



ENRICHING AND ENDURING

MAGMA FINCORP LIMITED | ANNUAL REPORT 2011-12

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*

(upto 27th May, 2011)

Ravi Todi, *Joint Managing Director* (upto 27th May, 2011)

Neil Graeme Brown, *Non Executive Independent Director*

Narayan K Seshadri, *Non Executive Independent Director*

Nabankur Gupta, *Non Executive Independent Director*

Kailash Nath Bhandari, *Non Executive Independent Director*

Satya Brata Ganguly, *Non Executive Independent Director*

Sanjay Nayar, *Non Executive Non Independent Director*

(w.e.f 1st July, 2011)

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
- Industrial Development Bank of India Limited (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
- Lakshmi Vilas Bank
- State Bank of Patiala
- Indian Overseas Bank
- Allahabad Bank
- Bank of Maharashtra
- ING Vysya Bank
- South Indian Bank Ltd
- Jharkhand Grameen Bank
- Canara Bank

Financial Institutions / Mutual Funds:

- FMO, Netherlands (Nederlandse Financierings-Maatschappij-Voorontwikkelingslanden N.V.)
- Industrial Renewable Energy Development Association
- LIC Mutual Fund
- UTI Mutual Fund
- Reliance Mutual Fund
- Franklin Templeton Mutual Fund
- Sundaram Mutual Fund
- Kotak Mutual Fund
- IDBI Mutual Fund

Statutory Auditors:

B S R & Co.

Chartered Accountants

Maruthi Info-Tech Centre

11-12/1 Inner Ring Road, Koramangala

Bangalore 560071

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

Registrar and Share Transfer Agent

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,

Email Id : nichetechpl@nichetechpl.com



DIRECTORS' REPORT

Mayank Poddar, Chairman



The total income increased to Rs. 1,06,296 Lacs on a consolidated basis and Rs. 1,01,602 Lacs on standalone basis, recording a YoY growth of 21.6% and 19.9% respectively.

Financial results

(Rs. in Lacs)

	Consolidated		Standalone	
	2011-12	2010-11	2011-12	2010-11
Total income	1,06,295.85	87,403.23	1,01,602.09	84,732.98
Profit before interest and depreciation	75,871.90	56,240.59	71,016.91	53,648.17
Less: Interest and finance charges	62,542.85	35,234.54	59,851.64	33,813.00
Less: Depreciation	2,957.74	2,785.07	2,957.74	2,785.07
Profit before tax	10,371.31	18,220.98	8,207.53	17,050.10
Tax Expense	2,592.19	6,006.38	1,883.30	5,606.78
Profit after tax (Before Minority Interest)	7,779.12	12,214.60	6,324.23	11,443.32
Minority Interest	378.29	200.55	–	–
Profit after tax (After Minority Interest)	7,400.83	12,014.05	6,324.23	11,443.32
Add: Surplus brought forward	16,857.21	10,460.01	16,172.70	10,191.97
Balance available for appropriation	24,258.04	22,474.06	22,496.93	21,635.29
– Statutory reserves	1,561.00	2,444.26	1,270.00	2,290.00
– General reserve	640.00	1,150.00	640.00	1,150.00
Provision for dividend				
– On preference shares	1,055.36	961.53	1,055.36	961.53
– On equity shares	1,138.39	778.64	1,138.39	778.64
– Dividend tax	355.89	282.42	355.89	282.42
Balance carried forward	19,507.41	16,857.21	18,037.29	16,172.70

Dear Shareholders,

Your Directors have pleasure in presenting the 32nd Annual Report on the audited accounts of the Company for the year ended 31st March, 2012. A summary of the financial results is given below:

DIRECTORS' REPORT

Business

Indian Economy during 2011-12

The Indian economy is estimated to have grown at 6.9% during the year under review, i.e. financial year 2011-12, as compared to 8.4% during the previous year. The WPI based inflation remained high during major part of the year. The inflation did ease sharply in the last quarter to end the year at 6.9%, but it was mainly due to high base effect. High food inflation, which was 9.9% at March end, has been a major contributor to overall high inflation in the economy. Responding to this, RBI continued with its tight monetary policy during major part of the year and also raised key policy rates – viz. the Cash Reserve Ratio and the Repo & Reverse Repo rates, resulting in higher interest rates in the economy affecting the retail asset demand. Due to high government borrowings and slower rate of deposit growth, the liquidity position also remained tight throughout the year resulting in higher cost of funds for the company.

Company's Performance vis-à-vis Industry

Industry growth in sale of new vehicles was subdued during the year under review. Growth in sale of new cars declined sharply to 4.7% during 2011-12 as against 28.3% in 2010-11. Similarly, sale of new construction equipment is estimated to have grown by approximately 10% in 2011-12 as against a growth of 21% in 2010-11. Commercial vehicles and tractors grew by 18.2% and 11% respectively during 2011-12 against 28.9% and 20% respectively in 2010-11.

Despite subdued industry growth in primary sale of the entire asset class financed by us, the Company recorded total disbursements of Rs. 7,40,434 Lacs on consolidated basis and Rs. 7,14,030 Lacs on a standalone basis during FY 2011-12 as against Rs. 5,41,477 Lacs and Rs. 5,26,151 Lacs respectively in FY 2010-11, recording a corresponding growth of 36.7% and 35.7%. The total income increased to Rs. 1,06,296 Lacs on a consolidated basis and Rs. 1,01,602 Lacs on standalone basis, recording a YoY growth of 21.6% and 19.9% respectively.

Capital infusion and change in business strategy

The Company mobilised a sum of Rs. 43,872 Lacs through issue

of additional equity shares on preferential basis to Zend Mauritius VC Investments, Limited (a fund within the private equity division of Kohlberg Kravis Roberts and Co. L. P.) and International Finance Corporation (Multilateral Development Organisation), as per details elsewhere in this report. Consequent to this significant capital infusion at beginning of the year, the Company decided not to sell its loan portfolio to release the capital had been the practice prior to this significant equity infusion, except as a treasury tool to raise funds at competitive rates. This was also done to ensure stability of income.

Regulatory Changes and Change in Accounting Policy

The principal regulator for the company, RBI had issued first guidelines on securitisation transactions including accounting treatment of gain on such transactions in the year 2006. The RBI came out with new set of draft guidelines in September 2011 and suggested inclusion of bilateral assignment deals also in the said guidelines. While the Company has retained focus on building its own book post significant capital infusion, certain bilateral assignment transactions were done from September 2011 purely as a treasury activity to raise funds at competitive cost.

In such bilateral assignment transactions, the Company has assigned only the principal portion of the loan receivables. The interest portion will continue to be received by the company over the original loan tenure, which is recognised in the books as Excess Interest Spread (the difference between the interest receivable from the customer and the interest payable by the Company to the assignee of such loan receivables). Such Excess Interest Spread is being recognised in the books of accounts as per the contractual accruals of the same from the year under review and thereafter. Consequently, an amount of Rs. 17,906 Lacs (consolidated) and Rs. 15,394 Lacs (standalone), being income relating to future period will be recognised over the tenure of the contracts assigned.

Simultaneously with the change in income recognition on assets assigned, the Company has decided to amortise upfront

The Indian economy is estimated to have grown at 6.9% during the year under review, i.e. financial year 2011-12, as compared to 8.4% during the previous year.

brokerage expenses / income pertaining to all loan originations over the tenure of the underlying contracts. This change in method of accounting is in line with international practices on recognition of loan origination expenses. Consequently, net expense of Rs. 6,507 Lacs (consolidated) and Rs. 6,554 Lacs (standalone) for the year is not charged off to profit and loss statement and is being amortised over the tenure of the contracts.

Insurance Joint Venture:

The Company had entered into a Joint Venture Agreement in July 2009, with HDI Gerling International Holding AG now replaced by HDI-Gerling Industrie Versicherung AG, for entering into General Insurance Business in India in the name of Magma HDI General Insurance Company Limited (the "JV Company"). The JV Company had received the R1 approval on 13th April 2011 and has received R2 approval on 13th April 2012 from the Insurance Regulatory and Development Authority of India, and is now in the process of completing the formalities for obtaining the R3 approval, post which the JV Company would be able to commence commercial operations of Insurance business in India.

Dividend

Your directors recommend a dividend of Re. 0.60 per Equity Share (i.e. 30% on face value of Rs. 2/- per Equity Share) on 18,97,32,175 Equity Shares; a 9.7% dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 80/- each for the period from 1.4.2011 to 17.2.2012 and 9.7% on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 60/- each (reduced to Rs.60/- upon redemption of 2nd installment of Rs.20/- each per share on 17th February, 2012) for the period from 18.2.2012 to 31.3.2012; a 5% dividend on 30,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each; a 4.06% dividend on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each; a 12% dividend on 25,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each; a 9.6% dividend on 10,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each; a 1.5% 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 1.5% dividend 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 February, 2011) for the period from 18.2.2011 to 31.3.2011, subject to your approval at the ensuing Annual General Meeting.

Employee Stock Option Scheme

Your Company had 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, a further 2,50,000 number of Stock Options were granted to the eligible employees in February, 2012 under ('Magma Employees Stock Option Plan 2007- Tranche-2'). The details of options granted and outstanding as on 31st March 2012 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 placed at the forthcoming Annual General Meeting pursuant to Clause 14 of the said guidelines are set out in the Annexure to the Report.

