)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets	(752.36)		(342.43)	
Proceeds from Sale of Fixed Assets	30.28		13.85	
Purchase of Long Term Investments	(740.00)		(425.66)	
Proceeds from Sale of Long Term Investments	773.20		1,675.13	
<b>Net Cash from investing activities (B)</b>		<b>(688.88)</b>		<b>920.89</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Increase in Borrowings (Net)	84,132.70		109,384.01	
Proceeds from Optionally Convertible Equity Warrants	1,250.00		-	
Proceeds from Non Convertible Preference Shares (net)	939.41		-	
Preference Share Application Money Received	-		2,138.75	
Proceeds from Equity Shares including Securities Premium (net)	11,982.50		-	
Dividend Paid (including tax thereon)	(1,391.05)		(1,018.88)	
<b>Net cash from financing activities (C)</b>		<b>96,913.56</b>		<b>110,503.88</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>		<b>3,581.92</b>		<b>6,946.00</b>
<b>Cash and cash equivalents as at the beginning of the year</b>		<b>96,845.68</b>		<b>89,899.68</b>
<b>Cash and cash equivalents as at the end of the year</b>		<b>100,427.60</b>		<b>96,845.68</b>
<b>Components of Cash &amp; Cash Equivalents</b>				
Cash and Cheques in Hand		3,096.93		3,189.05
Balances with Scheduled Banks:				
In Current/Cash Credit Accounts		24,396.36		23,902.86
In Unpaid Dividend Accounts		19.02		20.30
In Fixed Deposit Accounts		72,915.29		69,733.47
		<b>100,427.60</b>		<b>96,845.68</b>

This is the Cash Flow Statement referred to in our Report of even date

For and on behalf of  
**S. S. KOTHARI & CO.**  
 ICAI Firm Registration No. 302034E  
 Chartered Accountants

**M. Poddar**  
 Chairman

**S. Chamria**  
 Vice Chairman &  
 Managing Director

**R. N. Bardhan**  
 Partner  
 Membership No. 17270  
 Kolkata, 18 April, 2011

**V. Lakshmi Narasimhan**  
 Chief Financial Officer

**Girish Bhatia**  
 Company Secretary



## Schedules to Accounts

(Rs. in Lacs)

		As at 31.03.2011	As at 31.03.2010
<b>Schedule 1</b>	<b>SHARE CAPITAL</b>		
<b>Authorised</b>			
175,000,000	(Previous Year - 35,000,000 of Rs.10 each) Equity Shares of Rs.2 each	3,500.00	3,500.00
25,000,000	(Previous Year - 25,000,000) Preference Shares of Rs.100 each	25,000.00	25,000.00
		<b>28,500.00</b>	<b>28,500.00</b>
<b>Issued, Subscribed and Paid-up</b>			
129,773,550	(Previous Year - 21,777,140 of Rs.10 each) Equity Shares of Rs.2 each, fully paid up (Of the above shares 9,482,450 shares of Rs.10 each were allotted as fully paid up pursuant to schemes of amalgamation without payment being received in cash (Refer note 2 (ix) (a)).	2,595.47	2,177.71
2,109,199	(Previous Year - 2,109,199) 9.70% Cumulative Non-Convertible Redeemable Preference Shares of Rs.100 each, (reduced to Rs.80 upon redemption of first instalment of Rs.20 each per share on 17th February, 2011) allotted on 17th February, 2006 (Redeemable at par in five equal annual installments starting at the end of 5 years from the date of allotment till all the preference shares are redeemed which is at the end of 9th year from the date of allotment.)	1,687.36	2,109.20
3,000,000	(Previous Year - 3,000,000) 5% Cumulative Non-Convertible Redeemable Preference Shares "NCPS" of Rs.100 each, allotted at par on 4th August, 2006 (Redeemable at the end of 7 years along with a redemption premium equal to 53% of the NCPS consideration, provided that the return of the investor on the NCPS p.a. shall not exceed 300 basis points over the Prime Lending Rate of the State Bank of India or such other limit as provided under law from time to time.)	3,000.00	3,000.00
6,500,999	(Previous Year - 6,500,999) Cumulative Non-Convertible Redeemable Preference Shares of Rs.100 each, allotted at par on 26th March, 2007 (carrying dividend rate fixed at 6 months US Dollar Libor plus 3.25%, redeemable in US Dollar in five equal installments of US Dollar 3 million each, for the first time on 1st April, 2012 and thereafter on 1st April of each subsequent calendar year until all Preference Shares are redeemed. The last and final date of redemption will be 1st April, 2016.)	6,501.00	6,501.00
1,000,000	(Previous Year - Nil) 9.6% Cumulative Redeemable Non Convertible Preference Shares (CRNCPS) of Rs.100 each, allotted at par on 19th June, 2010 (Redeemable at the end of 5 years along with a redemption premium equal to 25% of the CRNCPS consideration.)	1,000.00	—
2,500,000	(Previous Year - Nil) 12% Cumulative Redeemable Non Convertible Preference Shares (CRNCPS) of Rs.100 each, allotted at par on 30th June, 2010 (Redeemable at par at the end of 5 years.)	2,500.00	—
		<b>17,283.83</b>	<b>13,787.91</b>

## Schedules to Accounts

(Rs. in Lacs)

	As at 31.03.2011	As at 31.03.2010
<b>Schedule 2 RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>	<b>457.98</b>	<b>457.98</b>
<b>Capital Redemption Reserve</b>		
Balance as per last Account	1,000.00	1,000.00
Add: Transferred from General Reserve (Refer note 2 (ix) (g))	421.84	–
	<b>1,421.84</b>	<b>1,000.00</b>
<b>Securities Premium Account</b>		
Balance as per last Account	10,285.30	10,285.30
Add: On Issue of Equity Shares	12,102.27	–
Less: Share Issue Expenses	(458.46)	–
	<b>21,929.11</b>	<b>10,285.30</b>
<b>Amalgamation Reserve Account</b>	<b>106.48</b>	<b>106.48</b>
<b>Statutory Reserve (under RBI Act)</b>		
Balance as per last Account	6,348.15	5,018.15
Add: Transferred from Profit and Loss Account	2,290.00	1,330.00
	<b>8,638.15</b>	<b>6,348.15</b>
<b>Employee Stock Option Outstanding</b>		
Employee Stock Option Outstanding	105.86	188.08
Less: Deferred Employee Compensation Expenses	(16.29)	(43.52)
	<b>89.57</b>	<b>144.56</b>
<b>General Reserve</b>		
Balance as per last Account	4,136.34	3,636.34
Add: Transferred from Profit and Loss Account	1,150.00	500.00
Less: Transferred to Capital Redemption Reserve	(421.84)	–
	<b>4,864.50</b>	<b>4,136.34</b>
<b>Profit and Loss Account</b>	<b>16,172.70</b>	<b>10,191.97</b>
	<b>53,680.33</b>	<b>32,670.78</b>

## Schedules to Accounts

(Rs. in Lacs)

	Security as per	As at 31.03.2011	As at 31.03.2010
<b>Schedule 3 SECURED LOANS</b>			
700 Redeemable Non-Convertible Debentures of the face value of Rs.10 lacs each allotted on 25th January, 2008 [Series M]. Above Debentures are redeemable at par on 21st January, 2011.	Note 1 (a) & (b)	–	7,000.00
100 Redeemable Non-Convertible Debentures of the face value of Rs.10 lacs each allotted on 17th August, 2009 [Series O]. Above Debentures are redeemable at par on 16th August, 2012.	Note 1 (a) & (b)	1,000.00	1,000.00
200 Redeemable Non-Convertible Debentures of the face value of Rs.10 lacs each allotted on 16th October, 2009 [Series P]. Above Debentures are redeemable at par on 15th October, 2012.	Note 1 (a) & (b)	2,000.00	2,000.00
700 Redeemable Non-Convertible Debentures of the face value of Rs.10 lacs each allotted on 16th November, 2009 [Series Q]. Above Debentures are redeemable at par on 16th November, 2012.	Note 1 (a) & (b)	7,000.00	7,000.00
Term Loans from Banks and Financial Institutions	Note 2	86,499.83	90,328.97
Cash Credit/Working Capital Demand Loans from Banks	Note 3	242,247.65	179,070.26
		<b>338,747.48</b>	<b>286,399.23</b>

### Notes:

- Debentures are secured by mortgage of Company's immovable property situated at Village - Mehrun, Taluk and District Jalgaon in the state of Maharashtra.
  - In addition to 1(a) above, Debentures of series M, O, P and Q are secured against specific Assets on Finance/Loan.
- Term Loans from Banks/Financial Institutions are secured by hypothecation of certain Assets on Finance/Loan and assignment of rentals receivable therefrom. Certain Term Loans are additionally secured by way of personal guarantee of a Director. Term Loans related to Wind Mills owned by the Company are secured by means of mortgage of the Wind Mills, assignment of the related receivables, and a Bank Guarantee in favour of the lending Institution alongwith personal guarantee of a Director.
- Cash Credit/Working Capital Demand Loans from Banks are secured by hypothecation of the Company's Finance/Loan assets, stocks of equipment, plant, machinery, spare parts etc. and future rental income therefrom and other current assets excluding those from real estate (expressly excluding those equipments, plant, machinery, spare parts etc. and future rental income therefrom which have been or will be purchased out of the Term Loans and/or Refinance Facility from FIs, Banks or any other finance organisation). These are collaterally secured by Equitable Mortgage of immovable properties and personal guarantee of a Director.

<b>Schedule 4 UNSECURED LOANS</b>			
Redeemable Non-Convertible Debentures (Refer Note 2 (vi) (c), Schedule 16 to Accounts)		8,695.00	32,500.00
Subordinated Redeemable Non-Convertible Debentures (Refer Note 2 (vi) (b), Schedule 16 to Accounts)		35,420.00	21,800.00
Subordinated Non-Convertible Perpetual Debentures (Refer Note 2 (vi) (a), Schedule 16 to Accounts)		5,500.00	3,000.00
Commercial Papers		22,470.00	13,000.00
Term Loan:			
– from Banks		30,000.00	–
Fixed Deposits*		9.29	9.84
		<b>102,094.29</b>	<b>70,309.84</b>

\* Represents liability transferred to and vested in the Company pursuant to the Amalgamation of Shrachi Infrastructure Finance Limited with the Company in the financial year 2006-07. The Company, in accordance with Reserve Bank of India directives, had transferred to Escrow Account, the entire outstanding amount together with interest.

## Schedules to Accounts

(Rs. in Lacs)

## Schedule 5 FIXED ASSETS

Description of Assets	GROSS BLOCK			DEPRECIATION & AMORTISATION				NET BLOCK		
	As at 01.04. 2010	Additions during the year	Ded/Adj during the year	As at 31.03. 2011	As at 01.04. 2010	For the year	Ded/Adj during the year	As at 31.03. 2011	As at 31.03. 2011	As at 31.03. 2010
<b>Fixed Assets for Own Use</b>										
Land and Buildings	3,455.00	–	–	3,455.00	550.70	49.62	–	600.32	2,854.68	2,904.30
Plant and Machinery	11,847.91	287.42	92.73	12,042.60	2,535.20	825.72	70.55	3,290.37	8,752.23	9,312.71
Furniture and Fixtures	2,085.11	169.17	14.37	2,239.91	770.15	133.65	9.88	893.92	1,345.99	1,314.96
Office Equipment	1,371.78	158.80	6.73	1,523.85	314.47	74.29	2.03	386.73	1,137.12	1,057.31
Vehicles	339.46	33.09	22.57	349.98	164.34	26.06	3.75	186.65	163.33	175.12
<b>Intangible Assets</b>										
Computer Softwares	525.71	103.88	–	629.59	254.60	83.14	–	337.74	291.85	271.11
Business and Commercial Rights	800.00	–	–	800.00	266.67	160.00	–	426.67	373.33	533.33
<b>Sub-total</b>	<b>20,424.97</b>	<b>752.36</b>	<b>136.40</b>	<b>21,040.93</b>	<b>4,856.13</b>	<b>1,352.48</b>	<b>86.21</b>	<b>6,122.40</b>	<b>14,918.53</b>	<b>15,568.84</b>
Previous Year	20,214.58	342.43	132.04	20,424.97	3,597.17	1,303.24	44.28	4,856.13	15,568.84	–
<b>Fixed Assets on Operating Lease</b>										
Land and Building	11.00	–	–	11.00	1.15	0.18	–	1.33	9.67	9.85
Commercial Vehicles	17,771.08	–	–	17,771.08	12,553.90	1,432.41	–	13,986.31	3,784.77	5,217.18
<b>Sub-total</b>	<b>17,782.08</b>	<b>–</b>	<b>–</b>	<b>17,782.08</b>	<b>12,555.05</b>	<b>1,432.59</b>	<b>–</b>	<b>13,987.64</b>	<b>3,794.44</b>	<b>5,227.03</b>
Previous Year	17,782.08	–	–	17,782.08	10,579.71	1,975.34	–	12,555.05	5,227.03	–
<b>Total</b>	<b>38,207.05</b>	<b>752.36</b>	<b>136.40</b>	<b>38,823.01</b>	<b>17,411.18</b>	<b>2,785.07</b>	<b>86.21</b>	<b>20,110.04</b>	<b>18,712.97</b>	<b>20,795.87</b>
Previous Year	37,996.66	342.43	132.04	38,207.05	14,176.88	3,278.58	44.28	17,411.18	20,795.87	–

	As at 31.03.2011	As at 31.03.2010
<b>Schedule 6 INVESTMENTS</b>		
<b>Long Term</b>		
<b>Other than Trade (at cost)</b>		
<b>Government Securities</b>		
Unquoted (Rs. 0.16 lac pledged with Sales Tax Authorities)	0.39	0.39
<b>Shares</b>		
Quoted (Fully paid-up of Rs.10 each)	8.31	8.31
Unquoted (Fully paid-up of Rs.10 each)	1,172.84	1,172.84
Unquoted (Fully paid-up of Rs.10 each) in Subsidiary Company	1,849.94	1,109.94
<b>Others</b>		
Unquoted (in Pass Through Certificates)	–	773.20
	<b>3,031.48</b>	<b>3,064.68</b>
Less : Provision for Diminution in Value of Investments	43.10	43.10
	<b>2,988.38</b>	<b>3,021.58</b>
<b>Notes:</b>		
Aggregate Book Value of Quoted Investments	8.31	8.31
Aggregate Book Value of Unquoted Investments	3,023.17	3,056.37
Aggregate Market Value of Quoted Investments	6.86	3.40

## Schedules to Accounts

(Rs. in Lacs)

	As at 31.03.2011	As at 31.03.2010
<b>Schedule 7 SUNDRY DEBTORS</b>		
Debts outstanding for a period exceeding 6 months		
Unsecured - Considered Good	–	–
Other Debts		
Unsecured - Considered Good	606.25	744.65
	<b>606.25</b>	<b>744.65</b>
<b>Schedule 8 CASH AND BANK BALANCES</b>		
Cash in hand	3,096.93	3,189.05
Balances with Scheduled Banks:		
In Current/Cash Credit Accounts	24,396.36	23,902.86
In Unpaid Dividend Accounts	19.02	20.30
In Fixed Deposit Accounts [Under Lien Rs.52,915.29 (Previous Year: Rs.57,523.36)]	72,915.29	69,733.47
	<b>100,427.60</b>	<b>96,845.68</b>
<b>Schedule 9 LOANS AND ADVANCES</b>		
Loans		
Unsecured - Considered Good	366.57	810.62
Advances recoverable in cash or kind or for value to be received		
Considered Good	7,828.44	6,792.08
Tax Payments/Deduction at Source - Considered Good	4,659.56	2,762.81
Margin with Bodies Corporate	2,294.85	3,294.85
Accrued Interest/Financial Charges, etc.	533.40	1,838.37
Deposits - Considered Good	765.34	726.53
	<b>16,448.16</b>	<b>16,225.26</b>
<b>Schedule 10 CURRENT LIABILITIES</b>		
Sundry Creditors	20,126.84	21,404.22
Advances/Deposits from Customers	10,176.95	14,844.13
Unclaimed Dividend	19.02	20.25
Credit Balances in Current Accounts with Banks	4,194.67	–
Share Application Money	–	2,138.75
Other Liabilities	3,982.33	2,461.00
Interest accrued but not due on Loans/Deposits	2,538.12	1,820.77
	<b>41,037.93</b>	<b>42,689.12</b>
<b>Schedule 11 PROVISIONS</b>		
Provision for Taxation	6,587.16	3,843.85
Proposed Dividend (including tax thereon)	1,985.54	1,352.76
Contingent Provision against Standard Assets (As per RBI Directions) - Tier II Capital (Refer Note 2 (xxiii), Schedule 16 to Accounts)	1,090.00	–
	<b>9,662.70</b>	<b>5,196.61</b>

## Schedules to Accounts

(Rs. in Lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
<b>Schedule 12 OTHER INCOME</b>		
Rent	73.33	113.32
Dividend (Long Term, Other than Trade)	0.07	1.37
Interest on Investments (Long Term, Other than Trade)	105.51	247.84
Interest on Loans, Margins, etc.	541.59	324.65
Interest on Fixed Deposits	3,990.52	4,726.77
Loss on Sale of Fixed Assets	(19.92)	(14.38)
Profit on Sale of Investments	–	17.21
Sale of Power	1,029.93	1,226.35
Miscellaneous Income	10.13	4.65
	<b>5,731.16</b>	<b>6,647.78</b>
<b>Schedule 13 PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries, Wages and Bonus, etc.	12,514.42	9,855.07
Contribution to Provident and Other Funds	479.21	350.39
Staff Welfare	447.28	279.01
Employee Compensation Expense on account of ESOS	24.08	49.08
	<b>13,464.99</b>	<b>10,533.55</b>
<b>Schedule 14 OPERATIVE AND ADMINISTRATIVE EXPENSES</b>		
Rent	921.16	746.25
Brokerage and Commission	7,006.42	5,021.72
Rates and Taxes	70.94	75.92
Insurance	65.14	51.75
Advertisement and Publicity	168.89	52.50
Travelling and Conveyance	1,227.26	1,029.25
Repairs and Maintenance - Machinery	353.13	240.15
- Others	103.31	60.64
Motor Car Expenses	59.38	65.64
Directors' - Fees	6.60	5.64
- Commission	170.00	–
Professional Fees	1,204.78	1,147.33
Legal Charges	653.50	505.63
Printing and Stationery	258.38	207.33
Communication Expenses	566.85	528.71
Wealth Tax	0.94	0.81
Electricity Charges	333.55	270.15
Provision for Diminution in Value of Investments	–	(40.00)
Bad Debts Written-off (net)	2,463.29	4,001.85
Miscellaneous Expenses	896.30	588.41
	<b>16,529.82</b>	<b>14,559.68</b>
<b>Schedule 15 INTEREST AND FINANCE CHARGES</b>		
On Debentures	8,114.01	6,320.59
On Term Loans	8,062.62	14,010.06
On Working Capital and Other Financial Charges	17,636.37	11,294.31
	<b>33,813.00</b>	<b>31,624.96</b>

## Schedules to Accounts

(Rs. in Lacs)

### Schedule 16 NOTES ON ACCOUNTS

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### i) Basis of Preparation

- a) The financial statements have been prepared under the historical cost convention and on an accrual basis unless otherwise stated.
- b) The Company follows the directions prescribed by the Reserve Bank of India for Non-Banking Financial (Non-Deposit Accepting or Holding) Companies (NBFC-ND), provisions of the Companies Act, 1956 and the applicable Accounting Standards notified by the Central Government under the Companies (Accounting Standard) Rules, 2006.
- c) The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

##### ii) Assets on Finance

- a) Assets on Finance include assets given on Finance / Loan and amounts paid for acquiring financial assets including non-performing assets (NPAs) from other Banks / NBFCs.
- b) Assets on Finance represents amounts receivable under Finance / Loan agreements and is net of unmatured / unearned finance charges and amounts securitised / assigned and includes advances under such agreements.
- c) Repossessed assets are valued at lower of book value and estimated realisable value.