Share Capital

Equity Shares

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

i) Preferential Issue of Equity Shares in favour of Zend Mauritius VC Investments, Limited and International Finance Corporation.

The Company raised a sum of Rs.43,872 Lacs through the issue of 4,98,54,375 Equity shares of Rs.2/- each for cash at a price of Rs.88/- per Equity share (including premium of Rs.86/- per equity share) on preferential basis to Zend Mauritius VC Investments, Limited (a fund within the private equity division of Kohlberg Kravis Roberts and Co. L. P.) (KKR) and International Finance Corporation, a multilateral development organisation.

ii) Issue of Equity Shares upon exercise of options attached with Warrants:

DIRECTORS' REPORT

The Company allotted 1,00,00,000 Equity Shares of the face value of Rs. 2/- each arising out of exercise of option attached to 1,00,00,000 warrants held by Microfirm Softwares Private Limited, a promoter group entity, at the exercise price of Rs.50/- per Equity Share (including premium of Rs.48/- per Equity Share).

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

During the year 1,04,250 Equity Shares of the face value of Rs.2/- each were allotted to the eligible employees at a price of Rs.36/- per Equity Share (including a premium of Rs.34/- per Equity Share), upon the exercise of stock options by the employees.

Consequent to issue of the additional Equity Shares as above, the issued, subscribed and paid up Equity Share Capital of the Company stands increased to Rs.3,795 Lacs divided into 18,97,32,175 Equity Shares of Rs.2/- each.

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

Preference Shares

Redemption of Preference Shares

(i) As per the terms of issue of 9.7% Cumulative Non-Convertible Redeemable Preference Shares of face value of Rs.100/- each, the second installment of 20% (Rs.20/- each) on 21,09,199 Preference shares aggregating to Rs. 422 Lacs was redeemed on 17th February, 2012. The paid up value per share consequent to the second redemption stands reduced to Rs.60/-.

(ii) As per the terms of issue of 65,00,999 Nos. Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each (carrying dividend rate fixed at 6 months US Dollar Libor plus 3.25%), the first installment aggregating US Dollar 3 million was redeemed after the close of the Financial Year on 3rd April, 2012 out of the proceeds which was raised by the Company through issue of Equity Shares to Zend Mauritius VC Investments, Limited.

Consequently, the issued, subscribed and paid up Preference

Share Capital of your Company stands revised to Rs.12,966 Lacs as on date.

Debt

Secured Debt

During the year, the Company issued 12,130 nos. Secured Redeemable Non-Convertible Debt Instruments of Rs. 10,00,000/- each, aggregating to Rs. 1,21,300 Lacs. Such instruments are in the nature of Debentures.

Subordinated Debt

During the year, the Company issued 1,653 Unsecured Redeemable Non-Convertible Subordinated Debt Instruments in the nature of Debentures of the face value of Rs. 10,00,000/- each, aggregating to Rs. 16,530 Lacs and 9,200 Unsecured Redeemable Non-Convertible Subordinated Debt Instruments in the nature of Debentures of the face value of Rs. 1,00,000/- each, aggregating to Rs. 9,200 Lacs.

Credit Rating

During the financial year 2011-12, Credit Analysis & Research Limited ("CARE") upgraded its ratings on the Company's various debt instruments. Short-term debt instruments were rated at CARE A1+, which reflects CARE's expectations that the Company's short-term instruments have very strong degree of safety regarding timely payment of financial obligations and that these instruments carry lowest credit risk. Further, the long term debt instruments of the Company were upgraded from AA to AA+, reflecting expectations that these instruments have very high degree of safety regarding timely payment of financial obligations and carry very low credit risk. Rating for subordinated debt instruments were upgraded by CARE from AA- to AA, again reflecting that these instruments have very high degree of safety regarding timely payment of financial obligations and carry very low credit risk. CARE upgraded rating of Perpetual Debt instruments to AA- from A+. The Company's Assignment Instruments were rated AAA/AA (SO) by both CRISIL and CARE.

Consolidated Financial Statements

In accordance with the requirements under Clause 32 of the

During the financial year 2011-12, Credit Analysis & Research Limited ("CARE") upgraded its ratings on the Company's various debt instruments.

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 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 2012 and of the profit of the Company for the period under review.
- That proper and sufficient care has been taken 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.
- 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. A detailed note is appended in Note 2 (v). The gross and net NPA's stood at Rs. 110 Lacs 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 Schedules annexed to the Balance Sheet and additional disclosures required for NBFCs-ND-SI in terms of notification dated 1st August 2008 issued by the RBI in Note 25 (xiii).

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 subsidiary company has earned a PBT of Rs. 2,164 Lacs for the year ended 31st March, 2012.

As per Section 212 of the Companies Act, 1956, we are required to attach the Directors' Report, Balance Sheet and Statement of Profit and Loss of the subsidiary company. The Ministry of Corporate Affairs, Government of India vide its circular no. 2/2011 dated 8th February 2011 has provided an exemption to companies from complying with Section 212, provided such companies publish consolidated financial statements in the Annual Report. Accordingly, the Annual Report for Financial Year 2011-12 does not contain the financial statements of the subsidiary. The audited annual accounts and related information of our subsidiary, where applicable, will be made available upon request. These documents will also be available for inspection during business hours at our registered office at Kolkata. The same will also be available on our website, www.magma.co.in.

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

DIRECTORS' REPORT

Directors

Mr. Shrawan Kumar Todi, Promoter, Non-Executive Director designated as Vice Chairman and Mr. Ravi Todi, Promoter, Executive Director designated as Joint Managing Director ceased to be the Directors of the Company with effect from 27th May, 2011. Subsequent to the transfer of their shareholding in the Company to the other Promoter entities, they also ceased to be Promoters of the Company with effect from 27th May, 2011. Mr. Shrawan Kumar Todi was also a member of the Fair Practices Code Committee of the Board. The Board places on record its sincerest appreciation for the invaluable guidance provided by Mr Shrawan Kumar Todi and Mr Ravi Todi to the growth of the Company during their tenure as the Directors of the Company.

Mr. Sanjay Nayar, nominee of Zend Mauritius VC Investments, Limited was appointed as an Additional Director by the Board of Directors w.e.f. 1st July, 2011 as Non-Executive, Non-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 a member of the Company proposing to appoint Mr. Sanjay Nayar as Director at the ensuing Annual General Meeting.

Mr. Neil Graeme Brown and Mr. Kailash Nath Bhandari retire at the ensuing Annual General Meeting and being eligible offer themselves 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. B S R & Co., Chartered Accountants, Bangalore, were opted as Joint Auditors of the Company together with M/s S.S. Kothari & Co., Chartered Accountants pursuant to Section 224 of the Companies Act, 1956, to hold the office till the conclusion of the next Annual General Meeting of the Company.

M/s. S. S. Kothari & Co., Chartered Accountants, Kolkata, bearing Registration No. 302034E, and M/s. B S R & Co., Chartered Accountants, Bangalore, bearing registration no. 101248W, retire at the conclusion of the forthcoming Annual General Meeting and have expressed their willingness to be reappointed.

They have confirmed that their reappointment, if made, would be covered within the ceiling specified under Section 224(1B) 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.

Investor Education and Protection Fund

During the year under review, your Company transferred a sum of Rs. 1.38 Lacs 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.

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. 25 (xi).
- 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 are self-explanatory.

Appreciation

Your Directors would like to record their appreciation of the hard work and commitment of the Company's employees 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
26th April, 2012

Mayank Poddar
Chairman

ANNEXURE TO DIRECTORS' REPORT

For the year ended 31st March 2012

Particulars of Employees forming part of the Directors' Report pursuant to Section 217(2A) of the Companies Act, 1956

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	49	FCA	Chief Operating Officer	01-Oct-92	29	71,12,535	Consortium Finance Limited (erstwhile) - General Manager
Brahmajyoti Mukherjee	54	B-Tech from IIT, PGDIE	Chief People Officer	16-Aug-06	32	74,12,876	Hindalco Industries Limited - Vice President
Guru Prasad Pattanaik	52	ACA	Chief Receivables Management	17-Apr-00	30	1,04,68,646	Nicco Uco Financial Services Ltd - Vice President
V Lakshmi Narasimhan	47	FCS, LLB, PGDBM	Chief Financial Officer	01-Nov-90	26	75,07,963	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
Gauri Shankar Agarwal	44	ACA	Head Securitisation & Treasury	10-Apr-97	20	13,25,042	Sterling Securities Ltd - Manager
Ravi Todi	42	B COM	Jt Managing Director	12-Apr-07	23	23,49,120	Shrachi Infrastructure Finance Limited (erstwhile) - Managing Director
Vikas Mittal	43	ACA, AICWA	Business Head - Gold Loan	01-Nov-11	18	30,45,940	ENAM Securities Direct Pvt Ltd. - MD & CEO
Pranab Goel	39	BE, MBA	Vice President - Treasury	02-Jan-12	14	17,33,638	Citi Bank N.A. - Vice President

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
26th April, 2012

Mayank Poddar
Chairman

ANNEXURE TO DIRECTORS' REPORT

Statement as at 31st March 2012, 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" ("MESOP 2007") for the employees of the Company. The vesting options are 30%, 30%, 20% and 20% of the total options granted after 24, 36, 48 and 60 months, respectively, from the date of grant. The validity of the MESOP 2007 has been extended by a period of five years and is now valid till 12th April, 2022.

Sl. No.	Description	Details (1st Tranche)	Details (2nd Tranche)
1	Date of grant of options	12th October, 2007	1st February, 2012
2	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	2,50,000 Each option is equivalent to one equity share of face value of Rs. 2/- each of the Company
3	Pricing formula	Closing market price of the day immediately prior to the date of grant of option	Closing market price of the day immediately prior to the date of grant of option
4	Options vested	10,17,900	Nil as the minimum vesting period in respect of our plan is two years from the date of grant
5	Options exercised as at the year end	6,56,000	Nil
6	Total number of equity shares of Rs. 2/- each arising as a result of exercise of options	6,56,000	NA
7	Options lapsed as at the year end	4,92,500	Nil
8	Variation in terms of options	Nil	Nil
9	Money realised by exercise of options	Rs. 2,36,16,000/-	Nil
10	Total number of options in force as at the year end	6,05,500	2,50,000
11	Employee-wise details of options granted to		
(i)	Senior managerial personnel	Details in Appendix-I	Details in Appendix-II
(ii)	Any other employee who received a grant in any one year of option amounting to 5% or more of the options granted during that year	Nil	Details in Appendix-III
(iii)	Identified employees who were granted options during any one year, equal to or exceeding 1% of the issued capital of the Company at the time of grant	Nil	Nil
12	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.2.94	-

Sl. No.	Description	Details (1st Tranche)		Details (2nd Tranche)
13	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.		–
14	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.17.79 Lacs		–
15	Exercise price of the options	Rs. 36/-		Rs. 60/-
16	The impact of this difference on profits and on the EPS of the Company		Basic Diluted	
		Net income (Rs. in Lacs)	5,097.66 5,097.66	–
		Add: Employee cost intrinsic value (Rs. in Lacs)	8.41 8.41	
		Less: Employee cost fair value (Rs. in Lacs)	17.79 17.79	
		Adjusted net income (Rs. in Lacs)	5,088.28 5,088.28	
		Earning per share		
		As reported (Rs.)	2.97 2.94	
		As adjusted (Rs.)	2.96 2.93	
17	Fair value of each options based on black scholes methodology	Rs. 30.32		Rs. 29.35
	Assumptions			
	Risk free rate	7.76%		8.35%
	Expected life of options	4.80 years		4.80 years
	Expected volatility	73.94%		58.13%
	Expected dividend	3.03%		1.06%

APPENDIX-I

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

Name of the employee	Designation	Stock options granted
Ashutosh Shukla	Chief Operating Officer	1,70,000
Brahmajyoti Mukherjee	Chief People Officer	1,70,000
V. Lakshmi Narasimhan	Chief Financial Officer	1,70,000
Guru Prasad Pattanaik	Chief Receivables Management	1,25,000

APPENDIX-II

List of senior management employees to whom stock options were granted on 1 February, 2012

Name of the employee	Designation	Stock options granted
Kailash Baheti	Chief Strategy Officer	75,000
Sumit Mukherjee	National Sales Head-Tractor & Suvidha	75,000

APPENDIX-III

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

Name of the employee	Designation	Stock options granted
Sunil Gupta	National Sales Head- CE & SCE	50,000
Navneet Kumar Gupta	National Sales Head- Car	50,000

For and on behalf of the Board

Kolkata
26th April, 2012

Mayank Poddar
Chairman

ANNEXURE TO DIRECTORS' REPORT

Auditors' Certificate to the Members of Magma Fincorp Limited

On the basis of our examination of the relevant books of account and other records maintained by Magma Fincorp Limited ('the Company'), and as per the information and explanations given to us in this regard, we certify, to the best of our knowledge and belief, that the Magma Employee Stock Option Plan 2007, approved by the Company at its extra ordinary general meeting held on 5 June 2007, has been implemented to the extent applicable, in accordance with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, as amended upto Circular no. SEBI/CFD/DIL/ESOP/5/2009/03/09 dated 3 September 2009, and in accordance with the terms of the aforesaid resolutions passed by the Company.

For B S R & Co.
Chartered Accountants
Firm Registration No.: 101248W

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

Zubin Shekary
Partner
Membership No.: 048814

Kolkata
26th April, 2012

R. N. Bardhan
Partner
Membership No.: 017270

Kolkata
26th April, 2012

Statement of interest in Subsidiary Company

Pursuant to Section 212 of the Companies Act, 1956

(Rs. in Lacs)

Name of the subsidiary company	Magma ITL Finance Limited
Financial year to which the accounts relate	31st March, 2012
Holding company's interest –	
– Number of shares held – Equity (Rs. 10/- each)	3,32,99,400
– Extent of holding	74%
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 31st March 2012	Nil
(b) i) Not dealt with in the accounts of the Company for the subsidiary's financial year ended 31st March 2012	1076.60
ii) For previous financial years since it became a subsidiary	948.95

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 Eight directors on the Board, with 2 (two) Executive Directors. The Chairman is an Executive Director and more than half of the Board consists of Independent Directors.

None of the Directors is a director in more than 15 Companies and member of more than 10 Committees or act as Chairman of more than 5 Committees across all Companies in which they are Directors. The Non-Executive Directors are appointed or re-appointed with the approval of shareholders. 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-a-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 21st June, 2011 and the number of companies and committees where each of them is a Director / Member as on 31st March, 2012 is given below:

Name of Director	Category	Materially significant, pecuniary or business relationship with the Company	Number of shares held in the Company	FY 2011-12 Attendance at		Whether Sitting Fees paid	No. of Directorships in other Companies incorporated in India(*)	Outside Committee Positions Held (**)	
				Board Meeting Attended /held	Last AGM held on 21st June, 2011			Chairman	Member
Mr. Mayank Poddar	Promoter, Executive	Executive Chairman	Nil	5/5	Yes	No	2	Nil	1
Mr. Sanjay Chamria	Promoter, Executive	Vice Chairman and Managing Director	Nil	5/5	Yes	No	2	Nil	1
Mr. Neil Graeme Brown	Independent, Non-executive	-	Nil	2/5	No	Yes	2	3	Nil
Mr. Narayan K Seshadri	Independent, Non-executive	-	Nil	5/5	Yes	Yes	7	4	4
Mr. Nabankur Gupta	Independent, Non-executive	-	Nil	4/5	No	Yes	9	2	4
Mr. Kailash Nath Bhandari	Independent, Non-executive	-	Nil	5/5	No	Yes	11	1	3
Mr. Satya Brata Ganguly	Independent, Non-executive	-	Nil	4/5	Yes	Yes	7	2	6
Mr. Sanjay Nayar ***	Non-Independent, Non-executive	Nominee Director of Zend Mauritius VC Investments, Limited	Nil	2/3	NA	Yes	6	1	3
Mr. Shrawan Kumar Todi ****	Promoter, Non-executive	Vice Chairman	Nil	0/2	NA	Yes	-	-	-
Mr. Ravi Todi ****	Promoter, Executive	Joint Managing Director	Nil	0/2	NA	No	-	-	-

*Excludes Directorships in Indian Private Limited Companies, Foreign Companies, Companies under Section 25 of the Companies Act, 1956

Includes only Audit Committee and Shareholders'/Investors' Grievance Redressal Committee * Mr. Sanjay Nayar was appointed as Additional Director w.e.f 1st July, 2011 **** Messers Shrawan Kumar Todi and Ravi Todi resigned w.e.f 27th May, 2011

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

2.3 Board Meetings

Being the apex body constituted by shareholders for overseeing the functioning of the Company, the Board evaluates all the strategic decisions on a collective consensus basis amongst the Directors. The Board generally meets 4-5 times during the year. During the year 2011-12, Magma's Board met five times on 18th April, 2011, 23rd May, 2011, 12th July, 2011, 17th October, 2011 and 16th January, 2012. All the Agenda items are backed

by necessary supporting information and documents to enable the Board to take informed decisions.