##### iii) Revenue Recognition

- a) Income from Operations includes finance charges on Assets on Finance / Loan recognised on the basis of Internal Rate of Return method on individual agreements. In case of operating lease, rent income is accounted for on straight line basis over the period of the lease. In respect of NPAs acquired, recoveries in excess of consideration paid is recognised as income in accordance with RBI guidelines.
- b) In respect of receivables securitised prior to 1st February, 2006 and receivables assigned bilaterally, the assets are de-recognised as all the rights, titles and future receivables are assigned to the purchaser. On de-recognition, the difference between the book value of the assets securitised / assigned and the discounted value of the receivables is taken to Profit and Loss Account. In terms of Reserve Bank of India's Guideline, in respect of receivables securitised post 1st February, 2006, gain arising thereon is amortised over the tenure of the related receivables and loss, if any, is charged to Profit and Loss Account during the year in which sale is effected.
- c) Upfront income (net) received is recognised upon execution of the respective contracts.
- d) Income from dividend is accounted for on receipt basis.
- e) Interest on Loans, Margins, Fixed Deposits, etc. are recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- f) Income from power generation is recognised as per the terms of the relevant Power Purchase Agreements with the respective parties.
- g) All other items of income are accounted for on accrual basis.
- h) The Company follows a more stringent policy on non-performing assets classification and provisioning than the guidelines prescribed by the Reserve Bank of India for compliance by Non-Banking Financial (Non-Deposit Accepting or Holding) Companies (NBFC-ND). Accordingly, all contracts with 180 days past dues other than NPAs acquired are treated as loss assets and written off. Any subsequent recoveries out of such contracts is treated as income for the year during which the same is received.
- i) The Company makes provision of 0.25% on standard assets in accordance with RBI guidelines issued on 17th January, 2011.

##### iv) Prudential Norms

Subject to Para 1 (iii) (h) above, the Company has followed the Prudential Norms issued by Reserve Bank of India, as applicable, and revenue / assets have been represented (considering adjustments / write-off / net-off, as applicable) keeping in line therewith and management prudence.

## Schedules to Accounts

(Rs. in Lacs)

### Schedule 16 NOTES ON ACCOUNTS (contd...)

#### v) Fixed Assets

- a) Fixed Assets are stated at cost less depreciation and grants received against these assets, if any.
- b) Capital work-in-progress is stated at cost and includes advances given for acquisition of assets.
- c) Intangible Assets are stated at cost of acquisition less accumulated amortisation.

#### vi) Depreciation and Amortisation

Depreciation on Fixed Assets for own use and on Operating Lease has been provided on Straight Line Method on book value at the applicable rates and in the manner specified in Schedule-XIV to the Companies Act, 1956. Depreciation on commercial vehicles given on operating lease is provided on Straight Line Method at rates based on economic life of the assets. Intangible Assets are amortised over the assets' estimated useful life not exceeding six years.

#### vii) Stock-in-Trade

Stock-in-Trade comprises of real estate property held for sale and is valued at lower of cost or net realisable value.

#### viii) Transactions in Foreign Currencies

In respect of transactions covered by Forward Foreign Exchange Contract, the difference between the forward rate and exchange rate at the inception of contract is recognised as income or expense over the life of the contract.

#### ix) Grants

Grants, if any, received against specific assets are deducted from the gross value of assets concerned in arriving at its book value and grants related to revenue are credited to the related expenditure.

#### x) Investments

- a) Investments that are intended to be held for more than a year, from the date of acquisition, are classified as long term investments and are carried at cost. However, provision for diminution in value of investments is made to recognise a decline, other than temporary.
- b) Investments other than long term investments are valued at lower of cost and fair value of each share individually.

#### xi) Employee Benefits

- a) Short term employee benefits are recognised as expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- b) Post employment and other long term employee benefits are recognised as expense in the profit and loss account for the year in which the employees have rendered services. The expenses are recognised at the present value of the amounts payable determined using the actuarial valuation techniques at the end of each financial year. Actuarial gains or losses in respect of post employment and other long term benefits are charged to the profit and loss account.

#### xii) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised.

#### xiii) Impairment of Fixed Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in estimate of recoverable amount.

#### xiv) Provisions and Contingent Liabilities

Provisions are recognised in accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.



## Schedules to Accounts

(Rs. in Lacs)

### Schedule 16 NOTES ON ACCOUNTS (contd...)

#### 2. NOTES TO THE ACCOUNTS

##### i) Assets on Finance

- a) Assets on Finance is net of amounts securitised / assigned of Rs. 501,484.14 lacs (Previous Year: Rs. 481,834.74 lacs).  
b) Value of repossessed assets as at the year-end is Rs. 273.93 lacs (Previous Year: Rs. 319.89 lacs).

##### ii) Assets Given on Operating Lease

Maturity pattern of the future minimum operating lease payments are as follows:

Lease Assets Maturity	Amount
Not later than one year	42.57 (259.42)
Later than one year but not later than five years	– (50.50)
<b>Total</b>	<b>42.57</b> <b>(309.92)</b>

- iii) Operating Lease Rental for the year is Rs. 244.78 lacs (Previous Year: Rs. 991.41 lacs), included in Income from Operations.

##### iv) Employee Benefits

###### Gratuity and Other post-employment benefit plans

The following tables summarise the components of net benefit / expense recognised in the Profit and Loss Account and Balance Sheet for the respective plans.

- a) Expenses recognised in the Profit and Loss Account:

Particulars	Year ended 31.03.2011		Year ended 31.03.2010	
	Gratuity	Leave	Gratuity	Leave
Current service cost	89.97	26.27	90.10	25.68
Interest cost	32.60	23.07	27.79	19.22
Actuarial Losses /(Gains)	27.40	84.33	(56.66)	36.61
Expected return on Plan Assets	(49.46)	–	(34.31)	–
<b>Net expense</b>	<b>100.51</b>	<b>133.67</b>	<b>26.92</b>	<b>81.51</b>

- b) Net Asset / (Liability) recognised in the Balance Sheet:

Particulars	As at 31.03.2011		As at 31.03.2010	
	Gratuity	Leave	Gratuity	Leave
Defined Benefit Obligation	526.64	387.25	412.75	305.73
Fair Value on Plan Assets	700.46	–	539.96	–
<b>Net Asset / (Liability)</b>	<b>173.82</b>	<b>(387.25)</b>	<b>127.21</b>	<b>(305.73)</b>

- c) Changes in the present value of the defined benefit obligation are as follows:

Particulars	Year ended 31.03.2011		Year ended 31.03.2010	
	Gratuity	Leave	Gratuity	Leave
Defined Benefit Obligation at the beginning of the year	412.75	305.73	366.36	271.88
Current Service Cost	89.97	26.27	90.10	25.68
Interest Cost	32.60	23.07	27.79	19.22
Actuarial Losses /(Gains)	26.45	84.33	(56.02)	36.61
Benefit Paid	(35.13)	(52.15)	(15.48)	(47.66)
<b>Defined Benefit Obligation at the end of the year</b>	<b>526.64</b>	<b>387.25</b>	<b>412.75</b>	<b>305.73</b>

## Schedules to Accounts

(Rs. in Lacs)

## Schedule 16 NOTES ON ACCOUNTS (contd...)

d) Changes in the fair value of the plan assets are as follows:

Particulars	Year ended 31.03.2011		Year ended 31.03.2010	
	Gratuity	Leave	Gratuity	Leave
Fair Value of the Plan Assets at the beginning of the year	539.96	–	380.41	–
Actual return on Plan Assets	48.51	–	34.95	–
Contributions	147.12	52.15	140.08	47.66
Benefit Paid	(35.13)	(52.15)	(15.48)	(47.66)
<b>Fair Value of the Plan Assets at the end of the year</b>	<b>700.46</b>	<b>–</b>	<b>539.96</b>	<b>–</b>

e) The Principal Actuarial Assumptions used in determining gratuity and leave liabilities are as shown below:

Particulars	Year ended 31.03.2011		Year ended 31.03.2010	
	Gratuity	Leave	Gratuity	Leave
Discount Rate	8.50%	8.50%	8.25%	8.25%
Salary Increase	5.00%	5.00%	5.00%	5.00%
Expected rate of return on Plan Assets	8.25%	–	7.75%	–

f) Amount provided for defined contribution plans are as follows:

	Year ended 31.03.2011	Year ended 31.03.2010
Contribution to Provident / Pension fund	339.04	288.98

g) The estimate of future salary increases, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

## v) Employee Stock Option Scheme

The Nomination and Remuneration Committee of the Board of Directors had granted 350,800 Options (each Option entitled to 1 equity share of Rs. 10/- each at a price of Rs. 180/- per share) to the eligible employees of the Company under "Magma Employee Stock Option Plan 2007" on 12th October, 2007 (Refer note 2 (ix) (a)).

The disclosures in respect of Employees Stock Option Scheme which are outlined in this year's Annexure to the Report of the Directors are treated as an annexure to these accounts.

## vi) a) Particulars of Tier I capital raised by the Company by issue of Subordinated Unsecured Non-Convertible Perpetual Debentures (Perpetual Debt Instruments)

Number of debentures	Face Value (Rs.)	As at 31.03.2011		As at 31.03.2010	
		Amount Outstanding	Percentage of Tier I Capital	Amount Outstanding	Percentage of Tier I Capital
100	1,000,000	1,000.00	1.60%	1,000.00	2.72%
200	1,000,000	2,000.00	3.21%	2,000.00	5.45%
100	1,000,000	1,000.00	1.60%	–	–
150	1,000,000	1,500.00	2.41%	–	–
		<b>5,500.00</b>	<b>8.82%</b>	<b>3,000.00</b>	<b>8.17%</b>

The Company has raised Rs. 2,500.00 lacs (Previous Year: Rs. 3,000.00 lacs) during the year by issue of Perpetual Debt Instruments. These debentures are perpetual in nature and the Company has a 'Call Option' only after a minimum period of 10 years from the date of issue subject to RBI regulations.

## Schedules to Accounts

(Rs. in Lacs)

### Schedule 16 NOTES ON ACCOUNTS (contd...)

#### b) Particulars of Tier II capital raised by the Company by issue of Subordinated Unsecured Redeemable Non-Convertible Debentures

Number of debentures	Face Value (Rs.)	As at 31.03.2011	As at 31.03.2010	Terms of Redemption Redeemable at par in
500	1,000,000	5,000.00	5,000.00	May-2013
250	1,000,000	2,500.00	2,500.00	Jun-2013
500	1,000,000	5,000.00	5,000.00	Jul-2013
50	1,000,000	500.00	500.00	Mar-2014
100	1,000,000	1,000.00	1,000.00	May-2014
300	1,000,000	3,000.00	3,000.00	Jun-2014
480	1,000,000	4,800.00	4,800.00	Jun-2015
320	1,000,000	3,200.00	–	Aug-2015
792	1,000,000	7,920.00	–	Dec-2015
200	1,000,000	2,000.00	–	Jan-2016
50	1,000,000	500.00	–	Jun-2016
		<b>35,420.00</b>	<b>21,800.00</b>	

#### c) Particulars of Privately placed Unsecured Redeemable Non-Convertible Debentures

Number of debentures	Face Value (Rs.)	As at 31.03.2011	As at 31.03.2010	Terms of Redemption Redeemable at par in
65	10,000,000	–	6,500.00	May-2010 Redeemed
85	10,000,000	–	8,500.00	Jun-2010 Redeemed
10,000,000	100	–	10,000.00	Nov-2010 Redeemed
7,500,000	100	–	7,500.00	Dec-2010 Redeemed
10	10,000,000	1,000.00	–	Apr-2011 –
75	10,000,000	7,500.00	–	Jun-2011 –
39	500,000	195.00	–	Jul-2011 –
		<b>8,695.00</b>	<b>32,500.00</b>	

#### vii) Business Segments

The Company is engaged primarily in the business of financing and only in one Geographical Segment viz. India. As such no separate Business and Geographical reportable segment's information as per Accounting Standard 17 (Segment Reporting) has been furnished in these accounts.

#### viii) Earning per Share

Calculation of Earning per Share (Basic & Diluted) as required by Accounting Standard 20:

Sl. No.	Particulars	Units	Year ended 31.03.2011	Year ended 31.03.2010
	<b>Basic &amp; Diluted</b>			
1	i) Weighted average number of Equity Shares (Face Value of Rs. 2/- per share) for Basic EPS	Nos.	127,200,112	108,885,700
	ii) Weighted average number of Equity Shares for Diluted EPS [after considering 28.91 lacs shares (Previous Year: 0.48 lacs) resulting from assumed exercise of employee stock options and equity warrants]	Nos.	130,091,572	109,127,255
2	Net Profit after tax	Rs. in Lacs	11,443.32	6,646.03
3	Less : Preference Dividend including Tax on Dividend	Rs. in Lacs	1,117.64	698.65
4	i) Net Profit for Equity Shareholders for Basic EPS	Rs. in Lacs	10,325.68	5,947.38
	ii) Net Profit for Equity Shareholders for Diluted EPS	Rs. in Lacs	10,325.68	5,947.38
5	i) Earning Per Share (Face Value of Rs. 2/- per share) - Basic	Rs.	8.12	5.46
	ii) Earning Per Share (Face Value of Rs. 2/- per share) - Diluted	Rs.	7.94	5.45

## Schedules to Accounts

(Rs. in Lacs)

## Schedule 16 NOTES ON ACCOUNTS (contd...)

- ix) a) Pursuant to the approval of the shareholders at the Annual General Meeting held on 15th July, 2010, the equity shares of face value of Rs. 10/- each were sub-divided into five equity shares of face value of Rs. 2/- each on record date of 16th August, 2010. Accordingly, the EPS has been recalculated based on face value of Rs. 2/- each for the current year and for the earlier years as required by Accounting Standard 20 (Earnings Per Share).
- b) The Company has allotted on 30th April, 2010, 2,000,000 Warrants to one of the Promoter entities carrying an option to subscribe to equivalent number of equity shares of Rs. 10/- each at a price of Rs. 250/- per equity share of the face value of Rs. 10/- each, on a future date not exceeding 18 months from the date of issue of such Warrants in terms of provisions of SEBI Guidelines for Preferential Issue (Chapter VII of the SEBI (Issue and Disclosure Requirements) Regulations, 2009). Following the subdivision of one equity share of the face value of Rs. 10/- each into five equity shares of the face value of Rs. 2/- each during the year, the number of warrants stand increased from 2,000,000 to 10,000,000 and the issue price stands reduced from Rs. 250/- to Rs. 50/- per equity share of Rs. 2/- each. The Company has already received Rs. 1250.00 lacs being 25% of the total issue price.
- c) The Company has allotted on 12th May, 2010, 4,067,220 equity shares of Rs. 10/- each to Qualified Institutional Buyers (QIBs) in the Qualified Institutions Placement under chapter VIII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 at a price of Rs. 301/- per equity share of Rs. 10/- each (including premium of Rs. 291/- per share) aggregating to Rs. 12,242.33 lacs (Refer note 2 (ix) (a)).
- d) The Company has allotted on 25th May, 2010, 25,260 equity shares of Rs. 10/- each and on 19th November, 2010, 425,450 equity shares of Rs. 2/- each on preferential basis under Employee Stock Option Plan (ESOP) pursuant to SEBI (ESOS and ESPS) Guidelines, 1999 to the eligible employees of the Company (Refer note 2 (ix) (a)).
- e) The total paid-up Equity Share Capital of the Company stands increased to 129,773,550 equity shares of Rs. 2/- each aggregating to Rs. 2,595.47 lacs. These equity shares will rank pari passu in all respects, including the right to receive all dividends and other distributions declared.
- f) The Company has raised a sum of Rs. 3,500.00 lacs by allotting 2,500,000, 12%, Cumulative Redeemable Non-Convertible Preference Shares of Rs. 100/- each aggregating to Rs. 2,500.00 lacs and 1,000,000, 9.6% Cumulative Redeemable Non-Convertible Preference shares of Rs. 100/- each aggregating to Rs. 1,000.00 lacs respectively on private placement basis for augmenting the working capital requirements of the Company.
- g) The Company has transferred Rs. 421.84 lacs to Capital Redemption Reserve on redemption of first installment of Rs. 20/- per share in respect of 2,109,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- per share on 17th February, 2011. The paid-up value as at 31st March, 2011 of the above preference shares stands reduced to Rs. 80/- per shares.
- x) As per the terms of issue, the holders of the 6,500,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each aggregating to Rs. 6501.00 lacs (equivalent to USD 15 Million) allotted on 26th March, 2007 are entitled to fixed Dividend at the rate equivalent to 6 months US Dollar Libor applicable on the respective dates i.e. 30th December or 29th June depending upon the actual date of payment plus 3.25% on subscription amount of USD 15 Million. Accordingly, the dividend for the financial year ended 31st March, 2011 has been provided in accounts based on the 6 months US Dollar Libor applicable as on 30th December, 2010 and closing exchange rate applicable as on 31st March, 2011 and which might vary depending on the actual date of payment of the Dividend. Accordingly, the excess/ (deficit) dividend and tax thereon of Rs. (37.06) lacs (Previous Year: Rs. 50.80 lacs) provided with respect to above Preference Shares for the previous financial year ended 31st March, 2010 has been adjusted in the current year with consequent impact on Earning per Share for the year.
- xi) **Related Party Disclosures**  
Aggregated Related Party Disclosures as at and for the year ended 31st March, 2011:

## Schedules to Accounts

(Rs. in Lacs)

### Schedule 16 NOTES ON ACCOUNTS (contd...)

#### Subsidiary Company

Magma ITL Finance Limited (a joint venture with International Tractors Limited)

#### Associate

Magma HDI General Insurance Co. Limited

#### Enterprises having significant influence

AMRI Hospitals Limited, Bengal Tools Limited, Calcutta Becon Engineering Co. Limited, Camaro Infrastructure Private Limited, Celica Developers Private Limited, Chinar Builders & Contractors Limited, CLP Business LLP, Escort Projects Private Limited, Everfast Promoters Private Limited, Gagan Tradelink Private Limited, GNB Credit Private Limited, GNB Logistics Private Limited, Hillife Infra Private Limited, Hilltop Plaza Private Limited, Jaguar Advisory Services Private Limited, Juhi Investment Private Limited, Kanaiya Engineering & Finance Limited, Liberty Pharma Limited, Lifelong Realtors Private Limited, Magma Consumer Finance Private Limited, Mask Corp, USA, Microfirm Softwares Private Limited, Nadia Security Printing & Stationery Company Limited, Neobeam Properties Private Limited, Noblesse Crystal Private Limited, Pragati Cement (India) Private Limited (Formerly Purulia Cements Private Limited), Pragati Sales Private Limited, Romex Promoters Private Limited, Shivangan Developers Private Limited, Shrachi Developers Private Limited, Shrachi Insurance Agencies Private Limited, Shrachi Realty Private Limited, Sino India Agro Machinery, Solvex Estates LLP (Formerly Solvex Estates Private Limited), Spectra Realcon Private Limited, Web Development Company Limited.

#### Key Management Personnel

Mayank Poddar, Sanjay Chamria and Ravi Todi.

#### Relatives of Key Management Personnel

Anuj Poddar, Ashita Poddar, Kalpana Poddar, Mansi Tulshan, Nidhi Mansingka, Rajat Poddar, Shaili Poddar, Urmila Devi Poddar, Harshvardhan Chamria, Rajashree Tikmani, Vanita Chamria, Chitra Lekha Todi, Rahul Todi, Rhea Todi, Ruchi Todi, Sarika Todi and Shrawan Kumar Todi.

Balance as at 31st March, 2011	Subsidiary	Associate	Enterprises having significant influence	Key Management Personnel	Relatives of Key Management Personnel
Optionally Convertible Equity Warrants	- (-)	- (-)	1,250.00 (-)	- (-)	- (-)
Security Deposit	- (-)	- (-)	267.60 (267.60)	- (-)	- (-)
Sundry Debtors	56.67 (33.84)	- (-)	- (-)	- (-)	- (-)
Investments	1,849.94 (1,109.94)	- (-)	723.46 (723.46)	- (-)	- (-)
Loans & Advances Given	- (684.92)	150.94 (35.23)	154.55 (54.55)	- (-)	- (-)
Deposit Received	- (-)	- (-)	58.82 (-)	- (-)	- (-)
Corporate Guarantees Given	4,344.35 (10,846.93)	- (-)	- (-)	- (-)	- (-)

## Schedules to Accounts

(Rs. in Lacs)

## Schedule 16 NOTES ON ACCOUNTS (contd...)

Year ended 31st March, 2011	Subsidiary	Associate	Enterprises having significant influence	Key Management Personnel	Relatives of Key Management Personnel
Support Services, Finance Charges, etc. (Included in Income from Operations)	530.51 (265.87)	– (–)	– (–)	– (–)	– (–)
Rent Receipts	– (–)	– (–)	– (5.24)	– (–)	– (–)
Interest Receipts	231.91 (132.31)	– (–)	– (14.91)	– (–)	– (–)
Interest Payment	– (–)	– (–)	1.78 (0.69)	– (–)	– (–)
Interest On HP Deposit	– (–)	– (–)	3.14 (–)	– (–)	– (–)
Rent Paid	– (–)	– (–)	316.19 (229.40)	1.77 (–)	– (–)
Directors' Remuneration	– (–)	– (–)	– (–)	158.36 (158.36)	– (–)
Sale / Transfer of Stock-in-Trade	– (–)	– (–)	– (42.36)	– (–)	– (–)
Sale of Investment	– (–)	– (–)	– (80.00)	– (–)	– (–)
Directors' Fee	– (–)	– (–)	– (–)	– (–)	0.60 (1.20)

xii) The Company along with its associates has entered into a Joint Venture Agreement with HDI Gerling International Holding AG ("HDI"), a part of the Talanx AG Group, Germany for the purpose of undertaking general insurance business in India through Magma HDI General Insurance Company Limited (the "Insurance Company") subject to necessary regulatory approvals. As per the terms of the Joint Venture Agreement, it has been agreed between the Company and HDI that set up costs and expenses shall be borne by the Company and HDI equally and on Completion (i.e. R2 approval being received from Insurance Regulatory Development Authority), the Insurance Company will reimburse to the Company and HDI the costs incurred by them respectively. Pursuant to the application seeking license for carrying on the business of general insurance in India, the Insurance Company, has since received the approval for its R1 application and is in the process of obtaining the R2 approval from the IRDA.

## xiii) Deferred Tax Liability

The net deferred tax liability of Rs. 3,829.40 lacs (Previous Year: Rs. 4,791.55 lacs) as on 31st March, 2011 has arisen on account of the following:

	As at 31.03.2011	As at 31.03.2010
<b>Deferred Tax Liabilities</b>		
i) Difference between Book and Tax written down value	4,266.29	4,831.88
ii) Others	56.40	42.26
	(A) 4,322.69	4,874.14
<b>Deferred Tax Assets</b>		
i) Contingent Provision against Standard Assets	353.66	–
ii) Others	139.63	82.59
	(B) 493.29	82.59
	(A-B) 3,829.40	4,791.55

## Schedules to Accounts

(Rs. in Lacs)

### Schedule 16 NOTES ON ACCOUNTS (contd...)

#### xiv) Contingent Liabilities not provided for

	As at 31.03.2011	As at 31.03.2010
i) Income Tax matters under dispute	82.37	30.50
ii) VAT matters under dispute	25.85	22.66
iii) Legal cases against the Company	371.79	190.27
iv) Recourse obligation in respect of securitised assets (net of cash collaterals)	14,634.15	11,988.01
v) Unexpired Bank Guarantees	30,331.49	14,400.74
vi) Corporate Guarantees given for a subsidiary Company	4,344.35	10,846.93

#### xv) Amounts paid/payable to Auditors (included in Miscellaneous Expenses)

	Year ended 31.03.2011	Year ended 31.03.2010
(i) Audit Fees	11.03	8.27
(ii) Taxation Audit Fees	3.31	2.76
(iii) Other Matters (Certificates etc.)	6.26	5.32
<b>Total</b>	<b>20.60</b>	<b>16.35</b>

#### xvi) Managerial Remuneration paid / payable

##### a) Executive and Non-Executive Directors' Remuneration:

	Year ended 31.03.2011	Year ended 31.03.2010
Salary *	84.96	84.96
Contribution to Provident and Gratuity Funds *	14.28	14.28
Other Benefits *	59.12	59.12
Other Directors' - Sitting Fees	6.60	5.64
Commission to Non-Executive Directors (Refer note 2 (xvi) (b))	170.00	–
<b>Total</b>	<b>334.96</b>	<b>164.00</b>

\* Included in Schedule 13 under respective heads of expenses.

##### b) Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956:

	Year ended 31.03.2011	Year ended 31.03.2010
Profit Before Tax	17,050.10	–
Add: Director's Remuneration (including Commission)	334.96	–
Depreciation and Amortisation as per book of accounts	2,785.07	–
Loss on sale of Fixed Assets for Own Use	19.92	–
Provision of Wealth Tax	0.94	–
Provision for Standard Assets	1,090.00	–
	21,280.99	–
Less: Depreciation under Section 350 of the Companies Act, 1956	2,785.07	–
<b>Net Profit for the year ended</b>	<b>18,495.92</b>	<b>–</b>
Maximum permissible commission to Non-Executive Director's @ 1%	184.96	–
Commission payable for the year to Non-Executive Directors'*	170.00	–

\* subject to approval by shareholders.

## Schedules to Accounts

(Rs. in Lacs)

## Schedule 16 NOTES ON ACCOUNTS (contd...)

## xvii) Loans / Advances to Subsidiary Company

Name of the Subsidiary	Maximum Outstanding	Outstanding as at 31.03.2011
Magma ITL Finance Limited [a joint venture with International Tractors Limited]	4,516.05 (2,173.64)	– (684.92)

xviii) Based on information / documents available, no creditor is covered under The Micro, Small and Medium Enterprises Development Act, 2006 and hence no disclosures thereof are made in these accounts.

xix) a) C.I.F. value of imports of goods acquired for asset financing arrangements Rs. 1,991.77 lacs (Previous Year: Rs. 3,663.51 lacs).

b) Expenditure in Foreign Currency on account of Travelling and Others Rs. 90.52 lacs (Previous Year: Rs. 11.68 lacs).

c) Remittance in foreign currency on account of dividend:

	Paid in 2010-11	Paid in 2009-10
<b>i) In respect of Preference Shares</b>		
Year to which the dividend relates	2009-10	2008-09
Number of shareholders	2	2
Number of shares held	8,610,198	8,610,198
Amount remitted*	524.49	504.27
<b>ii) In respect of Preference Shares **</b>		
Year to which the dividend relates	2009-10	2008-09
Number of shareholders	–	3
Number of shares held	–	3,000,000
Amount remitted	–	150.00
<b>iii) In respect of Equity Shares**</b>		
Year to which the dividend relates	2009-10	2008-09
Number of shareholders	57	27
Number of shares held (Face Value Rs. 10/- each)	10,065,990	6,042,397
Amount remitted	201.31	60.42

\* Refer Note 2 (x), Schedule 16 to Accounts

\*\* Amount remitted / paid to shareholders' banks in India.

xx) a) Service Tax was imposed on Hire Purchase and Lease transactions with effect from 16th July, 2001. The Company has since discontinued such modes of financing. A writ petition under Article 226 of the Constitution was filed before the Hon'ble High Court of Chennai by the Trade Association of Hire Purchase and Lease Financing Companies against the same. Thereafter the Special Leave Petition was filed before the Hon'ble Supreme Court of India, which was disposed off during the year by the Hon'ble Supreme Court of India which fastened a liability of service tax of Rs. 372.00 lacs, out of which Rs. 258 lacs has already been paid by the Company. Since such transaction pertains to the period 2002-03 to 2006-07 and the transaction with the impugned parties have already been concluded, the resultant liability arising on account of service tax has been written off as charge incidental to carrying on business. Accordingly, the same has been charged to 'Income from Operations' during the year.

b) The Service Tax Authorities had raised demands of Rs. 300.65 lacs (Previous year: Rs. 300.65 lacs) upon the Company with respect to certain items which are disputed and are being duly contested by the Company before the appropriate authority under guidance from its legal and tax advisors. In view of this, the Company have not provided for any liability against the same.

c) Fringe Benefit Tax had been levied on Fringe Benefit provided to employees as per Section 115W of the Income Tax Act, 1961. The Company had filed a Writ Petition before the Hon'ble Court of Calcutta and had been granted stay order



## Schedules to Accounts

(Rs. in Lacs)

### Schedule 16 NOTES ON ACCOUNTS (contd...)

on the same. The case has since been transferred to Hon'ble Supreme Court and is yet to be finally disposed off by the Hon'ble Supreme Court. In view of this, the Company had not provided for any liability against Fringe Benefit Tax in the earlier years. In terms of Finance Act, 2009, Fringe Benefit Tax has been withdrawn effective 1st April, 2009.

xxi) Previous year's figures are regrouped / recast / restated, wherever considered necessary.

xxii) Details of Movement in Investment during the year ended 31st March, 2011.

Sl. No.	Name	Opening as on 01.04.2010		Addition during the year		Deduction during the year		Closing as on 31.03.2011	
		Qty.	Book value	Qty.	Book value	Qty.	Book value	Qty.	Book value
A	<b>EQUITY SHARES (Fully Paid -Up)</b>								
	<b>Quoted</b>								
	1. BCL Financial Services Ltd.	600	0.05	-	-	-	-	600	0.05
	2. Emami Paper Mills Ltd.	12,000	0.90	-	-	-	-	12,000	0.90
	3. HGI Industries Ltd.	1,100	0.42	-	-	-	-	1,100	0.42
	4. Hindustan Financial Management Ltd.	200	0.01	-	-	-	-	200	0.01
	5. Integrated Thermoplastics Ltd.	5,000	0.15	-	-	-	-	5,000	0.15
	6. ITC Ltd.	100	1.12	-	-	-	-	100	1.12
	7. Kanoria Plaschem Ltd.	13,400	0.37	-	-	-	-	13,400	0.37
	8. Kings International Aqua-Marine Exports Ltd.	20,000	4.90	-	-	-	-	20,000	4.90
	9. Lok Housing and Constructions Ltd.	600	0.01	-	-	-	-	600	0.01
	10. Prudential Sugar Ltd.	1,000	0.21	-	-	-	-	1,000	0.21
	11. Radico Khaitan Finance Ltd.	200	0.01	-	-	-	-	200	0.01
	12. TTG Industries Ltd.	20,000	0.16	-	-	-	-	20,000	0.16
	<b>Total</b>	<b>74,200</b>	<b>8.31</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,200</b>	<b>8.31</b>
	<b>Unquoted (in Subsidiary Company)</b>								
	1. Magma ITL Finance Ltd.	11,099,400	1,109.94	7,400,000	740.00	-	-	18,499,400	1,849.94
	<b>Total</b>	<b>11,099,400</b>	<b>1,109.94</b>	<b>7,400,000</b>	<b>740.00</b>	<b>-</b>	<b>-</b>	<b>18,499,400</b>	<b>1,849.94</b>
	<b>Unquoted</b>								
	1. Celica Developers (P) Ltd.	215,506	723.46	-	-	-	-	215,506	723.46
	2. ECICI (P) Ltd.	4,200,000	420.00	-	-	-	-	4,200,000	420.00
	3. Fund Point Finance Ltd.	120,000	12.00	-	-	-	-	120,000	12.00
	4. Multi-Mode Multi-Media Training Services (P) Ltd.	160,000	16.00	-	-	-	-	160,000	16.00
	5. Magma CF Services (P) Ltd	1,900	0.99	-	-	-	-	1,900	0.99
	6. Panchawati Holiday Resorts Ltd.	4,000	0.39	-	-	-	-	4,000	0.39
	<b>Total</b>	<b>4,701,406</b>	<b>1,172.84</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,701,406</b>	<b>1,172.84</b>
B	<b>GOVERNMENT SECURITIES</b>								
	<b>Unquoted</b>								
	1. 7-Years National Savings Certificate	-	0.16	-	-	-	-	-	0.16
	2. 7-Years National Savings Certificate	-	0.23	-	-	-	-	-	0.23
	<b>Total</b>	<b>-</b>	<b>0.39</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.39</b>
C	<b>OTHERS</b>								
	1. Receivable Securitisation Trust - SRX	8	773.20	-	-	8	773.20	-	-
	<b>Total</b>	<b>8</b>	<b>773.20</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>773.20</b>	<b>-</b>	<b>-</b>
	<b>Grand Total</b>	<b>15,875,014</b>	<b>3,064.68</b>	<b>7,400,000</b>	<b>740.00</b>	<b>8</b>	<b>773.20</b>	<b>23,275,006</b>	<b>3,031.48</b>
	Provision for Permanent decline in Value	-	43.10	-	-	-	-	-	43.10
	<b>Net Total</b>	<b>15,875,014</b>	<b>3,021.58</b>	<b>7,400,000</b>	<b>740.00</b>	<b>8</b>	<b>773.20</b>	<b>23,275,006</b>	<b>2,988.38</b>

## Schedules to Accounts

(Rs. in Lacs)

## Schedule 16 NOTES ON ACCOUNTS (contd...)

xxiii) The Reserve Bank of India (RBI) vide its Notification No. DNBS. 223/CGM (US) - 2011 dated 17th January, 2011 has issued directions to all NBFCs to make provision of 0.25% against standard assets with immediate effect. Accordingly, the Company has made provision of Rs. 1,090.00 lacs during the year against standard assets which has been charged to Profit and Loss Account. The above contingent provision against standard assets is treated as Tier II Capital.

xxiv) Details of non-performing assets purchased:

Items	Year ended 31.03.2011	Year ended 31.03.2010
A. Number of accounts purchased during the year	–	2,374
B. Aggregate outstanding of accounts purchased during the year	–	6,539.00

None of the non-performing financial assets purchased have been restructured during the year (Previous Year: Nil).

xxv) Additional disclosure required by NBFC-ND-SI in terms of the notification issued by RBI on 1st August, 2008.

a) Capital to Risk Assets Ratio (CRAR)

	As at 31.03.2011	As at 31.03.2010
i) CRAR (%)	18.2	14.9
ii) CRAR - Tier I Capital (%)	11.3	8.6
iii) CRAR - Tier II Capital (%)	6.9	6.3

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

	As at 31.03.2011	As at 31.03.2010
<b>i) Direct exposure</b>		
<b>A. Residential Mortgages -</b>		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs. 15 lacs may be shown separately)	–	–
<b>B. Commercial Real Estate -</b>		
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;	–	–
<b>C. Investments in Mortgage Backed Securities (MBS) and other securitised exposures -</b>		
a. Residential,	–	–
b. Commercial Real Estate.	–	–
<b>ii) Indirect Exposure</b>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	–	–

## Schedules to Accounts

(Rs. in Lacs)

### Schedule 16 NOTES ON ACCOUNTS (contd...)

c) Maturity pattern of certain items of assets and liabilities

	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowings from Banks	9,771.03	11,727.85	10,367.66	45,460.96	76,608.82	175,398.19	47,925.12	3,081.71	380,341.34
Market Borrowings	15,132.27	3,652.99	10,821.72	1,654.72	1,341.78	21,181.80	2,385.84	4,329.31	60,500.43
<b>Assets</b>									
Advances	20,817.36	14,826.73	13,099.11	38,866.80	75,240.59	225,578.62	48,517.45	271.93	437,218.59
Investments	8.31	-	-	-	-	1,130.13	-	1,849.94	2,988.38
Cash & Bank	51,686.64	398.31	3,941.05	9,773.19	19,815.29	13,641.91	1,160.80	10.41	100,427.60

xxvi) Disclosure of details as required in terms of Paragraph 13 of Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

Sl. No.	Particulars	Amount outstanding as at 31.03.2011	Amount overdue as at 31.03.2011
	<b>Liabilities</b>		
1	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid		
	a) Debentures		
	- Secured	10,000.00	-
	- Unsecured	49,615.00	-
	b) Deferred Credits	-	-
	c) Term Loans	116,499.83	-
	d) Inter-Corporate Loans and Borrowing	-	-
	e) Commercial Paper	22,470.00	-
	f) Public Deposits *	9.29	-
	g) Cash Credit / Working Capital Demand Loans from Banks	242,247.65	-

\* Represents liability transferred to and vested in the Company pursuant to the Amalgamation of Shrachi Infrastructure Finance Limited with the Company in the financial year 2006-07. The Company, in accordance with Reserve Bank of India directives had, transferred to Escrow Account, the entire outstanding amount together with interest.