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. Neil Graeme Brown	Mr. Kailash Nath Bhandari	Mr. Sanjay Nayar
Date of birth	16th January, 1959	1st March, 1942	13th October, 1960
Date of appointment	4th August, 2006	22nd October, 2008	1st July, 2011
Qualification	ICAEW, MA	B.A, L.L.B	B Sc (Hons) & PGDM (Finance) from IIM, Ahmedabad
Expertise in specific functional area	An expert in US and European mergers and acquisitions and international private equity markets with over 30 years experience. Mr Brown has been involved in over \$40bn of completed transactions. He is a former partner of Coopers & Lybrand (now PwC) and headed Apax Partners financial services team. He has wide board experience supporting growth businesses particularly in the technology of financial services distribution. Among his international boards, he currently sits on the board of Islandsbanki in Iceland and he is also the co-founder of Subito Partners, a UK-based advisory and investment business.	He has held position of Chairman and Managing Director in New India Assurance Company Ltd and United India Assurance Company Ltd. He was also a consultant with the World Bank. Presently he is on board of several leading companies.	He is currently the CEO and Country Head for Kohlberg Kravis Roberts & Co (KKR) in India. Mr. Nayar has spent 24 years at Citigroup, most recently as CEO of Citi's Indian and South Asian operations. Mr. Nayar was the Deputy Chairman of the Indian Banks' Association (IBA), Chairman of the Foreign Banks' Committee of the IBA, a member of the Board of USIBC and Co-Chairman of the Habitat for Humanity India Builds campaign.
List of outside *Directorships held excluding Alternate Directorship.	1. Islands Banki 2. Gate Group AG	1. Andhra Cements Ltd. 2. Agriculture Insurance Company of India Ltd. 3. NRC Ltd. 4. Credence Logistics Ltd. 5. Hindalco Industries Ltd. 6. KSL and Industries Ltd. 7. Shristi Infrastructure Development Corporation Ltd. 8. Saurashtra Cement Ltd. 9. Su-Raj Diamonds and Jewellery Ltd. 10. Jay Bharat Textiles & Real Estate Ltd. 11. Magma HDI General Insurance Company Ltd.	1. Amalgamated Bean Coffee Trading Co. Ltd. 2. Dalmia Cement (Bharat) Ltd. 3. Bharti Infratel Ltd. 4. Dalmia Cement Ventures Ltd. 5. Avantha Power & Infrastructure Ltd. 6. Grameen Capital India Ltd.
Membership/ Chairmanship of ** Committees of the Board of Directors of the Company	Member: Audit Committee	None	Member: Audit Committee
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: 1. Islands Banki 2. Gate Group AG 3. Trigold Crystal	Chairman of the Audit Committee of: Agriculture Insurance Company of India Ltd. Member of the Audit Committee of: 1. Andhra Cements Ltd. 2. Shristi Infrastructure Development Corporation Ltd. 3. Hindalco Industries Ltd.	Member of the Audit Committee of: 1. Dalmia Cement (Bharat) Ltd. 2. Avantha Power & Infrastructure Ltd. 3. Bharti Infratel Ltd. Chairman of the Shareholders' Grievance Committee: Avantha Power & Infrastructure Ltd.
Number of shares held in the Company	Nil	Nil	Nil

* Excludes Directorships in Indian Private Limited Companies, foreign companies, companies under section 25 of the Companies Act, 1956

** Includes only Audit Committee and Shareholders'/Investors' Grievance Redressal Committee

2.5 Remuneration of Directors

The Non-executive Directors were paid sitting fees of Rs. 20,000/- per meeting of the Board, Audit Committee and Nomination and Remuneration Committee and Rs. 10,000/- per meeting of Shareholders/Investor Grievance Committee, Management Committee and Fair Practices Code Committee for the year 2011-2012. The details of the remuneration paid to the Directors during the financial year ending 31 March 2012:

Directors	Salary and allowances	Perquisites	Sitting fee	Commission	Total
Mr. Mayank Poddar	35,04,231	20,84,914	-	-	55,89,145
Mr. Sanjay Chamria	35,04,231	20,89,348	-	-	55,93,579
Mr. Ravi Todi	18,27,400	5,21,720	-	-	23,49,120
Mr. Shrawan Kumar Todi	-	-	-	-	-
Mr. Neil Graeme Brown	-	-	1,60,000	15,00,000	16,60,000
Mr. Narayan K Seshadri	-	-	2,40,000	15,00,000	17,40,000
Mr. Nabankur Gupta	-	-	1,00,000	15,00,000	16,00,000
Mr. Kailash Nath Bhandari	-	-	1,00,000	15,00,000	16,00,000
Mr. Satya Brata Ganguly	-	-	4,20,000	15,00,000	19,20,000
Mr. Sanjay Nayar	-	-	80,000	-	80,000
Total	88,35,862	46,95,982	11,00,000	75,00,000	2,21,31,844

2.6 Code of Conduct

The Board of Directors has laid down a Code of Conduct (available on Company's website) for all the Board Members and Senior Executives of the Company. All the Board Members and Senior Executives have confirmed compliance with the code. A declaration by Vice Chairman & Managing Director affirming the compliance with the Code is annexed at the end of the Report.

2.7 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 Code 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.

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

3.1 Audit Committee

3.1.1 Terms of reference

The terms of reference of the Audit Committee are as per the guidelines set out in the listing agreement with the stock exchanges read with Section 292A of the Companies Act, 1956, guidelines provided by Reserve Bank of India from time to time. These broadly include (i) approval of internal audit plan, (ii) review of financial reporting systems, (iii) review of internal control systems, (iv) discussions on quarterly, half yearly and annual financial results and recommendation to the Board, (v) interaction with statutory and internal auditors, (vi) recommendation for appointment of statutory auditors and their remuneration, (vii) recommendation for appointment of head of internal audit, review of adequate staffing and structure of internal audit department, and (viii) the risk management framework concerning critical operations and other areas of the Company.

In addition to the above, the Audit Committee also reviews the following:

- (a) Management's Discussion and Analysis of Company's operations;
- (b) Periodical Internal Audit Reports;
- (c) Risk Assessment Reports;
- (d) Compliance with accounting standards and other legal requirements relating to financial statements;
- (e) Going concern assumption;
- (f) Findings of any special investigations carried out either by the Internal Audit department or by any external investigating agencies;
- (g) Letters of Statutory Auditors to management on internal control weakness, if any;
- (h) Appointment, removal and terms of remuneration of Head of Internal Audit;
- (i) Significant related party transactions;
- (j) Quarterly and annual financial statements including investments made by the subsidiary company;
- (k) Major non routine transactions recorded in the financial statements involving exercise of judgement by the management;

- (l) Review statement of uses/application of funds raised through an issue (public, rights, preferential etc.), the statement of funds utilised for the purposes other than those stated in the offer document/ prospectus/ notice and report submitted by monitoring agency, monitoring the utilisation of proceeds of an issue; making appropriate recommendations to the Board to take adequate steps on these matters;
- (m) Review of Company's compliance with employee benefit plans;
- (n) Review policy on information technology and management information systems;
- (o) Approval, review and monitoring of code of ethics for senior executives;
- (p) Such other matters as may be delegated by the Board of Directors from time to time.

Others:

- (a) 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;
- (b) Oversee compliance with the requirements of the SEBI;
- (c) 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.

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. Sanjay Nayar	Non-Independent, Non-executive
5.	Mr. Mayank Poddar	Promoter, Executive

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

is the Chairman of the Committee.

Mr. Sanjay Nayar was appointed as member w.e.f 01/07/2011. 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 five times during the year under review on 17th April, 2011, 11th July, 2011, 15th September, 2011, 17th October, 2011 and 14th January, 2012.

Name of the Directors	Number of meetings attended/held
Mr. Narayan K Seshadri	5/5
Mr. Neil Graeme Brown	4/5
Mr. Satya Brata Ganguly	4/5
Mr. Sanjay Nayar (Appointed w.e.f 01/07/2011)	2/4
Mr Mayank Poddar	4/5

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.

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

3.2.3 Meeting and the attendance during the year

The Management Committee of Directors met 21 times during the year under review on 9th May, 2011, 25th May, 2011, 24th June, 2011, 15th July, 2011, 26th July, 2011, 7th September, 2011, 25th October, 2011, 7th November, 2011, 16th November, 2011, 25th November, 2011, 5th December, 2011, 9th December, 2011, 14th December, 2011, 28th December, 2011, 11th January, 2012, 1st February, 2012, 2nd February, 2012, 17th February, 2012, 7th March, 2012, 27th March, 2012 and 30th March, 2012.

Name of the Directors	Number of meetings attended/held
Mr. Mayank Poddar	21/21
Mr. Sanjay Chamria	19/21
Mr. Satya Brata Ganguly	19/21

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, acts as the Chairman of the Committee

3.3.3 Meeting and the attendance during the year

The Committee met 9 times during the financial year ended 31st March 2012 on 21st May, 2011, 14th June, 2011, 14th July, 2011, 12th August, 2011, 23rd September, 2011, 1st November, 2011, 19th January, 2012, 29th February, 2012 and 31st March, 2012 to discharge its functions. The members attended the meetings as follows:

Name of the Directors	Number of meetings attended/held
Mr. Satya Brata Ganguly	7/9
Mr. Mayank Poddar	9/9
Mr. Sanjay Chamria	7/9

M/s. Niche Technologies Private Limited, D-511, Bagree Market,

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

5th Floor, 71, B. R. 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 and resolved during the year and pending as on 31st March, 2012.

Number of complaints		
Received	Resolved	Pending
2	2	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. Employee Stock Option Plan - approve subscription and allotment of shares to the eligible employees under the shareholders approved Employee Stock Option Plan.

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 and 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 Memorandum and Articles of Association of the Company and the Companies Act, 1956.
9. Evolve policy for authorising expenses of Chairman and Managing Director.
10. 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. 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 31st March, 2012 on 11th July, 2011 and 14th January, 2012 to discharge its functions. The members attended the meetings as follows:

Name of the Directors	Number of meetings attended/held
Mr. Neil Graeme Brown	2/2
Mr. Narayan K Seshadri	2/2
Mr. Nabankur Gupta	1/2
Mr. Mayank Poddar	1/2
Mr. Sanjay Chamria	2/2

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. 25(vi)** 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.

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 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. 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 2011–2012, Analyst Conference Calls were conducted by Mr. Sanjay Chamria (Vice Chairman Cum Managing Director) on 13th July, 2011, 18th October, 2011 and 17th January, 2012 and Analyst Meet on 19th April, 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.

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
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	-
2010-11	Kala Kunj Auditorium, 48, Shakespeare Sarani, Kolkata – 700 071	Tuesday 21.06.2011	10.30 A.M	4

b) Postal Ballot

During the year, the Company had conducted 2 Postal Ballots on 26th July, 2011 and 7th November, 2011 respectively under the Companies (Passing of the Resolutions by Postal Ballot) Rules, 2011. M/s P. S. & Associates, Practicing Company Secretaries, Kolkata, was appointed as the Scrutinizer for overseeing Postal Ballot process for the above Postal Ballots.

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

The following resolution was passed with requisite majority:

Date of Declaration of the result of Postal Ballot	Type of Resolution passed	Particulars of Resolution	% of votes cast in favour of resolution
01/09/2011	Special Resolution	Alteration of the Articles of Association by Adoption of new set of Articles of Association of the Company in accordance with Section 31 and other applicable provisions, if any, of the Companies Act, 1956	99.99
12/12/2011	Ordinary Resolution	Co-option of M/s. B S R & Co., Chartered Accountants, Bangalore as Joint Auditor of the Company together with M/s. S.S. Kothari & Co., Chartered Accountants, existing Statutory Auditors of the Company in accordance with Section 224 of the Companies Act, 1956	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

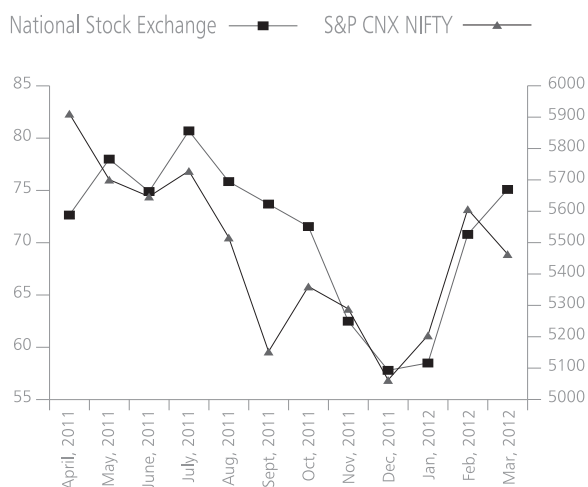
The Company has paid Annual Listing fee for the financial year 2011–12 for both NSE and BSE.

b) Market price data

Monthly high and low quotation during 1st April, 2011 to 31st March, 2012 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, 2011	76.00	58.30	77.00	58.10
May, 2011	79.35	64.20	79.15	64.75
June, 2011	76.00	67.00	75.60	66.55
July, 2011	87.00	71.30	81.45	71.50
August, 2011	77.00	69.00	77.00	65.85
September, 2011	77.75	68.50	77.00	69.00
October, 2011	73.50	61.75	73.75	61.00
November, 2011	63.00	48.10	64.50	47.70
December, 2011	59.05	48.60	59.90	45.00
January, 2012	59.50	52.00	59.50	50.00
February, 2012	75.70	55.80	74.50	56.55
March, 2012	76.40	64.00	76.60	63.55

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, "Magma House", 7th Floor 24, Park Street, 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) Book Closure date	
i) Financial calendar (tentative) Financial reporting for the quarter ending 1st quarter ending 30th June, 2012 2nd quarter ending 30th September, 2012 3rd quarter ending 31st December, 2012 4th quarter ending 31st March, 2013 Annual General Meeting for the year ending 31st March, 2013	: Last week of July, 2012 : Last week of October, 2012 : Last week of January, 2013 : Last week of April, 2013 : Last Week of September, 2013
j) Dividend payment date and rate	: Within 30 days from the date of Annual General Meeting. Re. 0.60/- per Equity Share (30%) on 18,97,32,175 Equity Shares of Rs. 2/- each; a 9.7% dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 80/- each for the period from 1.4.2011 to 17.2.2012 and 9.7% on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 60/- each (reduced to Rs.60/- upon redemption of 2nd installment of Rs.20/- each per share on 17th February, 2012) for the period from 18.2.2012

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

	to 31.3.2012; a 5% dividend on 30,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each; a 4.0585% dividend on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each; a 12% dividend on 25,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each; a 9.6% dividend on 10,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each; a 1.5% 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 1.5% 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 February, 2011) for the period from 18.2.2011 to 31.3.2011, will be paid, when approved. The dividend will be paid on or after the AGM date.
k) Contact person for clarification on financial statements	: For clarification on financial statements, kindly contact Mr. Atul Tibrewal, 24, Park Street, Kolkata - 700 016. Ph: 033 4401 7200/7448 Email: tibrewal.a@magma.co.in

l) Distribution of shareholding as on 31st March, 2012

Particulars	Number of shareholders	Number of shares held	Percent of shareholding
Up to 500	10,210	10,60,492	0.5589
501 – 1,000	606	4,96,157	0.2615
1,001 – 5,000	574	12,69,996	0.6694
5,001 – 10,000	123	9,56,364	0.5041
10,001 – 50,000	161	39,15,115	2.0635
50,001 – 1,00,000	31	23,32,570	1.2294
1,00,001 – and above	47	17,97,01,481	94.7132
Total	11,752	18,97,32,175	100

Pattern of shareholding as on 31st March, 2012

Category	Number of shares	Percentage
Promoter and Promoter Group	6,39,31,963	33.70
Resident individuals	87,17,643	4.59
Foreign holdings	10,44,04,363	55.03
Public financial institutions and banks	1,25,660	0.07
Other companies / mutual funds	1,09,99,666	5.79
Trusts	15,52,880	0.82
Total	18,97,32,175	100.00

m) Demat facility	<p>: The Company's shares enjoy demat facility with NSDL and CDSL having ISIN Nos. INE511C01022 for equity shares, INE511C04018 for 9.70% 21,09,199 Cumulative Non-Convertible Redeemable 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.</p> <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 16th January, 2001 for equity shares and 10th March, 2006 for preference shares, 7th January, 2010 for 5% 30,00,000 Cumulative Non-Convertible Redeemable Preference Shares and 13th July, 2010 for 12% 25,00,000 Cumulative Redeemable Non-Convertible Preference Shares. As on 31st March, 2012, 18,81,74,815 equity shares constituting 99.18% of the total holding and 1,41,10,198 preference shares of the Company were held in demat mode.</p>
n) Transfer of shares	<p>During the period, transfer of 32,435 equity shares was recorded by the Company. All transfers were affected within 30 days of receipt. Other than routine queries / requests, the Company did not receive any complaint during the period from the investors.</p>
o) ISIN Number in NSDL and CDSL	<p>ISIN Nos. INE511C01022 (Equity Shares), INE511C04018 (9.70% Cumulative Non-Convertible Redeemable Preference Shares), INE511C04026 (3.25% LIBOR Cumulative Non-Convertible Redeemable Preference Shares), INE511C04034 (5% Cumulative Non-Convertible Redeemable Preference Shares) and INE511C04042 (12% Cumulative Redeemable Non-Convertible Preference Shares).</p>
p) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity	<p>As on 31st March, 2012, there are no Outstanding GDRs/ADRs/Warrants or any Convertible instruments.</p>
q) E-mail ID of the grievance redressal division/compliance officer exclusively for the purpose of registering complaints by investors	<p>bhatia.g@magma.co.in</p>
r) Unclaimed Shares	<p>Pursuant to Clause 5A of the Listing Agreement 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 has sent first reminder to the concerned shareholders on 1st February, 2012, to claim the unclaimed Shares before transferring the unclaimed shares to the Unclaimed Suspense Account and there has been fair number of responses thereby reducing the number of unclaimed shares.</p>

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

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 'Investors' 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, 2012.

Four out of Seven Non mandatory requirements mentioned in Annexure I D of Clause 49 of the Listing Agreement have been adopted.

For and on behalf of the Board

Kolkata
26th April, 2012

Mayank Poddar
(Chairman)

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE REPORT

To the Members of Magma Fincorp Limited

We have examined the compliance of conditions of Corporate Governance by Magma Fincorp Limited ('the Company'), for the year ended on 31 March 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Bombay Stock Exchange and the National Stock Exchange.

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

In our opinion and to the best of our information and according to explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing

Agreement.

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 B S R & Co.
Chartered Accountants
Firm Registration
No.: 101248W

Zubin Shekary
Partner
Membership No.: 048814

Kolkata
26th April, 2012

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

R. N. Bardhan
Partner
Membership No.: 017270

Kolkata
26th April, 2012

CERTIFICATION AS PER CLAUSE 49(V) OF THE LISTING AGREEMENT

25th April, 2012

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, Chief Financial Officer and Chief Strategy 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, 2012.

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 instances of material fraud have come to our notice. However, the Company has a fidelity guarantee insurance cover for losses against fraudulent activities.

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

There has been change in accounting policy with respect to recognition of income or bilateral assignments and amortisation of expenses/income pertaining to loan originations. The same have been duly disclosed by way of suitable notes to the financial statements.