Sl. No.	Particulars	Amount outstanding as at 31.03.2011
	<b>Assets</b>	
2	Break-up of Loans and Advances, including Bills Receivables (other than those included in (4) below)	
	a) Secured	-
	b) Unsecured	16,448.16

## Schedules to Accounts

(Rs. in Lacs)

## Schedule 16 NOTES ON ACCOUNTS (contd...)

Sl. No.	Particulars	Amount outstanding as at 31.03.2011
3	<b>Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards AFC activities</b>	
	i) Lease Assets including Lease Rentals under Sundry Debtors	3,869.98
	ii) Stock on Hire including Hire Charges under Sundry Debtors	–
	iii) Other loans counting towards AFC activities	
	a) Loans where assets have been repossessed	273.93
	b) Loans other than (a) above	428,100.83
4	<b>Break-up of Investments</b>	
	<b>Current Investments</b>	
	<b>1 Quoted</b>	
	i) Shares a) Equity	–
	b) Preference	–
	(ii) Debentures and Bonds	–
	iii) Units of Mutual Funds	–
	iv) Government Securities	–
	v) Others (please specify)	–
	<b>2 Unquoted</b>	
	i) Shares a) Equity	–
	b) Preference	–
	ii) Debentures and Bonds	–
	iii) Units of Mutual Funds	–
	iv) Government Securities	–
	v) Others (please specify)	–
	<b>Long Term Investments</b>	
	<b>1 Quoted</b>	
	i) Shares a) Equity	1.12
	b) Preference	–
	ii) Debentures and Bonds	–
	iii) Units of Mutual Funds	–
	iv) Government Securities	–
	v) Others (please specify)	–
	<b>2 Unquoted</b>	
	i) Shares a) Equity	2,986.87
	b) Preference	–
	ii) Debentures and Bonds	–
	iii) Units of Mutual Funds	–
	iv) Government Securities	–
	v) Others	
	- National Savings Certificate	0.39

## Schedules to Accounts

(Rs. in Lacs)

**Schedule 16** NOTES ON ACCOUNTS (contd...)

5) Borrower group-wise classification of assets financed as in (2) and (3) above

Category	Secured	Unsecured	Total as at 31.03.2011
1 Related Parties			
a) Subsidiaries	–	–	–
b) Companies in the same group	–	–	–
c) Other related parties	–	573.09	573.09
2 Other than Related Parties	394,166.00	53,953.81	448,119.81
<b>Total</b>	<b>394,166.00</b>	<b>54,526.90</b>	<b>448,692.90</b>

6) Investor group-wise Classification of all investments (current and long term) in shares and securities (both quoted and unquoted)

Category	Market Value/ Break up or Fair Value or NAV as at 31.03.2011	Book Value (Net of Provisions) as at 31.03.2011
1 Related Parties		
a) Subsidiaries	2,798.96	1,849.94
b) Companies in the same group	–	–
c) Other related parties	840.26	723.46
2 Other than Related Parties	434.80	414.98
<b>Total</b>	<b>4,074.02</b>	<b>2,988.38</b>

7) Other information

Particulars	Total as at 31.03.2011
i) Gross Non-Performing Assets	
a) Related parties	–
b) Other than Related parties	–
ii) Net Non-Performing Assets	
a) Related parties	–
b) Other than Related parties	–
iii) Assets acquired in satisfaction of debt	–

For and on behalf of  
**S. S. KOTHARI & CO.**  
ICAI Firm Registration No. 302034E  
Chartered Accountants

**M. Poddar**  
Chairman

**S. Chamria**  
Vice Chairman &  
Managing Director

**R. N. Bardhan**  
Partner  
Membership No. 17270  
Kolkata, 18 April, 2011

**V. Lakshmi Narasimhan**  
Chief Financial Officer

**Girish Bhatia**  
Company Secretary

## Balance Sheet Abstract and Company's General Business Profile

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

### I. Registration Details

Registration No.      State Code

Balance Sheet Date

Date                      Month                      Year

### II. Capital Raised during the year (Amount in Rupees Thousands)

Public Issue    Rights Issue

Bonus Issue    Private placement (Face value)

### III. Position of Mobilisation and Deployment of Funds (Amount in Rupees Thousands)

Total Liabilities         Total Assets

**Sources of Funds**

Paidup Capital        Reserves & Surplus

Secured Loans         Unsecured Loans

Optionally Convertible Equity Warrants       Deferred Tax Liability (Net)

**Application of Funds**

Net Fixed Assets        Investments

Net Current Assets         Misc. Expenditure

Accumulated Losses

### IV. Performance of the Company (Amount in Rupees Thousands)

Turnover        Total Expenditure

Profit/ (Loss) before Tax         Profit/ (Loss) after Tax

Earning per share (Rs.)

Basic    Diluted    Dividend Rate (%)

### V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

M. Poddar  
Chairman

S. Chamria  
Vice Chairman &  
Managing Director

Kolkata, 18 April, 2011

V. Lakshmi Narasimhan  
Chief Financial Officer

Girish Bhatia  
Company Secretary

## Directors' Report

*Dear Shareholders,*

Your Directors have pleasure in presenting the 4th Annual Report on the Audited Accounts of the Company for the year ended 31st March, 2011. The summarized financial results are given below: -

### Financial Results

(Amount in Rs.)

	2010-11	2009-10
Total Income	343,266,981	200,568,829
Profit before Interest and Depreciation	281,702,146	161,627,315
Less: Interest and Finance Charges	164,614,545	87,408,213
Less: Depreciation	-	-
Profit before Tax	117,087,601	74,219,102
Less: Provision for Taxation	40,993,000	25,482,300
Profit after Tax	76,094,601	48,736,802
Provision for Deferred Tax	(1,791,421)	128,749
Profit after Deferred Tax	77,886,022	48,608,053
Less: Income Tax for earlier years	758,214	-
Profit after Income Tax for earlier years	77,127,808	48,608,053
Add: Balance Brought Forward from previous year	40,093,908	1,207,855
<b>Balance Available for Appropriation</b>	<b>117,221,716</b>	<b>49,815,908</b>
- Statutory Reserves	15,426,000	9,722,000
Balance carried to Balance Sheet	101,795,716	40,093,908
Net Worth	378,234,716	201,106,908
Earning per Equity Share (Rs.)		
- Basic and diluted	3.40	2.91*
Book Value per Equity Share (Rs.)	15.13	13.39

\* re-stated in view of the rights issue as required by Accounting Standard 20.

### Business

The Magma ITL Finance Ltd. is a joint venture between Magma Fincorp Limited and International Tractors Limited. Magma Fincorp Limited have 74% holding in the company whereas 26% is owned by International Tractors Limited.

Company received Certificate of Commencement of Business in March 2008, and its Commercial operations of financing i.e., primarily tractor financing and related activity started from 1st July, 2008. In the year 2010-11, the financing of tractor by the company was done from 126 locations spread in 17 states across the country.

During the year, the company financed 4,854 number of tractors and total funding is Rs.153.26 crore. Mutually beneficial associations with the "Sonalika" tractor dealers and farmers across the country has got further strengthened during the year under review.

During the year 2010-11, the operating profit of Magma ITL is Rs. 117,087,601/- and Profit After Tax is Rs. 77,127,808/-. Profit after Tax in the year 2009-10 was Rs.48,608,053/-

### Dividend

Your Directors thought it fit to preserve the resources of the company for its activities and therefore, do not propose any dividend for the financial year ended 31st March, 2011.

### Capital Issue

During the year, the Joint Venture Partners Magma Fincorp Limited and International Tractors Limited have subscribed to 74,00,000 and 26,00,000 Equity shares of Rs.10/- each respectively of the Company issued by way of Rights Shares representing 74% and 26% of the total issued Equity Share Capital. The Issued, subscribed and paid up Equity share Capital after the issue of 1,00,00,000 Equity Shares is Rs.250,000,000/- comprising of 2,50,00,000 Equity Shares of Rs.10/- each

### Auditors Observations:

The Observation made by the Statutory Auditors in their Report under point no. 5 (v) on the Audited Accounts of the Company for the year ended 31.3.2011 w.r.t non receipt of declaration u/s 274 (1)(g) of the Companies Act, 1956 from one of the directors of the Company is self explanatory.

### Directors' Responsibility Statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors confirm:

- 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.

- having 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 31st March, 2011 and of the profit of the Company for the year under review.

- that proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, if any, have been taken.

- that the annual accounts have been prepared on a going concern basis.

#### **RBI Regulations – Compliance**

Your Company is a Non Deposit Taking Company and proposes to follow prudent financial management norms as will be applicable and as may be prescribed by the RBI from time to time.

#### **Directors**

After the close of Financial year, Mr. A V Srinivasan ceased to be the Director of the Company w.e.f. 22/4/2011 following his resignation. The Board places on record its sincere appreciation for the services provided by him during his tenure as Director of the Company.

Mr. Sanjay Chamria will retire at the ensuing Annual General Meeting.

#### **Auditors**

M/s. S.R. Batliboi & Co., Chartered Accountants, Kolkata, Statutory Auditors of the Company bearing registration number-324982E, would retire at the conclusion of the 4th Annual General Meeting and have expressed their willingness to be re-appointed. They have confirmed that their re-appointment, if made, would be covered within the ceiling specified under Section 224(1B) of the Companies Act, 1956.

#### **Statutory Information**

- 1) Your Company does not have any activity relating to conservation of energy or technology absorption.
- 2) There are no employees of the Company who are in receipt of remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956.
- 3) Your Company does not have any foreign exchange earnings or outgo in terms of Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.
- 4) The comments in the Auditors' Report read with Notes on Accounts are self-explanatory.

#### **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, dealers, other stakeholders and both the Joint Venture Partners – Magma Fincorp Limited and International Tractors Limited in contributing to the results

For and on behalf of the Board of Directors

Place: Kolkata  
Date: 13th May, 2011

**Sanjay Chamria**  
*Chairman*



## Auditor's Report

To  
The Members of  
Magma ITL Finance Limited

1. We have audited the attached Balance Sheet of Magma ITL Finance Limited ('the Company') as at March 31, 2011 and also the Profit and Loss account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *Attention is drawn to Note No. 2(c) on schedule 10 regarding recognition of income from finance charges by amortizing the installments by taking month as a unit on the respective due dates and not on a day-to-day basis. The impact of the above on the current year's profit has not been ascertained.*  
  
*In respect of above, the previous year's audit report was similarly modified.*
5. Further to our comments in the Annexure referred to above, we report that :
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet, profit and loss account and cash flow

statement dealt with by this report are in agreement with the books of account;

- iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 *subject to matter referred in para 4 above;*
- v. *We have not received the written representation from one of the director of the Company and therefore, are not in a position to report whether he is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;*

*Except for the above, on the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.*

- vi. *Subject to para 4 above, whose impact on the Company's profit has not ascertained, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :*

- a) In the case of balance sheet, of the state of affairs of the Company as at March 31, 2011;
- b) In the case of profit and loss account, of the profit for the year ended on that date; and
- c) In the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & CO.  
ICAI Firm Registration No. 324982E  
Chartered Accountants

Per R. K. Agrawal  
Partner

Place: Kolkata  
Date: 16 April, 2011

Membership No.16667

## Annexure to the Auditor's Report

(Referred to in paragraph 3 of our report of even date to the Members of Magma ITL Finance Limited as at and for the year ended 31st March 2011.)

- i) The Company does not have any fixed assets as on date and hence the requirements of clauses (i) (a) to (c) of the Order are not applicable.
- ii) The Company does not have any inventory and hence the requirements of clauses (ii) (a) to (c) of the Order are not applicable.
- iii) a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and as such clauses (iii) (b) to (d) of the Order are not applicable.  
b) The Company has taken loans from five companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.6982.21 lacs and the year-end balance of loan taken from such parties was Rs. 800.36 lacs (including interest of Rs. 82.22 lacs).  
c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.  
d) In respect of loans taken, the repayment of principal amount was as stipulated and payments of interest have been regular.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. The Company has not made any purchase of fixed assets or inventory or sale of goods during the year.
- v) a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.  
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public within the purview of section 58A of the Companies Act, 1956 and the rules framed thereunder.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) Since the Company is not engaged in any manufacturing activities, the clause relating to maintenance of cost records under section 209(1) of the Companies Act, 1956 is not applicable.
- ix) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including income tax, cess, service tax and other material statutory dues applicable to it though there have been delays in a few cases. The provisions relating to provident fund, investor education and protection fund, employees' state insurance, sales-tax, wealth-tax, customs duty and excise duty are not applicable to the Company.  
  
Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, cess and service tax were outstanding, at the year end, for a period of more than six months from the date they became payable.

c) According to the records of the Company, the dues outstanding in respect of income tax, cess and service tax on account of any dispute are as follows :

Name of the Statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowances of certain expenses	227,754	Assessment year 2008-09	Commissioner of Income tax (Appeals), Kolkata

- x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in current financial year and in the immediately preceding financial year.
- xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank.
- xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable.
- xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments.

Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) Based on the information and explanations given to us by the management, term loans were applied for the purposes for which the loans were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) The Company did not have any outstanding debentures during the year.
- xx) The Company has not raised any money through a public issue during the year.
- xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S. R. BATLIBOI & CO.**  
ICAI Firm Registration No. 324982E  
*Chartered Accountants*

Per **R. K. Agrawal**  
*Partner*

Place: Kolkata  
Date: 16 April, 2011

Membership No.16667

## Balance Sheet

(Amount in Rs.)

	Schedule No.	As at 31.03.2011	As at 31.03.2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	250,000,000	150,000,000
Reserves and Surplus	2	128,234,716	51,106,908
<b>Loan Funds</b>			
Secured Loans	3	1,518,609,739	752,372,813
Unsecured Loans	4	321,681,570	187,799,507
<b>Total</b>		<b>2,218,526,025</b>	<b>1,141,279,228</b>
<b>APPLICATION OF FUNDS</b>			
Deferred Tax Asset (Refer Note No. 2 (g) of Schedule 10)		2,044,035	252,614
<b>Current Assets, Loans and Advances</b>			
Assets on Finance (Refer Note No. 2 (b) of Schedule 10)		2,305,427,883	1,197,808,528
Cash & Bank Balances	5	32,552,255	24,496,626
Loans & Advances	6	10,688,054	5,642,647
		2,348,668,192	1,227,947,801
<b>Less: Current Liabilities and Provisions</b>			
Current Liabilities	7	119,587,681	75,365,853
Provisions	8	12,598,521	11,555,334
		132,186,202	86,921,187
<b>Net Current Assets</b>		<b>2,216,481,990</b>	<b>1,141,026,614</b>
<b>Total</b>		<b>2,218,526,025</b>	<b>1,141,279,228</b>
Significant Accounting Policies and Notes to Accounts	10		

The Schedules referred to above form an integral part of the Balance Sheet

As per our Report of even date

For and on behalf of the Board

For S. R. BATLIBOI & CO.

ICAI Firm Registration No. 324982E

Chartered Accountants

per R. K. Agrawal

Partner

Membership No. 16667

Place: Kolkata

Date: 16 April, 2011

S. Chamria

Director

A. S. Mittal

Director

Manish Chaudhary

Company Secretary

## Profit and Loss Account

(Amount in Rs.)

	Schedule No.	Year ended 2010-11	Year ended 2009-10
<b>INCOME</b>			
Income from Operation		343,266,981	200,568,829
<b>Total</b>		<b>343,266,981</b>	<b>200,568,829</b>
<b>EXPENDITURE</b>			
Operating Expenses		58,515,253	29,325,461
Rates & Taxes		20,770	11,410
Brokerage and Commission		264,980	-
Professional Fees		798,295	-
Printing & Stationery		339,343	152,172
Auditor's Remuneration		330,900	550,232
Bad Debts Written-off (Net)		(5,486,366)	8,281,923
Provision for Non Performing Assets /(Written back)		-	(119,384)
Contingent Provisions against Standard Assets (Refer Note No. 2 (j) of Schedule 10)		5,800,000	-
Bank Charges		730,324	551,817
Interest & Finance Charges	9	164,614,545	87,408,213
Miscellaneous Expenses		251,336	187,883
<b>Total</b>		<b>226,179,380</b>	<b>126,349,727</b>
<b>Profit Before Taxation</b>		<b>117,087,601</b>	<b>74,219,102</b>
Provision for Taxation			
- Current Tax		40,993,000	25,482,300
- Deferred Tax Charge/(credit)		(1,791,421)	128,749
- Income Tax for earlier years		758,214	-
<b>Profit After Taxation</b>		<b>77,127,808</b>	<b>48,608,053</b>
Balance brought forward from previous year		40,093,908	1,207,855
<b>Balance Available for Appropriation</b>		<b>117,221,716</b>	<b>49,815,908</b>
<b>APPROPRIATIONS</b>			
Transferred to Statutory Reserve		15,426,000	9,722,000
Balance Carried to Balance Sheet		101,795,716	40,093,908
		<b>117,221,716</b>	<b>49,815,908</b>
Basic and Diluted Earning per Share (Rs.)		3.40	2.91
(Nominal value of shares - Rs.10 each)			
(Refer Note No. 2 (f) of Schedule 10)			
Significant Accounting Policies and Notes to Accounts	10		

The Schedules referred to above form an integral part of the Profit and Loss Account

As per our Report of even date

For and on behalf of the Board

For S. R. BATLIBOI & CO.

ICAI Firm Registration No. 324982E

Chartered Accountants

per R. K. Agrawal

Partner

Membership No. 16667

Place: Kolkata

Date: 16 April, 2011

S. Chamria

Director

A. S. Mittal

Director

Manish Chaudhary

Company Secretary

## Cash Flow Statement

(Amount in Rs.)

	Year ended 2010-11	Year ended 2009-10
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before Tax	117,087,601	74,219,102
<i>Adjustment for:</i>		
Provision for Non Performing Assets/ (Written back)	–	(119,384)
Contingent Provisions against Standard Assets	5,800,000	–
Bad Debts written off	9,613,017	8,281,923
<b>Operating Profit Before Working Capital Changes</b>	<b>132,500,618</b>	<b>82,381,641</b>
Increase in Assets on Finance	(1,117,232,372)	(549,656,520)
Increase in Loans & Advances	(5,045,407)	(2,563,300)
Increase/(Decrease) in Other Payables	44,221,828	58,080
Increase/(Decrease) in Delinquency Fund	–	(16,812,205)
<b>Net Cash From Operating Activities</b>	<b>(945,555,333)</b>	<b>(486,592,304)</b>
Direct Tax Paid	(46,508,027)	(15,122,565)
<b>Net Cash Used in Operations</b>	<b>(992,063,360)</b>	<b>(501,714,869)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net Cash from Investing Activities	–	–
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds From issue of Equity Shares	100,000,000	–
Proceeds From Borrowings (Net)	900,118,989	514,597,095
<b>Net Cash from Financing Activities</b>	<b>1,000,118,989</b>	<b>514,597,095</b>
<b>Net Increase in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>8,055,629</b>	<b>12,882,226</b>
Cash & Cash Equivalents at the beginning of the Year	24,496,626	11,614,400
Cash & Cash Equivalents at the end of the Year	32,552,255	24,496,626
<b>Components of Cash &amp; Cash Equivalents</b>		
- Cash and Cheques in hand	28,300,672	21,818,546
With Scheduled Banks		
- On Current Account	4,251,583	2,678,080
	<b>32,552,255</b>	<b>24,496,626</b>

As per our Report of even date

For and on behalf of the Board

For S. R. BATLIBOI & CO.

ICAI Firm Registration No. 324982E

Chartered Accountants

per R. K. Agrawal

Partner

Membership No. 16667

Place: Kolkata

Date: 16 April, 2011

S. Chamria

Director

A. S. Mittal

Director

Manish Chaudhary

Company Secretary

## Schedules annexed to and forming part of Accounts

(Amount in Rs.)

	As at 31.03.2011	As at 31.03.2010
<b>Schedule 1 SHARE CAPITAL</b>		
<b>Authorised</b>		
35,000,000 Equity Shares of Rs.10/- each	350,000,000	350,000,000
	<b>350,000,000</b>	<b>350,000,000</b>
<b>Issued, Subscribed and Fully Paid-up</b>		
25,000,000 (Previous Year: 15,000,000) Equity Shares of Rs.10/- each [Out of the above, 18,499,400 shares (Previous Year: 11,099,400 shares) are held by Magma Fincorp Limited, the Holding Company] (Refer Note No. 2 (e) of Schedule 10)	250,000,000	150,000,000
	<b>250,000,000</b>	<b>150,000,000</b>

<b>Schedule 2 RESERVES AND SURPLUS</b>		
<b>Statutory Reserve</b>		
Balance as per last Account	11,013,000	1,291,000
Transferred from Profit and Loss Account	15,426,000	9,722,000
	<b>26,439,000</b>	<b>11,013,000</b>
<b>Profit and Loss Account</b>	<b>101,795,716</b>	<b>40,093,908</b>
	<b>128,234,716</b>	<b>51,106,908</b>

<b>Schedule 3 SECURED LOANS</b>		
Term Loans from Scheduled Banks <i>(Secured by hypothecation /first charge on the assets financed by the Company, hypothecation receivables and corporate guarantee of Magma Fincorp Limited - the Holding Company)</i>	725,810,640	434,693,432
Cash Credit from Banks <i>(Secured by hypothecation / first charge ranking pari passu with each other on the assets financed and on the entire receivables of the Company both present and future and corporate guarantee of Magma Fincorp Ltd. - the Holding Company)</i>	792,799,099	317,679,381
	<b>1,518,609,739</b>	<b>752,372,813</b>

<b>Schedule 4 UNSECURED LOANS</b>		
- From Holding Company	-	67,765,677
- From Bodies Corporate	321,681,570	120,033,830
	<b>321,681,570</b>	<b>187,799,507</b>

## Schedules annexed to and forming part of Accounts

(Amount in Rs.)

	As at 31.03.2011	As at 31.03.2010
<b>Schedule 5 CASH AND BANK BALANCES</b>		
Cash-in-hand	50,700	391,382
Cheques in hand	28,249,972	21,427,164
Balances with Scheduled Banks in:		
- Current Accounts	4,251,583	2,678,080
	<b>32,552,255</b>	<b>24,496,626</b>

<b>Schedule 6 LOANS AND ADVANCES (Unsecured, Considered Good)</b>		
Advances recoverable in cash or kind or for value to be received and / or adjusted	10,688,054	5,642,647
	<b>10,688,054</b>	<b>5,642,647</b>

<b>Schedule 7 CURRENT LIABILITIES</b>		
Sundry Creditors		
Due to Micro, Small and Medium Enterprises (Refer Note No. 2 (m) of Schedule 10)	-	-
Due to Others	61,371,661	33,273,322
Advance from Customers	36,793,381	20,707,312
Temporary Book Overdraft from Bank	16,831,130	17,224,935
Interest accrued but not due	2,498,349	3,805,076
Other Liabilities	2,093,160	355,208
	<b>119,587,681</b>	<b>75,365,853</b>

<b>Schedule 8 PROVISIONS</b>		
For Taxation (Net of Advance Tax/ Tax Deducted at Source)	6,798,521	11,555,334
Contingent Provisions against Standard Assets (Refer Note No. 2 (j) of Schedule 10)	5,800,000	-
	<b>12,598,521</b>	<b>11,555,334</b>

	Year ended 2010-11	Year ended 2009-10
<b>Schedule 9 INTEREST AND FINANCE CHARGES</b>		
On Fixed Loans	101,553,352	64,152,272
On Cash Credit Account	56,460,896	18,568,931
On Others	1,020,701	1,244,435
Financial Charges	5,579,596	3,442,575
	<b>164,614,545</b>	<b>87,408,213</b>



## Schedules annexed to and forming part of Accounts

(Amount in Rs.)

### Schedule 10 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### a) Basis of Preparation of Financial Statements

These financial statements have been prepared to comply in all material respects with the Accounting Standards notified by the Companies Accounting Standards Rules, 2006, (as amended), the relevant provisions of the Companies Act, 1956 and the directions prescribed by the Reserve Bank of India for Non-Banking Financial Companies. The financial statements have been prepared under the historical cost convention and on accrual basis, unless otherwise stated. The accounting policies applied by the Company are consistent with those used in the previous year.

##### b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

##### c) Assets on Finance

Assets on Finance represents amounts receivable under Finance/Loan agreements and are valued at net investment amount including installments due and are net of unmatured finance charges.

Repossessed assets are valued at lower of book value and estimated realisable value.

##### d) Revenue Recognition

i) Income from Finance Charges included in Income from Operation represents financial charges/interest earning from Assets on Finance arrived at by amortizing the installments containing the Finance Charges, such amortization being based on the Internal Rate of Return method on individual agreements.

ii) Any income received upfront is recognised upon execution of the applicable contracts.

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

##### e) Provisioning / Write off of Non Performing Assets

As a prudent financial management, the Company follows a more stringent policy than the guidelines prescribed by Reserve Bank of India for Non-deposit taking Finance Companies (NBFC-ND). In accordance with this policy, all contracts with six months past dues are treated as loss assets and written off as bad debts, net of delinquency fund received from dealers and recoveries made. Any subsequent recoveries made out of these contracts will be treated as income for the year in which the same is received.

##### f) Provisioning on Standard Assets

The Reserve Bank of India (RBI) vide Notification No. DNBS.223/CGM(US) - 2011 dated 17th January, 2011 has issued direction to all NBFCs to make provision of 0.25% on standard assets with immediate effect. Accordingly, the Company has made contingent provision at the rate of 0.25% on standard assets in accordance with RBI directions.

##### g) Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity share holders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

##### h) Taxation on Income

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred Tax is measured based on the tax rates and tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed

## Schedules annexed to and forming part of Accounts

(Amount in Rs.)

### Schedule 10 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (contd...)

depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient taxable income will be available in future.

i) **Cash and Cash equivalents**

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

j) **Provisions**

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

k) **Contingent Liabilities**

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by the way of notes to accounts.

## 2. NOTES TO ACCOUNTS

a) **Business Segments**

The Company has only one Business Segment viz. financing and related activities and only one Geographical Segment viz. India. As such, no separate Business and Geographical reportable segment information as per Accounting Standards - 17 (Segment Reporting) has been furnished in the accounts.

b) **Assets on Finance**

Assets on Finance includes repossessed assets valuing Rs. 2,256,000/- (Previous Year: Rs.- 2,828,000 /-)

c) **Revenue Recognition**

The amortization, as mentioned in Note No. 1(d)(i) above, has been done by taking month as a unit on the respective due dates and not on day-to-day basis, as permitted by AS - 19 (Leases). Had this amortization been done on a daily basis, the income from finance charges would have been higher. However, the above practice since consistently followed, the impact of the same on an ongoing basis is not expected to be significant. Further, the incremental impact on the current year's income on account of the above is not readily ascertainable.

d) **Related Party Disclosures**

Aggregated Related Party disclosures as at and for the year ended 31 March, 2011.

**Holding Company**

Magma Fincorp Limited

**Associate Company**

International Tractors Limited

**Key Management Personnel**

Sanjay Mathur \*

Dhrubashish Bhattacharya \*\*

**Relatives of Key Management Personnel**

Avantika Mathur \*

Neha Mathur \*

Abhilasha Mathur \*

Leena Mathur \*

Prem Kumari Mathur \*

Chitra Bhattacharya \*\*

Satyajit Bhattacharya \*\*

Sibasish Bhattacharya \*\*

Subhasish Bhattacharya \*\*

Ajit Bhattacharya \*\*

Minakshi Bhattacharya \*\*

\* upto 23rd May, 2010

\*\* with effect from 24th May, 2010

## Schedules annexed to and forming part of Accounts

(Amount in Rs.)

## Schedule 10 SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES TO ACCOUNTS (contd...)

Aggregate of Related Party transactions during the year:

Sl. No.	Nature of transactions	Holding Company		Associate Company	
		Transaction Amount (Rs.)	Outstanding as at 31.03.2011 (Rs.)	Transaction Amount (Rs.)	Outstanding as at 31.03.2011(Rs.)
1.	Equity Share holding	74,000,000 (-)	184,994,000 (110,994,000)	26,000,000 (-)	65,000,000 (39,000,000)
2.	Operating expenses	58,515,253 (29,325,461)	5,667,324 (3,316,324)	- (-)	- (-)
3.	Unsecured loan	392,500,000 (259,000,000)	- (68,491,768)	- (-)	- (-)
4.	Interest paid/payable	23,190,744 (13,231,012)	- (-)	- (-)	- (-)
5.	Advances recoverable	- (-)	- (-)	7,229,808 (3,023,940)	3,828,255 (2,272,573)
6.	Corporate Guarantee	-650,258,797 (784,693,432)	434,434,635 (1,084,693,432)	- (-)	- (-)

Note: Figures in bracket represent previous year's figures.

- e) The Company has allotted on 13th July, 2010, 10,000,000 Equity Shares of Rs. 10/- each at par on Rights Basis. These Equity Shares will rank pari passu in all respects with the existing Equity Shares of the Company. The total Equity Share Capital of the Company stands increased to 25,000,000 Equity Shares of Rs. 10/- each aggregating to Rs. 250,000,000/-.

## f) Earnings Per Share

Calculation of Earnings Per Share as required by Accounting Standard - 20:

Particulars	2010-11	2009-10
Profit as per Profit and Loss Account (Rs.)	77,127,808	48,608,053
Weighted average number of Equity Shares	22,657,047	16,697,301
Nominal value of Equity Shares (Rs.)	10	10
Basic & Diluted Earnings per share (Rs.)	3.40	2.91*

\*re-stated in view of the rights issue as mentioned in 2(e) above and as required by Accounting Standard 20

## g) Deferred Tax

In terms of Accounting Standard- 22, Deferred Tax Asset (DTA) of Rs. 2,044,035/- (Previous Year Rs. 252,614/-) has been recognised in the accounts upto 31st March, 2011, the break-up of which is as under:

Particulars	As at 31.03.2011	As at 31.03.2010
Preliminary expenses	162,225	252,614
Contingent Provisions against Standard Assets	1,881,810	-
Total (Rs.)	2,044,035	252,614

## h) Contingent Liabilities not provided for

Particulars	As at 31.03.2011	As at 31.03.2010
Income Tax matters under dispute	227,754	-

## Schedules annexed to and forming part of Accounts

(Amount in Rs.)

### Schedule 10 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (contd...)

i) Details of Auditor's Remuneration

Particulars	2010-11	2009-10
<b>As Auditors</b>		
Audit Fees	250,000	250,000
In other capacity for certificate and other services	50,000	245,000
Reimbursement of expenses (including service tax)	30,900	55,232
<b>Total (Rs.)</b>	<b>330,900</b>	<b>550,232</b>

j) The Reserve Bank of India (RBI) vide its Notification No. DNBS. 223/CGM (US) - 2011 dated January 17, 2011 has issued directions to all NBFCs to make provision of 0.25% on the standard assets with immediate effect. Accordingly, the Company has made provision of Rs. 5,800,000/- on the standard assets as on March 31, 2011.

k) Operating expenses Rs. 58,515,253/- (Previous Year Rs. 29,325,461/-) charged to Profit and Loss Account, represent consideration paid / payable to Magma Fincorp Limited (Holding Company) for providing support services as per Joint Venture arrangement.

l) In accordance with Note No. 1(e) above, Bad Debts written off are net of recoveries during the year Rs. 15,099,383/- (Previous Year Rs. Nil) against bad debts written off in earlier years.

m) Based on the information / documents available, no creditor is covered under The Micro, Small and Medium Enterprises Development Act, 2006 and hence no disclosures thereof are made in these accounts.

n) Previous year's figures are regrouped/re-arranged, wherever considered necessary.

o) Additional disclosure required by NBFC-ND-SI in terms of the notification issued by RBI on August 1, 2008, are as follows:

a) Capital to Risk Assets Ratio (CRAR)

Items	As at 31.03.2011	As at 31.03.2010
i) CRAR (%)	16.49	16.69
ii) CRAR - Tier I Capital (%)	16.24	16.69
iii) CRAR - Tier II Capital (%)	0.25	-

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

Category	As at 31.03.2011	As at 31.03.2010
<b>a) Direct exposure</b>		
i) Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs. 15 lacs may be shown separately)	-	-
ii) Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	-	-
iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
a. Residential,	-	-
b. Commercial Real Estate.	-	-
<b>b) Indirect Exposure</b>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-

## Schedules annexed to and forming part of Accounts

(Amount in Rs.)

## Schedule 10 SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES TO ACCOUNTS (contd...)

## c) Maturity pattern of certain items of assets and liabilities

(Rs. in lacs)

	1 day to 30/31 days (one month)	Over one month and upto 2 months	Over 2 months and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowings from Banks*	276.87	375.65	357.73	1,078.06	2,913.62	8,379.41	1,785.40	19.36	15,186.10
Market Borrowings	-	-	-	-	-	3,216.82	-	-	3,216.82
<b>Assets</b>									
Advances	718.67	599.96	548.50	1,421.23	3,075.30	11,616.59	5,125.36	55.55	23,161.16
Investments	-	-	-	-	-	-	-	-	-

\* Cash credit borrowings from banks amounting to Rs.7,927.99 lacs have been distributed over the same period as the maturity pattern of assets on finance.

## p) Disclosure of details as required in terms of Paragraph 13 of Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007

(Rs. in lacs)

Sl. No.	Particulars	Amount outstanding as at 31.03.2011	Amount overdue as at 31.03.2011
	<b>Liabilities side:</b>		
1.	<b>Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:</b>		
	a) Debentures		
	- Secured	-	-
	- Unsecured (other than falling within the meaning of public deposits)	-	-
	b) Deferred Credits	-	-
	c) Term Loans	7,283.09	-
	d) Inter-Corporate Loans and Borrowing	3,216.82	-
	e) Commercial Paper	-	-
	f) Cash Credit from Banks	7,927.99	-

(Rs. in lacs)

Sl. No.	Particulars	Amount outstanding as at 31.03.2011
	<b>Assets side:</b>	
2.	<b>Break-up of Loans and Advances, including bills receivables (other than those included in (4) below)</b>	
	a) Secured	-
	b) Unsecured	106.88
3.	<b>Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards AFC activities</b>	
	i) Lease Assets including Lease Rentals under Sundry Debtors	-
	ii) Stock on Hire including Hire Charges under Sundry Debtors	-
	iii) Hypothecation loans counting towards AFC activities	
	a) Loans where assets have been repossessed	22.56
	b) Loans other than above	23,031.72

## Schedules to Accounts

(Amount in Rs.)

Schedule 10 SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS (contd...)

Sl. No.	Particulars	(Rs. in lacs)
		Amount outstanding as at 31.03.2011
4.	<b>Break-up of Investments</b>	
	<b>Current Investments</b>	
	<b>i) Quoted</b>	
	i) Shares a) Equity	–
	b) Preference	–
	ii) Debentures and Bonds	–
	iii) Units of Mutual Funds	–
	iv) Government Securities	–
	v) Others (please specify)	–
	<b>ii) Unquoted</b>	
	i) Shares a) Equity	–
	b) Preference	–
	ii) Debentures and Bonds	–
	iii) Units of Mutual Funds	–
	iv) Government Securities	–
	v) Others (please specify)	–
	<b>Long Term Investments</b>	
	<b>i) Quoted</b>	
	i) Shares a) Equity	–
	b) Preference	–
	ii) Debentures and Bonds	–
	iii) Units of Mutual Funds	–
	iv) Government Securities	–
	v) Others (please specify)	–
	<b>ii) Unquoted</b>	
	i) Shares a) Equity	–
	b) Preference	–
	ii) Debentures and Bonds	–
	iii) Units of Mutual Funds	–
	iv) Government Securities	–
	v) Others (please specify)	–

5. Borrower group-wise Classification of all leased assets, stock-on-hire and loans and advances (Rs. in lacs)

Category	Secured	Unsecured	Total as at 31.03.2011
i) Related Parties			
a) Subsidiaries	–	–	–
b) Companies in the same group	–	–	–
c) Other related parties	–	38.28	38.28
ii) Other than Related Parties	23,054.28	68.60	23,122.88
<b>Total</b>	<b>23,054.28</b>	<b>106.88</b>	<b>23,161.16</b>

## Schedules to Accounts

(Amount in Rs.)

## Schedule 10 SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES TO ACCOUNTS (contd...)

## 6. Investor group-wise Classification of all investments (current and long term) in shares and securities (both quoted and unquoted)

(Rs. in lacs)

Category	Market Value/ Break up or Fair Value or NAV as at 31.03.2011	Book Value (Net of Provisions) as at 31.03.2011
i) Related Parties		
a) Subsidiaries	–	–
b) Companies in the same group	–	–
c) Other related parties	–	–
ii) Other than Related Parties	–	–
<b>Total</b>	–	–

## 7. Other information

(Rs. in lacs)

Particulars	Total as at 31.03.2011
i) Gross Non-Performing Assets	
a) Related parties	–
b) Other than Related parties	–
ii) Net Non-Performing Assets	
a) Related parties	–
b) Other than Related parties	–
iii) Assets acquired in satisfaction of debt	–

For and on behalf of the Board

For S. R. BATLIBOI & CO.  
ICAI Firm Registration No. 324982E  
Chartered Accountants

per R. K. Agrawal  
Partner  
Membership No. 16667  
Place: Kolkata  
Date: 16 April, 2011

S. Chamria  
Director

A. S. Mittal  
Director

Manish Chaudhary  
Company Secretary

## Balance Sheet Abstract and Company's General Business Profile

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

### I. Registration Details

Registration No.       State Code

Balance Sheet Date

Date                      Month                      Year

### II. Capital Raised during the year (Amount in Rupees Thousands)

Public Issue    Bonus Issue

Rights Issue       Private placement

### III. Position of Mobilisation and Deployment of Funds (Amount in Rupees Thousands)

Total Liabilities        Total Assets

**Sources of Funds**

Paidup Capital       Reserves & Surplus

Secured Loans        Unsecured Loans

**Application of Funds**

Net Fixed Assets    Investments

Net Current Assets        Miscellaneous Expenditure

Deferred Tax Asset     Accumulated Losses

### IV. Performance of the Company (Amount in Rupees Thousands)

Turnover       Total Expenditure

Profit/ (Loss) Before Tax       Profit/ (Loss) After Tax

Earning per share (in Rs.)     Dividend Rate (%)

### V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code)

Product Description

For and on behalf of the Board

Place: Kolkata  
Date: 16 April, 2011

S. Chamria  
Director

A. S. Mittal  
Director

Manish Chaudhary  
Company Secretary



## Consolidated Auditor's Report

### To The Members of Magma Fincorp Limited on the consolidated financial statements of Magma Fincorp Limited and its Subsidiary.