For Magma Fincorp Limited

Sanjay Chamria V. Lakshmi Narasimhan Kailash Baheti

*Vice Chairman &
Managing Director*

*Chief Financial
Officer*

*Chief Strategy
Officer*

CODE OF CONDUCT

April 26, 2012

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 31.3.2012.

Thanking You,

Yours Sincerely,

For Magma Fincorp Limited

Sanjay Chamria

Vice Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

Economic and Industry Overview

Economic Overview

In the words of our Hon'ble Finance minister "For the Indian economy, this was a year of recovery interrupted".

After two successive years of fairly robust growth of 8.4%, GDP is estimated to have decelerated sharply to 6.9% during April-December 2011. The slowdown in FY 2011-12 can be largely attributed to bleak external conditions, dampened investment demand and tightened monetary stance to curb a stubborn inflation.

Sector wise key highlights:

- Growth in the agriculture sector has declined sharply during April -December 2011 at 3.2% versus 6.8% recorded in similar period the previous year largely on account of base effect and structural impediments.
- Real GDP originating in Industry grew by a mere 3.3% in first nine months in 2011-12 compared with 7.0% recorded last year on account of sharp decline in mining & quarrying and manufacturing sub-sectors.
- Growth rate in the Services sector has remained steady at 8.8% during nine months ended 2011-12 as compared with 8.8% a year ago. Principal drivers for growth being Trade/Hotels/Transportation etc. and Financing/Insurance/Real estate etc.

During 2011-12, foreign investment of various components in India has witnessed a mixed trend. The inflows under gross Foreign Direct Investment (FDI) have exhibited an increase to US\$33 billion in April–November 2011 as against US\$19 billion during the corresponding period 2010-11. However during April-December 2011, net inflows from FII's decreased sharply to US\$2.8 billion from US\$29.5 billion in April-December 2010. Other avenue of capital inflows, ADRs/GDRs, witnessed a decrease of net inflows in 2011-12 versus 2010-11 during the first nine months. Reflecting the easing liquidity conditions in external markets, ECBs witnessed a significant increase in first 9 months of 2011-12 to US\$11.3 billion as against US\$9.5 billion in 2010-11.

In nominal terms, Indian rupee has depreciated steadily against the US dollar during the last year. As on 31st March, 2011, exchange rate was at Rs. 44.65; it reached Rs. 48.93 as on 29th September, 2011 and fell to a yearly low at Rs. 54.24 on 15th December, 2011. Subsequently in response to the steps undertaken by the RBI and the GoI, rupee recovered to close the year at Rs. 51.16 on 31st March, 2012 (a rupee depreciation of 14.6% during the year).

In India headline inflation remained high for most part of the year but has eased considerably since December 2011 largely due to seasonal decline in vegetable prices and favourable base effect. Driven by sharp decline in food prices, WPI inflation as measured by year-on-year changes declined sharply from 9.5% in November 2011 to 6.9% in January 2012 which is the lowest level recorded since January 2010. Going forward inflation is expected to remain around current levels. Nonetheless, price pressures remain, with risks from suppressed domestic energy prices, incomplete pass-through of rupee depreciation and slippage in fiscal deficit. The decline in food inflation is also likely to reverse with the waning of base effect and seasonal factors.

The anti-inflationary monetary policy stance adopted since early 2010 continued in for the better part of 2011 as the Reserve Bank increased the key policy rate since April 2011 by 175 bps in 5 tractions to 8.5% in October 2011. Recognising the downside risks to growth, the apex regulator kept the rates unchanged in the December policy review. Further to ease liquidity, CRR was cut by 125 bps in 2 tranches to 4.75% in Q4 FY 2011-12. Subsequent growth-inflation dynamics has prompted the Reserve Bank to indicate that no further tightening is required and that future actions would be towards lowering the rates.

Industry Overview:

Growth in all India sales of new Commercial Vehicles moderated to 18.2% during 2011-12 as compared to 28.9% in 2010-11 largely on account of below par performance in M&HCVs segment in 2011-12.

Growth in Sales of new Cars declined sharply to 4.7% during

2011-12 as against 28.3% in 2010-11 mainly on account of slowdown in the passenger car segment wherein sales weakened due to spiraling fuel prices and high interest rates.

Similarly, as per industry feedback, sales of new construction equipment are believed to have recorded an overall growth of 10% in 2011-12 as against a growth of 21% in 2010-11.

Going further in fiscal 2012-13, it is expected that retail volumes of cars shall grow moderately to 8-10% on account of reversal of the interest rate cycle, moderating inflation and launch of new models across various segments. The increase in Railway freight rates has a positive impact on the sales of commercial vehicles. Even then, the growth in commercial vehicles segment is expected to slip on account of cyclical factors and uncertainties in infrastructure projects. LCV is expected to continue to outperform M&HCV segment in the coming fiscal as well.

With a vision to invest in the smallest dream Magma took further strides during the year and has built a platform to deliver credit to the under-banked and un-banked segments of the society. It has over the past two decades honed its underwriting skills in a manner that the customers in the rural and semi-urban segments are appraised appropriately and offered financial assistance. Through this process Magma blends these customers into the organised credit network. Such an effort by Magma essentially furthers the cause of Financial Inclusion, the stated objective of the RBI and the Government of India.

Magma believes that the retail finance business occupied by such customer segments offers tremendous opportunities. Continued economic growth as targeted by the government and favourable demographic changes will drive demand in the future. Magma is well positioned to exploit this opportunity and will continue to seek growth in its target market segments of semi-urban and rural India. It will continue to expand its network, deepen its penetration, use its customer knowledge and processes and systems to satisfy customer needs and offer more efficient and effective service than the competitors.

After witnessing slowdown during 2008-09, the Indian economy recovered commendably in 2009-10 and in 2010-11.

However due to deceleration in industrial growth, rising cost of credit, weak domestic business sentiment and uncertain global environment, there has been a significant slowdown in 2011-12.

Surveys suggest that business sentiment is likely to remain subdued in 2012-13. In spite of inflation moderating, it is an area of concern. Various forecasts suggest that the growth in 2012-13 would only be slightly better than 2011-12 and is projected at 7.0%.

Magma in 2011-12

In FY 2011-12, branch network of Magma has increased to 200 branches from 172 at the beginning of the year which is spread over 20 states and 1 union territory. 81% of Magma's branches are in the semi-rural and rural areas. The company has taken advantage of steady economy and domestic demand for vehicles and tractors, by providing increased volumes of finance across its network.

Company's total disbursements during the year were Rs. 7,40,434 Lacs over Rs. 5,41,477 Lacs registering a growth of 36.7% and on standalone basis disbursement was Rs. 7,14,030 Lacs, which is a growth of 35.7% over total disbursements of Rs. 5,26,151 Lacs recorded in last year. By the year-end total Assets under the management of the company increased to Rs. 12,92,202 Lacs on standalone basis, which is growth of 21% and on consolidated basis the same has increased by 22% to Rs. 13,29,282 Lacs. Company's assets on finance include commercial vehicle financing (new and used), cars including multi-utility vehicle funding, financing of construction equipment, tractor and SME funding.

A large portion of company's loan disbursements continues to qualify as priority sector lending under the RBI guidelines, signifying the importance of NBFs like Magma in providing financial support to underserved sectors and customers by the conventional banking system.

Company's collection efficiency remained above 100% for second consecutive year and we maintained our excellent portfolio quality during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

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. 43,900 Lacs by issue of equity shares via Private Placement of its equity shares to PE funds. During the year, Company also raised unsecured redeemable non-convertible subordinated debt of Rs. 25,700 Lacs in the nature of debentures which qualifies as Tier-2 capital. Capital adequacy at the year-end was a comfortable 21.2%, against the RBI norm of 15% for non-deposit taking asset financing companies like Magma.

Financial Performance

Income

Income from operations during the year increased by 18% on standalone basis and by 20% on consolidated basis over last year on account of higher funding and increase in on-book assets. Standalone funding in the year 2011-12 increased by 35.7% and 36.7% on consolidated basis over last year, while on-book assets grew by 36.6% to Rs.7,98,568 Lacs by the end of the year versus Rs.5,84,611 Lacs at the end of last year on standalone basis. On consolidated basis total on-book assets recorded a growth of 35% to Rs 8,18,797 Lacs. Standalone average lending rates for incremental disbursements during the year increased from 13.0% in last year to 14.6%. Same has increased from 13.18% to 14.78% on consolidated basis in current year, in line with increasing interest rate trend in the overall market during the year. Higher contribution from newly started higher yield products viz. Suvidha, Tractors and SME loans increased from Rs.1,00,949 Lacs to Rs.1,73,464 Lacs in 2011-2012 resulting in increase of market share from 19% to 23% over last year have further helped in enhancing the overall yield during the year.

Expenses

Magma's total personnel cost during year increased by 10.7%. As a percentage of income, personnel cost during the year was 14.7% as compared to 15.9% during last year on standalone basis. On Consolidated basis personnel cost as a percentage of income was 14.0% over 15.4% last year.

Magma's other operative and administrative expenses during the year 2011-12, registered 21.3% increase over last year, and as a percentage of total income, it stood at 8.43% against 8.33% in year 2010-11 on standalone basis. On consolidated basis total other operative and administrative expenses increased by 21.49% YoY and stood at 8.15% against 8.16% last year.

Magma's total Income increased from Rs.87,403 Lacs to Rs.1,06,296 Lacs and from Rs.84,733 Lacs to Rs.1,01,602 Lacs on standalone basis in fiscal 2011-2012. Operating Expenses defined as Employee cost & other operative and administrative expenses including Brokerage & Commission expenses reduced in 2011-2012 over last year from Rs.27,606 Lacs to Rs.27,350 Lacs and Rs.27,532 Lacs to Rs.27,244 Lacs on standalone basis. This resulted in reduction of operating efficiency from 32.5% during 2010-11 to 26.8% on standalone and on consolidated basis the same has reduced from 31.6% to 25.7% during financial year 2011-12.

The interest and finance charges of Company increased from Rs. 33,813 Lacs in fiscal 2010-11 to Rs. 59,852 Lacs in fiscal 2011-12, an increase of 77% and on consolidated basis the figure increased from Rs. 35,235 Lacs to Rs. 62,543 Lacs, a growth of 77.5%. The Finance costs as a percentage of total income increased from 39.9% in fiscal 2010-11 to 58.9% and from 40.3% to 58.8% on standalone basis and consolidated basis respectively in the fiscal 2011-12. The increase in finance cost has been caused by higher cost of funds in line with overall market trend and greater retention of assets on books. 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 a prudent mix of products financed helped the Company to maintain net interest margin (NIM) of 4.3% for business done during the year 2012, which however is lower than 5.0% achieved for business done during the year 2011 mainly due to substantial increase in interest rates in the economy due to increase in key policy rates by RBI during the year.

Depreciation has remained almost flat at Rs. 2,785 Lacs in fiscal

2011 against Rs. 2,958 Lacs in fiscal 2012 for both standalone and consolidated basis.

Profitability

Higher funding, enhanced loan assets, better collection efficiency and asset quality helped company in reporting consolidated profit before tax (PBT) of Rs. 10,371 Lacs against Rs.18,221 Lacs in 2010-11 a reduction of 43% and on standalone it recorded Profit before tax of Rs. 8,208 Lacs which is 51.9% lower than Rs.17,050 Lacs reported in previous year.

Profit after tax (PAT) decreased by 44.7% from Rs. 11,443 Lacs in fiscal 2010-11 to Rs. 6,324 Lacs on standalone basis and by 36% from Rs. 12,215 Lacs to Rs. 7,779 Lacs in fiscal 2011-12 on consolidated basis. The decrease in PBT and PAT as compared to the previous year has been mainly due to the change in accounting policy. During the year under review the Company decided to recognise the income i.e. excess interest spread (the difference between the interest receivable from the customer and the interest payable by the Company to the assignee of such loan receivables) arising out of assignment of receivables based on the contractual accrual of the same. This is in line with the recommended practice of the Company's principal regulator, the Reserve Bank of India. Consequently, an amount of Rs. 15,394.17 Lacs as on 31st March, 2012, being income relating to future periods has not been recognised and will be recognised over the tenure of the contracts assigned.

Simultaneously with the change in income recognition on assets assigned, the Company decided to amortise upfront brokerage expenses / income pertaining to all loan originations over the tenure of the underlying contracts. This change in method of accounting is in line with international practices on recognition of loan origination costs. Consequently, net expense of Rs. 6,553.89 Lacs for the year is not charged off in the statement of profit and loss and is amortised over the tenor of the contracts.

Lower profitability, as detailed above resulted RoA (Return on Average Assets) going down from 2.24% in fiscal 2011 to 0.91% on standalone basis and from 2.31% to 1.09% on consolidated basis in 2012, while RoE (Return on Average Equity) moved from 22.66% in fiscal 2011 to 6.20% in 2012

and on consolidated basis the figure reduced from 23.57% to 7.38%.

Employee Ownership

Human resource is one of the most important key to the success of any company and more importantly to a financial services company. The Company had 2518 employees on its rolls as on 31st March, 2012. The Magma Employee Stock Options Scheme (ESOP) seeks to reward and retain leaders within the organisation as well as to 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, 17,54,000 stock options were granted to the eligible employees on 12th October, 2007 under the First Tranche out of which 10,17,900 stock options have been vested and 6,56,000 options have been exercised. Another 2,50,000 stock options were granted on 1st February, 2012 under the Second Tranche to the eligible employees.

Information Technology

Magma runs its business on a customised ERP system, running on Oracle platform. Magma branches are connected through extensive Secure Virtual Private Network. The IT Application and Infrastructure has facilitated Magma's business to grow across its vast branch network. The company has invested significantly in maintaining and updating its technological platform over the years. Magma has a centralised Helpdesk & Facility Management system which helps to run the business seamlessly. Magma has an enterprise-wide Security policy to ensure better checks and controls.

New initiatives undertaken in IT during FY 2011-12 are:

- Enable PAN India Collection workforce with mobile handheld device based application which has contributed significantly towards customer service and productivity with better control on payments from customers.
- Over the last year, numbers of MPLS (Multi Protocol Label Switching) networked branches have increased 3 fold from 50 to 150 branches for better customer servicing.
- Reduced overall business turnaround time; by scaling up additional IT infrastructures at all branches.

MANAGEMENT DISCUSSION AND ANALYSIS

- Enhanced data security & better life cycle of IT infrastructure, by moving all production servers to a third party TIER 3 Datacenter.
- Carried out internal IT assessment and taken / planned the necessary steps to mitigate the identified areas as per global best practice.

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

- Re-architect the existing business functionalities of the Core Application on the state of the art latest technology platform to provide more feature, better security, enhance business functionalities and reduce manual work.
- Leverage the features of the latest technology to have an integrated operating environment using Workflow / Escalation / Alerts / Imaging / Collaboration etc.
- Implement process improvements following Lean Six Sigma methodology.
- Enhance the existing application to support the planned new business line / initiative.
- Continue its initiatives to enhance the Company's image and branding. Use social media tools like Facebook, Twitter etc. to attract, interact young car buyers, analysts and employee groups.
- Automate IT processes as per Global best practices for seamless IT services.
- Enhance enterprise-wide IT Security by deploying new technologies and tools to enhance the information security.

Corporate Image Building

Magma continued with the corporate image building initiatives in 2011-12 with focus on the Customer contact programs. Emotional Connect initiatives such as performing puja during the delivery of vehicles, Health Camps, loan mela and customer meets were organised. This along with well-planned media relations activities made sure Magma's growth story was present in the mass media throughout the year.

Magma explored branding and communications with a view to explore both, external and internal communications to best effect. The Company enjoyed high editorial visibility in print and electronic media facilitated by the public relations campaign.

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 Excon 2011– India's largest Construction Equipment expo was spectacular and attracted attention from the customer to manufacturers. Banking Conclave – a series of conferences organised by FICCI 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.

The company publishes - "Magmaites" - the internal e-newsletter and "Graphitti" - the external newsletter, to help disseminate the news and views.

Corporate Social Responsibility

Corporate Social Responsibility has always featured prominently in Magma's list of activities. The company participated in the Mumbai Marathon 2012 held at Mumbai on 15th January, 2012, wherein 24 Magmaites from all over the country ran and completed half marathon, in the process raising a sum of Rs. 10 Lacs, which was contributed to The Philanthropic Society of The Orthodox Church in Kolkata, a NGO engaged in running an orphanage of 116 children.

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 six 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.

Customer Relationship Management

Magma's diverse product offerings include asset finance, loans for working capital expansion, infrastructure support for Asset Insurance, credit covers which are designed to provide a one stop solution to a wide range of financial requirements to our

prospective customers. Our credit screens and processes are aligned to deliver superior customer service to our target customers who are largely first time buyers and small customers in deeper reaches of rural and semi urban India. On the other hand our Captive Suidha team focuses on converting our existing customers into lifelong customers.

During the year we have taken initiatives to tap online queries of our potential customers and majorly increased our presence in social networking sites like Facebook, LinkedIn & Twitter.

Magma continues to invest time and money in further refining sales processes and systematic measurement of process metrics, aimed at improving efficiency and customer satisfaction. Significant investments in branch network and sales force automation will hold the key to winning 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 function is vested with the responsibility of reviewing and reporting whether various functions and process owners exhibit adequate process compliance discipline in their respective operations and business decisions.

Both on-site for operating units and off-site audit for functions are conducted periodically by the Internal Audit function covering entire range of business processes, and functions such as Sales, Credit, Operations, Collection, IT, Treasury, Accounts, Legal, HR. 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

On the back of a sluggish economy growth in car, CE and Tractor has declined during FY 2012. Commercial vehicles registered double digit growth largely on account of high demand in Small and Light Commercial vehicles. Going forward, growth rates are expected to moderate to 8-10%. However, Magma expects to grow faster than the industry through deeper penetration and

launching of all products in its all location. Further, the Company also proposes to launch its Gold Loan product in the first quarter of the year.

India's long term growth story remain intact in spite of short term headwinds. With the government aiming to achieve economic growth levels of 9.0% 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 2012, 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.

Challenges

In the background of a sluggish economic growth our growth strategy would be focused at customer centric initiatives enabling higher market share, maintaining and enhancing overall net interest margins will be a key challenge. To this end, we continue to increase the share of high yield products viz., Suidha (i.e. Used CV), Tractors and SME loans. With business volume increasing, another key challenge would be to drive up productivity improvements and branch throughput through process changes.