- 1) We have examined the attached Consolidated Balance Sheet of Magma Fincorp Limited and its subsidiary as at 31st March, 2011 and the Consolidated Profit & Loss Account for the year ended on that date annexed thereto, and the Consolidated Cash Flow Statement for the year ended on that date. These Consolidated Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material mis-statements. An audit includes examining on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) We did not audit the financial statements of its subsidiary, whose financial statements reflect total assets of Rs. 23,507.12 lacs as at 31st March, 2011 and total revenue of Rs. 3,432.67 lacs for the year ended on that date. These financial statements have been audited by another auditor whose report has been furnished to us, and in our opinion, in so far as they relate to the amounts included in respect of the subsidiary, are based solely on the report of the other auditor.
- 4) We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21; "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and on the basis of separate audited Financial Statements of Magma Fincorp Limited and its subsidiary included in the Consolidated Financial Statements.
- 5) On the basis of the information and explanation given to us and on consideration of the separate audit reports on standalone audited financial statements of Magma Fincorp Limited and its subsidiary, in our opinion, the Consolidated Financial Statements, give a true and fair view, in conformity with the accounting principles generally accepted in India:
  - i) In case of the Consolidated Balance Sheet, of the consolidated state of affairs of Magma Fincorp Limited and its subsidiary as at 31st March, 2011,
  - ii) In case of the Consolidated Profit & Loss Account, of the consolidated results of operation of Magma Fincorp Limited and its subsidiary for the year ended on that date, and
  - iii) In case of the Consolidated Cash Flow Statement, of the consolidated cash flow of Magma Fincorp Limited and its subsidiary for the year ended on that date.

For S. S. KOTHARI & CO.

ICAI Firm Registration No. 302034E

*Chartered Accountants*

India Steamship House  
21, Old Court House Street  
Kolkata – 700 001.

**R. N. Bardhan**

*Partner*

Dated: 18 April, 2011

Membership No.17270

## Consolidated Balance Sheet

(Rs. in Lacs)

	Schedule No.	As at 31.03.2011	As at 31.03.2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	17,283.83	13,787.91
Optionally Convertible Equity Warrants		1,250.00	–
Reserves and Surplus	2	54,629.23	33,048.95
		73,163.06	46,836.86
<b>Minority Interest</b>			
		983.51	522.96
<b>Loan Funds</b>			
Secured Loans	3	353,933.58	293,922.96
Unsecured Loans	4	105,311.11	71,510.17
		459,244.69	365,433.13
<b>Deferred Tax Liability (Net)</b>			
		3,808.96	4,789.02
<b>Total</b>		<b>537,200.22</b>	<b>417,581.97</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	38,823.01	38,207.05
Less: Depreciation and Amortisation		20,110.04	17,411.18
Net Block		18,712.97	20,795.87
<b>Investments</b>			
	6	1,138.44	1,911.64
<b>Current Assets, Loans and Advances</b>			
Assets on Finance		451,429.04	330,136.73
Stock-in-Trade		17.17	17.17
Sundry Debtors	7	549.58	710.81
Cash & Bank Balances	8	100,753.13	97,090.65
Other Current Assets		10.67	36.18
Loans and Advances	9	16,555.04	15,596.77
		569,314.63	443,588.31
<b>Less: Current Liabilities and Provisions</b>			
Current Liabilities	10	42,177.13	43,401.68
Provisions	11	9,788.69	5,312.17
		51,965.82	48,713.85
<b>Net Current Assets</b>		<b>517,348.81</b>	<b>394,874.46</b>
<b>Total</b>		<b>537,200.22</b>	<b>417,581.97</b>
<b>NOTES ON ACCOUNTS</b>	16		

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

For and on behalf of  
**S. S. KOTHARI & CO.**  
 ICAI Firm Registration No. 302034E  
 Chartered Accountants

**M. Poddar**  
 Chairman

**S. Chamria**  
 Vice Chairman &  
 Managing Director

**R. N. Bardhan**  
 Partner  
 Membership No. 17270  
 Kolkata, 18 April, 2011

**V. Lakshmi Narasimhan**  
 Chief Financial Officer

**Girish Bhatia**  
 Company Secretary

## Consolidated Profit and Loss Account

(Rs. in Lacs)

	Schedule No.	Year ended 31.03.2011	Year ended 31.03.2010
<b>INCOME</b>			
Income from Operations		81,903.98	65,658.80
Other Income	12	5,499.25	6,647.78
		<b>87,403.23</b>	<b>72,306.58</b>
<b>EXPENDITURE</b>			
Payments to and Provisions for Employees	13	13,464.99	10,533.55
Operative and Administrative Expenses	14	16,549.65	14,943.58
Provision for Standard Assets (As per RBI Directions) - Tier II Capital		1,148.00	-
Interest and Finance Charges	15	35,234.54	32,504.56
Depreciation and Amortisation		2,785.07	3,278.58
		<b>69,182.25</b>	<b>61,260.27</b>
<b>Profit Before Tax</b>		<b>18,220.98</b>	<b>11,046.31</b>
Provision for Taxation (Net of amount written back)		6,986.44	4,089.02
Provision for Deferred Tax		(980.06)	(174.82)
<b>Profit After Deferred Tax</b>		<b>12,214.60</b>	<b>7,132.11</b>
Share of Minority Interest in Profit / (Loss)		200.55	126.40
<b>Profit After Deferred Tax And Minority Interest</b>		<b>12,014.05</b>	<b>7,005.71</b>
Balance Brought Forward		10,460.01	6,683.49
<b>Profit Available for Appropriation</b>		<b>22,474.06</b>	<b>13,689.20</b>
<b>APPROPRIATIONS</b>			
Statutory Reserve		2,444.26	1,427.22
General Reserve		1,150.00	500.00
Dividend on Preference Shares (Refer Note 2 (xi), Schedule 16 to Accounts)		961.53	599.28
Proposed Equity Dividend		778.64	517.39
Corporate Dividend Tax (Refer Note 2 (xi), Schedule 16 to Accounts)		282.42	185.30
Surplus Carried to Balance Sheet		16,857.21	10,460.01
		<b>22,474.06</b>	<b>13,689.20</b>
<b>Earning Per Share</b>			
(Face Value of Rs. 2/- per share)			
- Basic (in Rupees)		8.57	5.79
- Diluted (in Rupees)		8.38	5.78
(Refer Note 2 (ix), Schedule 16 to Accounts)			
<b>NOTES ON ACCOUNTS</b>	16		

This is the Consolidated Profit and Loss Account referred to in our Report of even date

For and on behalf of  
S. S. KOTHARI & CO.  
ICAI Firm Registration No. 302034E  
Chartered Accountants

M. Poddar  
Chairman

S. Chamria  
Vice Chairman &  
Managing Director

R. N. Bardhan  
Partner  
Membership No. 17270  
Kolkata, 18 April, 2011

V. Lakshmi Narasimhan  
Chief Financial Officer

Girish Bhatia  
Company Secretary

The Schedules referred to above form an integral part of Consolidated Profit and Loss Account

## Consolidated Cash Flow Statement

(Rs. in Lacs)

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	18,220.98	11,046.31
<i>Adjustments for :</i>		
Depreciation and Amortisation	2,785.07	3,278.58
Bad Debts Written-off (net)	2,408.43	4,083.48
(Profit) on Sale of Investments	-	(17.21)
Loss on Sale of Fixed Assets	19.92	14.38
Employee Compensation Expenses on account of ESOS	24.08	49.08
Contingent Provision against Standard Assets	1,148.00	-
Provision for Diminution in Value of Investments	-	(40.00)
Provision for Non Performing Assets	-	(1.19)
	6,385.50	7,367.12
<b>Operating profit before working capital changes</b>	<b>24,606.48</b>	<b>18,413.43</b>
<i>Adjustments for :</i>		
Trade and Other Receivables	1,125.22	(1,317.91)
Assets on Finance	(128,207.06)	(133,409.10)
Delinquency Fund	-	(168.12)
Trade Payables	5,421.75	9,693.32
	(121,660.09)	(125,201.81)
<b>Cash used in operations</b>	<b>(97,053.61)</b>	<b>(106,788.38)</b>
Taxes Paid (Net)	(6,187.45)	(2,767.54)
	(6,187.45)	(2,767.54)
<b>Net cash used in operating activities (A)</b>	<b>(103,241.06)</b>	<b>(109,555.92)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(752.37)	(342.43)
Proceeds from Sale of Fixed Assets	30.27	13.85
Purchase of Long Term Investments	-	(425.66)
Proceeds from Sale of Long Term Investments	773.20	1,675.13
<b>Net Cash from investing activities (B)</b>	<b>51.10</b>	<b>920.89</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Borrowings (net)	93,811.56	114,589.98
Proceeds from Optionally Convertible Equity Warrants	1,250.00	-
Proceeds from Non Convertible-Preference Shares (net)	939.41	-
Preference Share Application Money Received	-	2,138.75
Proceeds from Equity Shares including Securities Premium (net)	12,242.52	-
Dividend Paid (including tax thereon)	(1,391.05)	(1,018.88)
<b>Net cash from financing activities (C)</b>	<b>106,852.44</b>	<b>115,709.85</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>3,662.48</b>	<b>7,074.82</b>
<b>Cash and cash equivalents as at the beginning of the year</b>	<b>97,090.65</b>	<b>90,015.83</b>
<b>Cash and cash equivalents as at the end of the year</b>	<b>100,753.13</b>	<b>97,090.65</b>
<b>Components of Cash &amp; Cash Equivalents</b>		
Cash and Cheques on Hand	3,379.94	3,407.24
Balances with Scheduled Banks:		
In Current/Cash Credit Accounts	24,438.88	23,929.64
In Unpaid Dividend Accounts	19.02	20.30
In Fixed Deposit Accounts	72,915.29	69,733.47
	100,753.13	97,090.65

This is the Consolidated Cash Flow Statement referred to in our Report of even date

For and on behalf of

**S. S. Kothari & Co.**  
ICAI Firm Registration No. 302034E  
Chartered Accountants

**M. Poddar**  
Chairman

**S. Chamria**  
Vice Chairman &  
Managing Director

**R. N. Bardhan**  
Partner  
Membership No. 17270  
Kolkata, 18 April, 2011

**V. Lakshmi Narasimhan**  
Chief Financial Officer

**Girish Bhatia**  
Company Secretary

## Schedules to Consolidated Accounts

(Rs. in Lacs)

	As at 31.03.2011	As at 31.03.2010
<b>Schedule 1 SHARE CAPITAL</b>		
<b>Authorised</b>		
175,000,000 (Previous Year - 35,000,000 of Rs 10 each) Equity Shares of Rs. 2 each	3,500.00	3,500.00
25,000,000 (Previous Year - 25,000,000) Preference Shares of Rs. 100 each	25,000.00	25,000.00
	<b>28,500.00</b>	<b>28,500.00</b>
<b>Issued, Subscribed and Paid-up</b>		
129,773,550 (Previous Year - 21,777,140 of Rs. 10 each) Equity Shares of Rs. 2 each, fully paid up (Of the above shares 9,482,450 shares of Rs. 10 each were allotted as fully paid up pursuant to schemes of amalgamation without payment being received in cash (Refer note 2 (x) (a)).	2,595.47	2,177.71
2,109,199 (Previous Year - 2,109,199) 9.70% Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100 each, (reduced to Rs. 80 upon redemption of first installment of Rs. 20 each per share on 17th February, 2011) allotted on 17th February, 2006 (Redeemable at par in five equal annual installments starting at the end of 5 years from the date of allotment till all the preference shares are redeemed which is at the end of 9th year from the date of allotment.)	1,687.36	2,109.20
3,000,000 (Previous Year - 3,000,000) 5% Cumulative Non-Convertible Redeemable Preference Shares "NCPS" of Rs. 100 each, allotted at par on 4th August, 2006 (Redeemable at the end of 7 years along with a redemption premium equal to 53% of the NCPS consideration, provided that the return of the investor on the NCPS p.a. shall not exceed 300 basis points over the Prime Lending Rate of the State Bank of India or such other limit as provided under law from time to time.)	3,000.00	3,000.00
6,500,999 (Previous Year - 6,500,999) Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100 each, allotted at par on 26th March, 2007 (carrying dividend rate fixed at 6 months US Dollar Libor plus 3.25%, redeemable in US Dollar in five equal installments of US Dollar 3 million each, for the first time on 1st April, 2012 and thereafter on 1st April of each subsequent calendar year until all Preference Shares are redeemed. The last and final date of redemption will be 1st April, 2016.)	6,501.00	6,501.00
1,000,000 (Previous Year - Nil) 9.6% Cumulative Redeemable Non Convertible Preference Shares (CRNCPS) of Rs. 100 each, allotted at par on 19th June, 2010 (Redeemable at the end of 5 years along with a redemption premium equal to 25% of the CRNCPS consideration.)	1,000.00	—
2,500,000 (Previous Year - Nil) 12% Cumulative Redeemable Non Convertible Preference Shares (CRNCPS) of Rs. 100 each, allotted at par on 30th June, 2010 (Redeemable at par at the end of 5 years.)	2,500.00	—
	<b>17,283.83</b>	<b>13,787.91</b>

## Schedules to Consolidated Accounts

(Rs. in Lacs)

	As at 31.03.2011	As at 31.03.2010
<b>Schedule 2 RESERVES AND SURPLUS</b>		
<b>Capital Reserve</b>	<b>457.98</b>	<b>457.98</b>
<b>Capital Redemption Reserve</b>		
Balance as per last Account	1,000.00	1,000.00
Add: Transferred from General Reserve (Refer note 2 (x) (g))	421.84	–
	<b>1,421.84</b>	<b>1,000.00</b>
<b>Securities Premium Account</b>		
Balance as per last Account	10,285.30	10,285.30
Add: On Issue of Shares	12,102.27	–
Less: Shares Issue Expenses	(458.46)	–
	<b>21,929.11</b>	<b>10,285.30</b>
<b>Amalgamation Reserve Account</b>	<b>106.48</b>	<b>106.48</b>
<b>Statutory Reserve (under RBI Act)</b>		
Balance as per last Account	6,458.28	5,031.06
Add: Transferred from Profit and Loss Account	2,444.26	1,427.22
	<b>8,902.54</b>	<b>6,458.28</b>
<b>Employee Stock Option Outstanding</b>		
Employee Stock Option Outstanding	105.86	188.08
Less: Deferred Employee Compensation Expenses	(16.29)	(43.52)
	<b>89.57</b>	<b>144.56</b>
<b>General Reserve</b>		
Balance as per last Account	4,136.34	3,636.34
Add: Transferred from Profit and Loss Account	1,150.00	500.00
Less: Transferred to Capital Redemption Reserve	(421.84)	–
	<b>4,864.50</b>	<b>4,136.34</b>
<b>Profit and Loss Account</b>	<b>16,857.21</b>	<b>10,460.01</b>
	<b>54,629.23</b>	<b>33,048.95</b>

## Schedules to Consolidated Accounts

(Rs. in Lacs)

	Security as per	As at 31.03.2011	As at 31.03.2010
<b>Schedule 3 SECURED LOANS</b>			
700 Redeemable Non-Convertible Debentures of the face value of Rs. 10 lacs each allotted on 25th January, 2008 [Series M]. Above Debentures are redeemable at par on 21st January, 2011.	Note 1 (a) & (b)	–	7,000.00
100 Redeemable Non-Convertible Debentures of the face value of Rs. 10 lacs each allotted on 17th August, 2009 [Series O]. Above Debentures are redeemable at par on 16th August, 2012.	Note 1 (a) & (b)	1,000.00	1,000.00
200 Redeemable Non-Convertible Debentures of the face value of Rs. 10 lacs each allotted on 16th October, 2009 [Series P]. Above Debentures are redeemable at par on 15th October, 2012.	Note 1 (a) & (b)	2,000.00	2,000.00
700 Redeemable Non-Convertible Debentures of the face value of Rs. 10 lacs each allotted on 16th November, 2009 [Series Q]. Above Debentures are redeemable at par on 16th November, 2012.	Note 1 (a) & (b)	7,000.00	7,000.00
Term Loans from Banks and Financial Institutions	Note 2 & 3	93,757.94	94,675.91
Cash Credit/Working Capital Demand Loans from Banks	Note 3	250,175.64	182,247.05
		<b>353,933.58</b>	<b>293,922.96</b>

### Notes:

- Debentures are secured by mortgage of Company's immovable property situated at Village - Mehrun, Taluk and District Jalgaon in the state of Maharashtra.
  - In addition to 1(a) above, Debentures of series M, O, P and Q are secured against specific Assets on Finance/Loan.
- Term Loans from Banks/Financial Institutions are secured by hypothecation of certain Assets on Finance/Loan and assignment of rentals receivable therefrom. Certain Term Loans are additionally secured by way of personal guarantee of a Director. Term Loans related to Wind Mills owned by the Company are secured by means of mortgage of the Wind Mills, assignment of the related receivables, and a Bank Guarantee in favour of the lending Institution alongwith personal guarantee of a Director.
- Cash Credit/Working Capital Demand Loans from Banks are secured by hypothecation of the Company's Finance/Loan assets, stocks of equipment, plant, machinery, spare parts etc. and future rental income therefrom and other current assets excluding those from real estate (expressly excluding those equipments, plant, machinery, spare parts etc. and future rental income therefrom which have been or will be purchased out of the Term Loans and/or Refinance Facility from FIs, Banks or any other finance organisation). These are collaterally secured by Equitable Mortgage of immovable properties and personal guarantee of a Director.

<b>Schedule 4 UNSECURED LOANS</b>			
Redeemable Non-Convertible Debentures (Refer Note 2 (vii) (c), Schedule 16 to Accounts)		8,695.00	32,500.00
Subordinated Redeemable Non-Convertible Debentures (Refer Note 2 (vii) (b), Schedule 16 to Accounts)		35,420.00	21,800.00
Subordinated Non-Convertible Perpetual Debentures (Refer Note 2 (vii) (a), Schedule 16 to Accounts)		5,500.00	3,000.00
Commercial Papers		22,470.00	13,000.00
Term Loan:			
– from Banks		30,000.00	–
Fixed Deposits*		9.29	9.84
Other Loans		3,216.82	1,200.33
		<b>105,311.11</b>	<b>71,510.17</b>

\* Represents liability transferred to and vested in the Company pursuant to the Amalgamation of Shracchi Infrastructure Finance Limited with the Company in the financial year 2006-07. The Company, in accordance with Reserve Bank of India directives had, transferred to Escrow Account, the entire outstanding amount together with interest.

## Schedules to Consolidated Accounts

(Rs. in Lacs)

Schedule 5 FIXED ASSETS										
Description of Assets	GROSS BLOCK			DEPRECIATION & AMORTISATION					NET BLOCK	
	As at 01.04. 2010	Additions during the year	Ded/Adj during the year	As at 31.03. 2011	As at 01.04. 2010	For the year	Ded/Adj during the year	As at 31.03. 2011	As at 31.03. 2011	As at 31.03. 2010
<b>Fixed Assets for Own Use</b>										
Land and Buildings	3,455.00	–	–	3,455.00	550.70	49.62	–	600.32	2,854.68	2,904.30
Plant and Machinery	11,847.91	287.42	92.73	12,042.60	2,535.20	825.72	70.55	3,290.37	8,752.23	9,312.71
Furniture and Fixtures	2,085.11	169.17	14.37	2,239.91	770.15	133.65	9.88	893.92	1,345.99	1,314.96
Office Equipment	1,371.78	158.80	6.73	1,523.85	314.47	74.29	2.03	386.73	1,137.12	1,057.31
Vehicles	339.46	33.09	22.57	349.98	164.34	26.06	3.75	186.65	163.33	175.12
<b>Intangible Assets</b>										
Computer Softwares	525.71	103.88	–	629.59	254.60	83.14	–	337.74	291.85	271.11
Business and Commercial Rights	800.00	–	–	800.00	266.67	160.00	–	426.67	373.33	533.33
<b>Sub-total</b>	<b>20,424.97</b>	<b>752.36</b>	<b>136.40</b>	<b>21,040.93</b>	<b>4,856.13</b>	<b>1,352.48</b>	<b>86.21</b>	<b>6,122.40</b>	<b>14,918.53</b>	<b>15,568.84</b>
Previous Year	20,214.58	342.43	132.04	20,424.97	3,597.17	1,303.24	44.28	4,856.13	15,568.84	–
<b>Fixed Assets on Operating Lease</b>										
Land and Building	11.00	–	–	11.00	1.15	0.18	–	1.33	9.67	9.85
Commercial Vehicles	17,771.08	–	–	17,771.08	12,553.90	1,432.41	–	13,986.31	3,784.77	5,217.18
<b>Sub-total</b>	<b>17,782.08</b>	<b>–</b>	<b>–</b>	<b>17,782.08</b>	<b>12,555.05</b>	<b>1,432.59</b>	<b>–</b>	<b>13,987.64</b>	<b>3,794.44</b>	<b>5,227.03</b>
Previous Year	17,782.08	–	–	17,782.08	10,579.71	1,975.34	–	12,555.05	5,227.03	–
<b>Total</b>	<b>38,207.05</b>	<b>752.36</b>	<b>136.40</b>	<b>38,823.01</b>	<b>17,411.18</b>	<b>2,785.07</b>	<b>86.21</b>	<b>20,110.04</b>	<b>18,712.97</b>	<b>20,795.87</b>
Previous Year	37,996.66	342.43	132.04	38,207.05	14,176.88	3,278.58	44.28	17,411.18	20,795.87	–

	As at 31.03.2011	As at 31.03.2010
<b>Schedule 6 INVESTMENTS</b>		
<b>Long Term</b>		
<b>Other than Trade (at cost)</b>		
<b>Government Securities</b>		
Unquoted (Rs. 0.16 lac pledged with Sales Tax Authorities)	0.39	0.39
<b>Shares</b>		
Quoted (Fully paid-up of Rs. 10 each)	8.31	8.31
Unquoted (Fully paid-up of Rs. 10 each)	1,172.84	1,172.84
<b>Others</b>		
Unquoted (in Pass Through Certificates)	–	773.20
	1,181.54	1,954.74
Less : Provision for Diminution in Value of Investments	43.10	43.10
	<b>1,138.44</b>	<b>1,911.64</b>
<b>Notes:</b>		
Aggregate Book Value of Quoted Investments	8.31	8.31
Aggregate Book Value of Unquoted Investments	1,173.23	1,946.43
Aggregate Market Value of Quoted Investments	6.86	3.40



## Schedules to Consolidated Accounts

(Rs. in Lacs)

	As at 31.03.2011	As at 31.03.2010
<b>Schedule 7 SUNDRY DEBTORS</b>		
Debts outstanding for a period exceeding 6 months		
Unsecured - Considered Good	–	–
Other Debts		
Unsecured - Considered Good	549.58	710.81
	<b>549.58</b>	<b>710.81</b>
<b>Schedule 8 CASH AND BANK BALANCES</b>		
Cash in hand	3,097.44	3,192.97
Cheques in hand	282.50	214.27
Balances with Scheduled Banks:		
In Current/Cash Credit Accounts	24,438.88	23,929.64
In Unpaid Dividend Accounts	19.02	20.30
In Fixed Deposit Accounts [Under Lien Rs. 52,915.29 (Previous Year: Rs. 57,523.36)]	72,915.29	69,733.47
	<b>100,753.13</b>	<b>97,090.65</b>
<b>Schedule 9 LOANS AND ADVANCES</b>		
Loans		
Unsecured - Considered Good	366.57	125.70
Advances recoverable in cash or kind or for value to be received		
Considered Good	7,935.32	6,848.51
Tax Payments/Deduction at Source - Considered Good	4,659.56	2,762.81
Margin with Bodies Corporate	2,294.85	3,294.85
Accrued Interest/Financial Charges, etc.	533.40	1,838.37
Deposits - Considered Good	765.34	726.53
	<b>16,555.04</b>	<b>15,596.77</b>
<b>Schedule 10 CURRENT LIABILITIES</b>		
Sundry Creditors	20,683.89	21,703.12
Advances/Deposits from Customers	10,544.88	15,051.20
Unclaimed Dividend	19.02	20.25
Credit Balances in Current Accounts with Banks	4,362.98	172.25
Share Application Money	–	2,138.75
Other Liabilities	4,003.26	2,464.55
Interest accrued but not due on Loans/Deposits	2,563.10	1,851.56
	<b>42,177.13</b>	<b>43,401.68</b>
<b>Schedule 11 PROVISIONS</b>		
Provision for Taxation	6,655.15	3,959.41
Proposed Dividend (including tax thereon)	1,985.54	1,352.76
Contingent Provision against Standard Assets (As per RBI Directions) - Tier II Capital (Refer Note 2 (xix), Schedule 16 to Accounts)	1,148.00	–
	<b>9,788.69</b>	<b>5,312.17</b>

## Schedules to Consolidated Accounts

(Rs. in Lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
<b>Schedule 12 OTHER INCOME</b>		
Rent	73.33	113.32
Dividend (Long Term, Other than Trade)	0.07	1.37
Interest on Investments (Long Term, Other than Trade)	105.51	247.84
Interest on Loans, Margins, etc.	309.68	324.65
Interest on Fixed Deposits	3,990.52	4,726.77
Loss on Sale of Fixed Assets	(19.92)	(14.38)
Profit on Sale of Investments	–	17.21
Sale of Power	1,029.93	1,226.35
Miscellaneous Income	10.13	4.65
	<b>5,499.25</b>	<b>6,647.78</b>
<b>Schedule 13 PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries, Wages and Bonus, etc.	12,514.42	9,855.07
Contribution to Provident and Other Funds	479.21	350.39
Staff Welfare	447.28	279.01
Employee Compensation Expenses on account of ESOS	24.08	49.08
	<b>13,464.99</b>	<b>10,533.55</b>
<b>Schedule 14 OPERATIVE AND ADMINISTRATIVE EXPENSES</b>		
Rent	921.16	746.25
Brokerage and Commission	7,009.07	5,021.72
Rates and Taxes	71.15	75.92
Insurance	65.14	51.75
Advertisement and Publicity	168.89	52.50
Travelling and Conveyance	1,227.26	1,029.25
Repairs and Maintenance - Machinery	353.13	240.15
- Others	103.31	60.64
Motor Car Expenses	59.38	65.64
Directors' - Fees	6.60	5.64
- Commission	170.00	–
Professional Fees	1,212.76	1,147.33
Legal Charges	653.50	505.63
Printing and Stationery	261.77	208.85
Communication Expenses	566.85	528.71
Wealth Tax	0.94	0.81
Electricity Charges	333.55	270.15
Provision for Diminution in Value of Investments	–	(40.00)
Bad Debts Written-off (net)	2,408.43	4,083.48
Miscellaneous Expenses	956.76	889.16
	<b>16,549.65</b>	<b>14,943.58</b>
<b>Schedule 15 INTEREST AND FINANCE CHARGES</b>		
On Debentures	8,114.01	6,320.59
On Term Loans	8,846.24	14,651.58
On Working Capital and Other Financial Charges	18,274.29	11,532.39
	<b>35,234.54</b>	<b>32,504.56</b>

## Schedules to Consolidated Accounts

(Rs. in Lacs)

### Schedule 16 NOTES ON ACCOUNTS

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### i) Basis of Preparation

- a) The financial statements have been prepared under the historical cost convention and on an accrual basis unless otherwise stated.
- b) The Company follows the directions prescribed by the Reserve Bank of India for Non-Banking Financial (Non-Deposit Accepting or Holding) Companies (NBFC-ND), provisions of the Companies Act, 1956 and the applicable Accounting Standards notified by the Central Government under the Companies (Accounting Standard) Rules, 2006.
- c) The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

##### ii) Principles of Consolidation

Consolidated Financial Statements relate to Magma Fincorp Limited, the Parent Company and its subsidiary, Magma ITL Finance Limited (the 'Group'). The Consolidated Financial Statements are in conformity with the Accounting Standard (AS) 21; "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India and are prepared as set out below:

- a) The Financial Statements of the Parent Company and its subsidiary have been combined on a line by line basis by adding together book values of like items of assets, liabilities, income and expenses after adjustments / eliminations of inter-company balances, transactions including unrealised profits.
- b) The Consolidated Financial Statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances in all material respect and are presented to the extent possible, in the same manner as the Parent Company's separate Financial Statements unless otherwise stated.
- c) The excess of cost to the Parent Company of its investment in the subsidiary over the parent's portion of equity of the subsidiary at the dates they become subsidiary or vice versa is recognised in the Consolidated Financial Statements as Goodwill or Capital Reserve as the case may be.
- d) Minority interest in the Consolidated Financial Statements is identified and recognised after taking into consideration:
 

The amount of equity attributable to minorities at the date on which investments in a subsidiary is made.

The minorities' share of movement in equity since the date parent-subsidiary relationship came into existence.

Adjustment of the losses attributable to the minorities against the minority interest in the equity of the subsidiary and thereafter adjustment of the excess of loss, if any, over the minority interest in the equity against General Reserve.

##### iii) Assets on Finance

- a) Assets on Finance include assets given on Finance / Loan and amounts paid for acquiring financial assets including non-performing assets (NPAs) from other Banks / NBFCs.
- b) Assets on Finance represents amounts receivable under Finance / Loan agreements and is net of unmatured / unearned finance charges and amounts securitised / assigned and includes advances under such agreements.
- c) Repossessed assets are valued at lower of book value and estimated realisable value.

##### iv) Revenue Recognition

- a) Income from Operations includes finance charges on Assets on Finance / Loan recognised on the basis of Internal Rate of Return method on individual agreements. In case of operating lease, rent income is accounted for on straight line basis over the period of the lease. In respect of NPAs acquired, recoveries in excess of consideration paid is recognised as income in accordance with RBI guidelines.
- b) In respect of receivables securitised prior to 1st February, 2006 and receivables assigned bilaterally, the assets are de-recognised as all the rights, titles and future receivables are assigned to the purchaser. On de-recognition, the difference between the book value of the assets securitised / assigned and the discounted value of the receivables is taken to Profit and Loss Account. In terms of Reserve Bank of India's Guideline, in respect of receivables securitised post 1st February, 2006, gain arising thereon is amortised over the tenure of the related receivables and loss, if any, is charged

## Schedules to Consolidated Accounts

(Rs. in Lacs)

### Schedule 16 NOTES ON ACCOUNTS (contd...)

to Profit and Loss Account during the year in which sale is effected.

- c) Upfront income (net) received is recognised upon execution of the respective contracts.
- d) Income from dividends is accounted for on receipt basis.
- e) Interest on Loans, Margins, Fixed Deposits, etc. are recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- f) Income from power generation is recognised as per the terms of the relevant Power Purchase Agreements with the respective parties.
- g) All other items of income are accounted for on accrual basis.
- h) The Company follows a more stringent policy on non-performing assets classification and provisioning than the guidelines prescribed by the Reserve Bank of India for compliance by Non-Banking Financial (Non-Deposit Accepting or Holding) Companies (NBFC-ND). Accordingly, all contracts with 180 days past dues other than NPAs acquired are treated as loss assets and written off. Any subsequent recoveries out of such contracts is treated as income for the year during which the same is received.

In case of Magma ITL Finance Limited, a subsidiary Company, all contracts with six months past dues are treated as loss assets and written off as bad debts, net of delinquency fund received from dealers and recoveries made. Any subsequent recoveries made out of these contracts will be treated as income for the year in which the same is received.

- i) The Company makes provision of 0.25% on standard assets in accordance with RBI guidelines issued on 17th January, 2011.

#### v) Prudential Norms

Subject to Para 1 (iv) (h) above, the Company has followed the Prudential Norms issued by Reserve Bank of India, as applicable, and revenue / assets have been represented (considering adjustments / write-off / net-off, as applicable) keeping in line therewith and management prudence.

#### vi) Fixed Assets

- a) Fixed Assets are stated at cost less depreciation and grants received against these assets, if any.
- b) Capital work-in-progress is stated at cost and includes advances given for acquisition of assets.
- c) Intangible Assets are stated at cost of acquisition less accumulated amortisation.

#### vii) Depreciation and Amortisation

Depreciation on Fixed Assets for own use and on Operating Lease has been provided on Straight Line Method on book value at the applicable rates and in the manner specified in Schedule-XIV to the Companies Act, 1956. Depreciation on commercial vehicles given on operating lease is provided on Straight Line Method at rates based on economic life of the assets. Intangible Assets are amortised over the assets' estimated useful life not exceeding six years.

#### viii) Stock-in-Trade

Stock-in-Trade comprises of real estate property held for sale and is valued at lower of cost or net realisable value.

#### ix) Transactions in Foreign Currencies

In respect of transactions covered by Forward Foreign Exchange Contract, the difference between the forward rate and exchange rate at the inception of contract is recognised as income or expense over the life of the contract.

#### x) Grants

Grants, if any, received against specific assets are deducted from the gross value of assets concerned in arriving at its book value and grants related to revenue are credited to the related expenditure.

#### xi) Investments

- a) Investments that are intended to be held for more than a year, from the date of acquisition, are classified as long term investments and are carried at cost. However, provision for diminution in value of investments is made to recognise a decline, other than temporary.
- b) Investments other than long term investments are valued at lower of cost and fair value of each share individually.

## Schedules to Consolidated Accounts

(Rs. in Lacs)

### Schedule 16 NOTES ON ACCOUNTS (contd...)

#### xii) Employee Benefits

- a) Short term employee benefits are recognised as expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- b) Post employment and other long term employee benefits are recognised as expense in the profit and loss account for the year in which the employees have rendered services. The expenses are recognised at the present value of the amounts payable determined using the actuarial valuation techniques at the end of each financial year. Actuarial gains or losses in respect of post employment and other long term benefits are charged to the profit and loss account.

#### xiii) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in subsequent periods. Deferred tax assets arising on account of unabsorbed depreciation or carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised.

#### xiv) Impairment of Fixed Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting periods is reversed if there has been a change in estimate of recoverable amount.

#### xv) Provisions and Contingent Liabilities

Provisions are recognised in accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

## 2. NOTES TO THE ACCOUNTS

### i) The financial statements of the following subsidiary company has been considered for consolidation.

Name of the Subsidiary Company	Country of Incorporation	Extent of holding as on 31.03.2011
Magma ITL Finance Limited (MITL)	India	74.00%

### ii) Assets on Finance

- a) Assets on Finance is net of amounts securitised / assigned of Rs. 501,484.14 lacs (Previous Year: Rs. 481,834.74 lacs).
- b) Value of repossessed assets as at the year-end is Rs. 296.49 lacs (Previous Year: Rs. 348.17 lacs).

### iii) Assets Given on Operating Lease

Maturity pattern of the future minimum operating lease payments are as follows:

Lease Assets Maturity	Amount
Not later than one year	42.57 (259.42)
Later than one year but not later than five years	– (50.50)
<b>Total</b>	<b>42.57</b> <b>(309.92)</b>

### iv) Operating Lease Rental for the year is Rs. 244.78 lacs (Previous Year: Rs. 991.41 lacs), included in Income from Operations.

### iv) Employee Benefits

#### *Gratuity and Other post-employment benefit plans*

The following tables summarise the components of net benefit/ expense recognised in the Profit and Loss Account and

## Schedules to Consolidated Accounts

(Rs. in Lacs)

## Schedule 16 NOTES ON ACCOUNTS (contd...)

Balance Sheet for the respective plans.

a) Expenses recognised in the Profit and Loss Account:

Particulars	Year ended 31.03.2011		Year ended 31.03.2010	
	Gratuity	Leave	Gratuity	Leave
Current service cost	89.97	26.27	90.10	25.68
Interest cost	32.60	23.07	27.79	19.22
Actuarial Losses /(Gains)	27.40	84.33	(56.66)	36.61
Expected return on Plan Assets	(49.46)	–	(34.31)	–
<b>Net expense</b>	<b>100.51</b>	<b>133.67</b>	<b>26.92</b>	<b>81.51</b>

b) Net Asset / (Liability) recognised in the Balance Sheet:

Particulars	As at 31.03.2011		As at 31.03.2010	
	Gratuity	Leave	Gratuity	Leave
Defined Benefit Obligation	526.64	387.25	412.75	305.73
Fair Value on Plan Assets	700.46	–	539.96	–
<b>Net Asset / (Liability)</b>	<b>173.82</b>	<b>(387.25)</b>	<b>127.21</b>	<b>(305.73)</b>

c) Changes in the present value of the defined benefit obligation are as follows:

Particulars	Year ended 31.03.2011		Year ended 31.03.2010	
	Gratuity	Leave	Gratuity	Leave
Defined Benefit Obligation at the beginning of the year	412.75	305.73	366.36	271.88
Current Service Cost	89.97	26.27	90.10	25.68
Interest Cost	32.60	23.07	27.79	19.22
Actuarial Losses /(Gains)	26.45	84.33	(56.02)	36.61
Benefit Paid	(35.13)	(52.15)	(15.48)	(47.66)
<b>Defined Benefit Obligation at the end of the year</b>	<b>526.64</b>	<b>387.25</b>	<b>412.75</b>	<b>305.73</b>

d) Changes in the fair value of the plan assets are as follows:

Particulars	Year ended 31.03.2011		Year ended 31.03.2010	
	Gratuity	Leave	Gratuity	Leave
Fair Value of the Plan Assets at the beginning of the year	539.96	–	380.41	–
Actual return on Plan Assets	48.51	–	34.95	–
Contributions	147.12	52.15	140.08	47.66
Benefit Paid	(35.13)	(52.15)	(15.48)	(47.66)
<b>Fair Value of the Plan Assets at the end of the year</b>	<b>700.46</b>	<b>–</b>	<b>539.96</b>	<b>–</b>

e) The Principal Actuarial Assumptions used in determining gratuity and leave liabilities are as shown below:

Particulars	Year ended 31.03.2011		Year ended 31.03.2010	
	Gratuity	Leave	Gratuity	Leave
Discount Rate	8.50%	8.50%	8.25%	8.25%
Salary Increase	5.00%	5.00%	5.00%	5.00%
Expected rate of return on Plan Assets	8.25%	–	7.75%	–

## Schedules to Consolidated Accounts

(Rs. in Lacs)

### Schedule 16 NOTES ON ACCOUNTS (contd...)

f) Amount provided for defined contribution plans are as follows:

	Year ended 31.03.2011	Year ended 31.03.2010
Contribution to Provident / Pension fund	339.04	288.98

g) The estimate of future salary increases, considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

#### vi) Employee Stock Option Scheme

The Nomination and Remuneration Committee of the Board of Directors had granted 350,800 Options (each Option entitled to 1 Equity Share of Rs. 10/- each at a price of Rs. 180/- per share) to the eligible employees of the Company under "Magma Employee Stock Option Plan 2007" on 12th October, 2007 (Refer note 2 (x) (a)).

The disclosures in respect of Employees Stock Option Scheme which are outlined in this year's Annexure to the Report of the Directors are treated as an annexure to these accounts.

#### vii) a) Particulars of Tier I capital raised by the Company by issue of Subordinated Unsecured Non-Convertible Perpetual Debentures (Perpetual Debt Instruments)

Number of debentures	Face Value (Rs.)	Year ended 31.03.2011		Year ended 31.03.2010	
		Amount Outstanding	Percentage of Tier I Capital	Amount Outstanding	Percentage of Tier I Capital
100	1,000,000	1,000.00	1.60%	1,000.00	2.72%
200	1,000,000	2,000.00	3.21%	2,000.00	5.45%
100	1,000,000	1,000.00	1.60%	-	-
150	1,000,000	1,500.00	2.41%	-	-
		<b>5,500.00</b>	<b>8.82%</b>	<b>3,000.00</b>	<b>8.17%</b>

The Company has raised Rs. 2,500.00 lacs (Previous Year: Rs. 3,000.00 lacs) during the year by issue of Perpetual Debt Instruments. These debentures are perpetual in nature and the Company has a 'Call Option' only after a minimum period of 10 years from the date of issue subject to RBI regulations.

#### b) Particulars of Tier II capital raised by the Company by issue of Subordinated Unsecured Redeemable Non-Convertible Debentures

Number of debentures	Face Value (Rs.)	As at 31.03.2011	As at 31.03.2010	Terms of Redemption Redeemable at par in
500	1,000,000	5,000.00	5,000.00	May-2013
250	1,000,000	2,500.00	2,500.00	Jun-2013
500	1,000,000	5,000.00	5,000.00	Jul-2013
50	1,000,000	500.00	500.00	Mar-2014
100	1,000,000	1,000.00	1,000.00	May-2014
300	1,000,000	3,000.00	3,000.00	Jun-2014
480	1,000,000	4,800.00	4,800.00	Jun-2015
320	1,000,000	3,200.00	-	Aug-2015
792	1,000,000	7,920.00	-	Dec-2015
200	1,000,000	2,000.00	-	Jan-2016
50	1,000,000	500.00	-	Jun-2016
		<b>35,420.00</b>	<b>21,800.00</b>	

## Schedules to Consolidated Accounts

(Rs. in Lacs)

## Schedule 16 NOTES ON ACCOUNTS (contd...)

## c) Particulars of Privately placed Unsecured Redeemable Non-Convertible Debentures

Number of debentures	Face Value (Rs.)	As at 31.03.2011	As at 31.03.2010	Terms of Redemption Redeemable at par in	
65	10,000,000	–	6,500.00	May-2010	Redeemed
85	10,000,000	–	8,500.00	Jun-2010	Redeemed
10,000,000	100	–	10,000.00	Nov-2010	Redeemed
7,500,000	100	–	7,500.00	Dec-2010	Redeemed
10	10,000,000	1,000.00	–	Apr-2011	–
75	10,000,000	7,500.00	–	Jun-2011	–
39	500,000	195.00	–	Jul-2011	–
		<b>8,695.00</b>	<b>32,500.00</b>		

## viii) Business Segments

The Company is engaged primarily in the business of financing and only in one Geographical Segment viz. India. As such no separate Business and Geographical reportable segment's information as per Accounting Standard 17 (Segment Reporting) has been furnished in the accounts.

## ix) Earning per Share

Calculation of Earning per Share (Basic & Diluted) as required by Accounting Standard (AS) 20:

Sl. No.	Particulars	Units	Year ended 31.03.2011	Year ended 31.03.2010
	<b>Basic &amp; Diluted</b>			
1	i) Weighted average number of Equity Shares (Face Value of Rs. 2/-) for Basic EPS	Nos.	127,200,112	108,885,700
	ii) Weighted average number of Equity Shares for Diluted EPS [after considering 28.91 lac shares (Previous Year: 0.48 lac) resulting from assumed exercise of employee stock options and equity warrants]	Nos.	130,091,572	109,127,255
2	Net Profit after tax	Rs. in Lacs	12,014.05	7,005.71
3	Less : Preference Dividend including Tax on Dividend	Rs. in Lacs	1,117.64	698.65
4	i) Net Profit for Equity Shareholders for Basic EPS	Rs. in Lacs	10,896.41	6,307.06
	ii) Net Profit for Equity Shareholders for Diluted EPS	Rs. in Lacs	10,896.41	6,307.06
5	i) Earning Per Share (Face Value of Rs. 2/- each) – Basic	Rs.	8.57	5.79
	ii) Earning Per Share (Face Value of Rs. 2/- each) – Diluted	Rs.	8.38	5.78

- x) a) Pursuant to the approval of the shareholders at the Annual General Meeting held on 15th July, 2010, the equity shares of face value of Rs. 10/- each were sub-divided into five equity shares of face value of Rs. 2/- each on record date of 16th August, 2010. Accordingly, the EPS has been recalculated based on face value of Rs. 2/- each for the current year and for the earlier years as required by Accounting Standard 20 (Earnings Per Share).
- b) The Company has allotted on 30th April, 2010, 2,000,000 Warrants to one of the Promoter entities carrying an option to subscribe to equivalent number of equity shares of Rs. 10/- each at a price of Rs. 250/- per equity share of the face value of Rs. 10/- each, on a future date not exceeding 18 months from the date of issue of such Warrants in terms of provisions of SEBI Guidelines for Preferential Issue (Chapter VII of the SEBI (Issue and Disclosure Requirements) Regulations, 2009). Following the subdivision of one equity share of the face value of Rs. 10/- each into five equity shares of the face value of Rs. 2/- each during the year, the number of warrants stand increased from 2,000,000 to 10,000,000 and the issue price stands reduced from Rs. 250/- to Rs. 50/- per equity share of Rs. 2/- each. The Company has already received Rs. 1250.00 lacs being 25% of the total issue price.



## Schedules to Consolidated Accounts

(Rs. in Lacs)

### Schedule 16 NOTES ON ACCOUNTS (contd..)

- c) The Company has allotted on 12th May, 2010, 4,067,220 equity shares of Rs. 10 each to Qualified Institutional Buyers (QIBs) in the Qualified Institutions Placement under chapter VIII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 at a price of Rs. 301/- per equity share of Rs. 10 each (including premium of Rs. 291/- per Share) aggregating to Rs. 12,242.33 lacs (Refer note 2 (x) (a)).
- d) The Company has allotted on 25th May, 2010, 25,260 equity shares of Rs. 10/- each and on 19th November, 2010, 425,450 equity shares of Rs. 2/- each on preferential basis under Employee Stock Option Plan (ESOP) pursuant to SEBI (ESOS and ESPS) Guidelines, 1999 to the eligible employees of the Company (Refer note 2 (ix) (a)).
- e) The total paid-up Equity Share Capital of the Company stands increased to 129,773,550 Equity Shares of Rs. 2/- each aggregating to Rs. 2,595.47 lacs. These equity shares will rank pari passu in all respects including the right to receive all dividends and other distributions declared.
- f) The Company has raised a sum of Rs. 3,500.00 lacs by allotting 2,500,000, 12%, Cumulative Redeemable Non-Convertible Preference Shares of Rs. 100/- each aggregating to Rs. 2,500.00 lacs and 1,000,000, 9.6% Cumulative Redeemable Non-Convertible Preference shares of Rs. 100/- each aggregating to Rs. 1,000.00 lacs respectively on private placement basis for augmenting the working capital requirements of the Company.
- g) The Company has transferred Rs. 421.84 lacs to Capital Redemption Reserve on redemption of first installment of Rs. 20/- per share in respect of 2,109,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- per share on 17th February, 2011. The paid-up value as at 31st March, 2011 of the above preference shares stands reduced to Rs. 80/- per shares.
- xi) As per the terms of issue, the holders of the 6,500,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each aggregating to Rs. 6501.00 lacs (equivalent to USD 15 Million) allotted on 26th March 2007 are entitled to fixed Dividend at the rate equivalent to 6 months US Dollar Libor applicable on the respective dates i.e. 30th December or 29th June depending upon the actual date of payment plus 3.25% on subscription amount of USD 15 Million. Accordingly, the dividend for the financial year ended 31st March, 2011 has been provided in accounts based on the 6 months US Dollar Libor applicable as on 30th December, 2010 and closing exchange rate applicable as on 31st March, 2011 and which might vary depending on the actual date of payment of the Dividend. Accordingly, the excess / (deficit) dividend and tax thereon of (Rs. 37.06) lacs (Previous Year: Rs. 50.80 lacs) provided with respect to above Preference Shares for the previous financial year ended 31st March, 2010 has been adjusted in the current year with consequent impact on Earning per Share for the year.

#### xii) Related Party Disclosures

Aggregated Related Party Disclosures as at and for the year ended 31st March, 2011:

##### Associate

Magma HDI General Insurance Co. Limited

##### Enterprises having significant influence

AMRI Hospitals Limited, Bengal Tools Limited, Calcutta Becon Engineering Co. Limited, Camaro Infrastructure Private Limited, Celica Developers Private Limited, Chinar Builders & Contractors Limited, CLP Business LLP, Escort Projects Private Limited, Everfast Promoters Private Limited, Gagan Tradelink Private Limited, GNB Credit Private Limited, GNB Logistics Private Limited, Hilife Infra Private Limited, Hilltop Plaza Private Limited, Jaguar Advisory Services Private Limited, Juhi Investment Private Limited, Kanaiya Engineering & Finance Limited, Liberty Pharma Limited, Lifelong Realtors Private Limited, Magma Consumer Finance Private Limited, Mask Corp, USA, Microfirm Softwares Private Limited, Nadia Security Printing & Stationery Company Limited, Neobeam Properties Private Limited, Noblesse Crystal Private Limited, Pragati Cement (India) Private Limited (Formerly Purulia Cements Private Limited), Pragati Sales Private Limited, Romex Promoters Private Limited, Shivangan Developers Private Limited, Shracchi Developers Private Limited, Shracchi Insurance Agencies Private Limited, Shracchi Realty Private Limited, Sino India Agro Machinery, Solvex Estates LLP (Formerly Solvex Estates Private Limited), Spectra Realcon Private Limited, Web Development Company Limited, International Tractors Limited.

##### Key Management Personnel

Mayank Poddar, Sanjay Chamria, Ravi Todi, Sanjay Mathur\* and Dhruvashish Bhattacharya#.

## Schedules to Consolidated Accounts

(Rs. in Lacs)

## Schedule 16 NOTES ON ACCOUNTS (contd...)

**Relatives of Key Management Personnel**

Anuj Poddar, Ashita Poddar, Kalpana Poddar, Mansi Tulshan, Nidhi Mansingka, Rajat Poddar, Shaili Poddar, Urmila Devi Poddar, Harshvardhan Chamria, Rajashree Tikmani, Vanita Chamria, Chitra Lekha Todi, Rahul Todi, Rhea Todi, Ruchi Todi, Sarika Todi and Shrawan Kumar Todi, Abhilasha Mathur\*, Avantika Mathur\*, Leena Mathur\*, Neha Mathur\*, Prem Kumari Mathur\*, Ajit Bhattacharya#, Chitra Bhattacharya#, Minakshi Bhattacharya#, Satyajit Bhattacharya#, Sibasish Bhattacharya#, Subhasish Bhattacharya#.

\* upto 23rd May, 2010

# w.e.f. 24th May, 2010

Balance as at 31st March, 2011	Associate	Enterprises having significant influence	Key Management Personnel	Relatives of Key Management Personnel
Optionally Convertible Equity Warrants	– (–)	1,250.00 (–)	– (–)	– (–)
Security Deposit	– (–)	267.60 (267.60)	– (–)	– (–)
Investments	– (–)	723.46 (723.46)	– (–)	– (–)
Loans & Advances Given	150.94 (35.23)	192.83 (77.28)	– (–)	– (–)
Deposit Received-	58.82 (–)	– (–)	– (–)	– (–)

Year ended 31st March, 2011	Associate	Enterprises having significant influence	Key Management Personnel	Relatives of Key Management Personnel
Rent Receipts	– (–)	– (5.24)	– (–)	– (–)
Interest Receipts	– (–)	– (14.91)	– (–)	– (–)
Interest Payment	– (–)	1.78 (0.69)	– (–)	– (–)
Interest On HP Deposit	– (–)	3.14 (–)	– (–)	– (–)
Rent Paid	– (–)	316.19 (229.40)	1.77 (–)	– (–)
Directors' Remuneration	– (–)	– (–)	158.36 (158.36)	– (–)
Sale / Transfer of Stock-in-Trade	– (–)	– (42.36)	– (–)	– (–)
Sale of Investment	– (–)	– (80.00)	– (–)	– (–)
Directors' Fee	– (–)	– (–)	– (–)	0.60 (1.20)

- xiii) The Company along with its associates has entered into a Joint Venture Agreement with HDI Gerling International Holding AG ("HDI"), a part of the Talanx AG Group, Germany for the purpose of undertaking general insurance business in India through Magma HDI General Insurance Company Limited (the "Insurance Company") subject to necessary regulatory approvals. As per the terms of the Joint Venture Agreement, it has been agreed between the Company and HDI that set up costs and expenses shall be borne by the Company and HDI equally and on Completion (i.e. R2 approval being received from Insurance Regulatory Development Authority), the Insurance Company will reimburse to the Company and HDI the

## Schedules to Consolidated Accounts

(Rs. in Lacs)

### Schedule 16 NOTES ON ACCOUNTS (contd...)

costs incurred by them respectively. Pursuant to the application seeking licence for carrying on the business of general insurance in India, the Insurance Company, has since received the approval for its R1 application and is in the process of obtaining the R2 approval from the IRDA.

#### xiv) Deferred Tax Liability

The net deferred tax liability of Rs. 3,808.96 lacs (Previous Year: Rs. 4,789.02 lacs) as on 31st March, 2011 has arisen on account of the following:

	As at 31.03.2011	As at 31.03.2010
<b>Deferred Tax Liabilities</b>		
i) Difference between Book and Tax written down value	4,266.29	4,831.88
ii) Others	56.40	42.26
<b>(A)</b>	<b>4,322.69</b>	<b>4,874.14</b>
<b>Deferred Tax Assets</b>		
i) Contingent Provision against Standard Assets	372.48	–
ii) Others	141.25	85.12
<b>(B)</b>	<b>513.73</b>	<b>85.12</b>
<b>(A-B)</b>	<b>3,808.96</b>	<b>4,789.02</b>

#### xv) Contingent Liabilities not provided for

	As at 31.03.2011	As at 31.03.2010
i) Income Tax matters under dispute	84.65	30.50
ii) VAT matters under dispute	25.85	22.66
iii) Legal cases against the Company	371.79	190.27
iv) Recourse obligation in respect of securitised assets (net of cash collaterals)	14,634.15	11,988.01
v) Unexpired Bank Guarantee	30,331.49	14,400.74

#### xvi) Amounts paid/payable to Auditors (included in Miscellaneous Expenses)

	Year ended 31.03.2011	Year ended 31.03.2010
i) Audit Fees	13.53	10.77
ii) Taxation Audit Fees	3.31	2.76
iii) Other Matters (Certificates etc.)	7.07	8.32
<b>Total</b>	<b>23.91</b>	<b>21.85</b>

#### xvii) Managerial Remuneration paid / payable

##### a) Executive and Non-Executive Directors' Remuneration:

	Year ended 31.03.2011	Year ended 31.03.2010
Salary *	84.96	84.96
Contribution to Provident and Gratuity Funds *	14.28	14.28
Other Benefits *	59.12	59.12
Other Directors' - Sitting Fees	6.60	5.64
Commission to Non Executive Directors#	170.00	–
<b>Total</b>	<b>334.96</b>	<b>164.00</b>

\* Included in Schedule 13 under respective heads of expenses.

# subject to approval by shareholders.

## Schedules to Consolidated Accounts

(Rs. in Lacs)

## Schedule 16 NOTES ON ACCOUNTS (contd...)

- xviii) a) Service Tax was imposed on Hire Purchase and Lease transactions with effect from 16th July, 2001. The Company has since discontinued such mode of financing. A writ petition under Article 226 of the Constitution was filed before the Hon'ble High Court of Chennai by the Trade Association of Hire Purchase and Lease Financing Companies against the same. Thereafter the Special Leave Petition was filed before the Hon'ble Supreme Court of India, which was disposed off during the year by the Hon'ble Supreme Court of India which fastened a liability of service tax of Rs. 372.00 lacs, out of which Rs. 258 lacs has already been paid by the Company. Since such transaction pertains to the period 2002-03 to 2006-07 and the transaction with the impugned parties have already been concluded, the resultant liability arising on account of service tax has been written off as charge incidental to carrying on business. Accordingly, the same has been charged to 'Income from Operations' during the year.
- b) The Service Tax Authorities had raised demands of Rs. 300.65 lacs (Previous year Rs. 300.65 lacs) upon the Company with respect to certain items which are disputed and are being duly contested by the Company before the appropriate authority under guidance from its legal and tax advisors. In view of this, the Company have not provided for any liability against the same.
- c) In case of Magma Fincorp Limited, Fringe Benefit Tax had been levied on Fringe Benefit provided to employees as per Section 115W of the Income Tax Act, 1961. The Company had filed a Writ Petition before the Hon'ble Court of Calcutta and had been granted stay order on the same. The case has since been transferred to Hon'ble Supreme Court and is yet to be finally disposed off by the Hon'ble Supreme Court. In view of this, the Company had not provided for any liability against Fringe Benefit Tax in the earlier years. In terms of Finance Act, 2009, Fringe Benefit Tax has been withdrawn effective 1st April 2009.
- xix) The Reserve Bank of India (RBI) vide its Notification No. DNBS. 223/CGM (US) – 2011 dated 17th January, 2011 has issued directions to all NBFCs to make provision of 0.25% against standard assets with immediate effect. Accordingly, the Company has made provision of Rs. 1,148.00 lacs during the year against standard assets which has been charged to Profit and Loss Account. The above contingent provision against standard assets is treated as Tier II Capital.
- xx) Previous year's figures are regrouped / recast / restated, wherever considered necessary.

For and on behalf of  
**S. S. KOTHARI & CO.**  
 ICAI Firm Registration No. 302034E  
*Chartered Accountants*

**M. Poddar**  
*Chairman*

**S. Chamria**  
*Vice Chairman &  
 Managing Director*

**R. N. Bardhan**  
*Partner*  
 Membership No. 17270  
 Kolkata, 18 April 2011

**V. Lakshmi Narasimhan**  
*Chief Financial Officer*

**Girish Bhatia**  
*Company Secretary*









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