The asset financing industry continues to remain very competitive in various product segments and a number of capital financiers are set to make foray into Indian market. While on the one hand, market size 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.

Magma has been successful in maintaining robust growth in disbursements and at the same time maintaining an impeccable portfolio quality through constant process re-engineering coupled with sound risk management practices.

Outlook

With the economy expected to grow at 7.0% levels in the next couple of years, demand outlook for various asset financing

MANAGEMENT DISCUSSION AND ANALYSIS

products would remain sluggish. However, the Company's key growth drivers would be deepening its existing branch network, branch expansion, increased network coverage for various products, launch of new 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 its mix of business model, infrastructure, technology, management bandwidth and field force, would propel it 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 our philosophy on taking additional risk.

Following slowdown of the economy in FY09, Magma's underwriting norms had undergone significant changes with a view to focus on containing credit risk. But in FY11 with the market & economy opening up the policies were aligned to support the market growth with balance to maintain the portfolio quality. In FY12, the competition in the market was fierce and there was pressure on spreads (due to series of rate hikes) with almost all the financiers. To ease off this situation the financiers were more aggressive in targeting High Yield customers. The challenge in FY12 was to maintain the portfolio quality and also to develop policy and process which can increase our share in High Yield Products and customers. We took effective steps to re-look at our processes to deliver efficient TAT and also reviewed our policies to address the issues in the High Yield customers segment. In doing so it was ensured that required risk parameters were not compromised.

During the year under review the economic growth had slowed down to 6.9% approx, due to the combined impact of high inflation and interest rate hikes. However, we were successful in maintaining our performance both in collection and credit quality. We continued with our traditional lending focus to the retail end of the market in our mission to make a contribution in financial inclusion. We continued underwriting of loans with

calculated and manageable risks and to build 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 as follows:

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 indicators, 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 comprises of heads of the Collection, Sales, Credit, Operations, HR and Audit functions, 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
- 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 through 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

A mismatch in the tenure of borrowed and disbursed funds could result in a liquidity crunch and impact the Company's ability to service its loans. Hence 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 appropriate asset liability maturity as regards its tenure and interest rates.

Foreign exchange risk

The Company has marginal exposure to foreign exchange risk, since its disbursements are in rupee terms and also around 99% of its borrowings are in the nature of domestic rupee debt.

Wherever 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 planning and

implementing a funding plan in a manner that the risk is mitigated efficiently. This apart, the company also has established diversified and stable funding sources in the form of Banks, Insurance companies, Mutual funds and other institutions. Also as a consequence of its impeccable portfolio quality consistently maintained over the past several years coupled with the fact that over 75% of its assets comply with the Priority sector lending norms, it has established a track record in accessing the securitisation / assignment market. The Bankers to the Company also increased the limits substantially during the year and as a matter of prudence, with a view to manage liquidity risk, the company keeps suitable levels of unutilised limits.

The company has in place an Asset Liability Committee (ALCO) comprising of Company's senior management, which reviews periodically, 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 or projections, among others. Several factors make a significant difference to the Company's operations including the government regulations, taxation and economic scenario affecting demand and supply, natural calamity and other such factors over which the Company does not have any direct control.

For and on behalf of the Board

Kolkata
26th April, 2012

Sanjay Chamria
Vice Chairman and Managing Director

Information on Subsidiary Company Pursuant to Direction Under Section 212 (8) of The Companies Act, 1956

(Rs. in Lacs)

Particulars	Magma ITL Finance Ltd	
	31st March, 2012	31st March, 2011
Issued and Subscribed Share Capital	4,500.00	2,500.00
Reserves	2,737.25	1,282.36
Long-term Borrowings	10,229.00	7,466.25
Short-term Borrowings	4,396.94	7,927.99
Total Assets	28,504.68	23,507.14
Total Liabilities	28,504.68	23,507.14
Turnover	6,184.74	3,432.68
Profit/ (Loss) Before taxation	2,163.78	1,170.89
Provision for taxation	708.89	399.60
Profit/ (Loss) After taxation	1,454.89	771.29
Proposed Dividend	–	–

We undertake to make available the audited annual accounts and related information of the subsidiary company, upon request by any shareholders. The annual accounts of subsidiary will also be made available for inspection during business hours at the registered office of the Company at Kolkata. The same will also be available on our website, www.magma.co.in.

For on behalf of the Board

Mayank Poddar
Chairman

Sanjay Chamria
Vice Chairman &
Managing Director

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 26 April 2012

AUDITOR'S REPORT

To
The Members of
Magma Fincorp Limited

We have audited the attached Balance Sheet of Magma Fincorp Limited ("the Company") as at 31 March 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company 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.

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 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ("the Act"), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Without qualifying our opinion, we draw attention to note 25(v) of the financial statements, regarding change in method of accounting for business origination costs and upfront incomes, including on assignment of receivables, effective 1 April 2011, and which has a significant impact on the financial statements for the year ended 31 March 2012. This change in policy and method of accounting is necessary to reflect the current business model of the Company. Pursuant to the same income from assignment of receivables aggregating to Rs 15,394 Lacs for the year ended 31 March 2012, being income relating to future periods will be recognised over the tenor of the contracts assigned. Similarly, net business origination costs aggregating to Rs 6,554 Lacs, for the year ended 31 March 2012, have been deferred and amortised over the tenor of the contracts originated.

Further to our comments in the Annexure referred to 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 purpose of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act, to the extent applicable;
- (e) on the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
- (f) 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 Act, 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 the Balance Sheet, of the state of affairs of the Company as at 31 March 2012;
 - (ii) in the case of the Statement of Profit and Loss, 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 of the Company for the year ended on that date.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No.: 101248W

Zubin Shekary
Partner
Membership No.: 048814
Kolkata
26 April 2012

For **S. S. Kothari & Co.**
Chartered Accountants
Firm's Registration No.: 302034E

R. N. Bardhan
Partner
Membership No.: 017270
Kolkata
26 April 2012

ANNEXURE TO THE AUDITOR'S REPORT

The Annexure referred to in our report to the members of Magma Fincorp Limited ('the Company') for the year ended 31 March 2012. We report that:

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The Company has a regular program of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this program, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
- c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- ii) The Company is a Non-Banking Finance Company, primarily engaged in asset financing. Accordingly, it does not hold any physical inventories in the normal course of business. Thus, paragraph 4(ii) of the Order is not applicable.
- iii) a) The Company has granted a loan to a body corporate covered in the register maintained under section 301 of the Companies Act, 1956 ("the Act"). The maximum amount outstanding during the year was Rs 18,389 Lacs and the year-end balance of such loan amounted to Rs 4,800 Lacs. Other than the above, the Company has not granted any loans, secured or unsecured, to companies, firms or parties covered in the register maintained under section 301 of the Act.
- b) In our opinion, the rate of interest and other terms and conditions on which the loan has been granted to the body corporate listed in the register maintained under Section 301 of the Act are not, prima facie, prejudicial to the interest of the Company.
- c) In the case of the loan granted to the body corporate listed in the register maintained under section 301 of the Act, the borrower has been regular in repaying the principal amounts as stipulated and in the payment of interest.
- d) There are no overdue amounts of more than rupees one lakh in respect of the loan granted to a body corporate listed in the register maintained under section 301 of the Act.
- e) The Company has not taken any loans, secured or unsecured from companies, firms or parties covered in the register maintained under section 301 of the Act. Accordingly, paragraphs 4(iii)(e) to 4(iii)(g) of the Order are not applicable.
- 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 with regard to purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventory and the sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.
- v) a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (v)(a) above and exceeding the value of Rs 5 lakh with any party during the year have been made 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, except for deposits taken over by way of merger in the year ended 31 March 2007. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, Section 58AA or other relevant provisions of the Act, the rules framed there under and the directives issued by the Reserve Bank of India with regard to deposits accepted from the public. Accordingly, there have been no proceedings before the Company Law Board or National Company Law Tribunal (as applicable) or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Act, in respect of sale of power generated from windmills and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records. The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Act for any of the other services rendered by the Company.
- ix) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income-tax, Sales-tax, Wealth tax, Service tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. *The Company has not been regular in depositing Professional Tax during the year with appropriate authorities in one State, though the delays in deposit have not been serious.* As explained to us, the Company did not have any dues on account of Customs duty and Excise duty.
According to the information and explanations given to us,

no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income-tax, Sales-tax, Wealth tax, Service tax and other material statutory dues were in arrears as at 31 March 2012 for a period of more than six months from the date they became payable. As explained to us, the Company did not have any dues on account of Customs duty and Excise duty.

- b) According to the information and explanations given to us, there are no material dues of Income tax, Wealth tax, and Cess which have not been deposited with the appropriate authorities on account of any dispute. As explained to us, the Company did not have any dues on account of Customs duty and Excise duty. However, according to information and explanations given to us, the following dues of Sales tax and Service tax have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of dues	Amount (Rs. in Lacs)	Period to which the amount relates	Forum where dispute is pending
Chapter V of the Finance Act, 1994	Service Tax demanded	115.00	2002-2003 to 2005-2006	CESTAT, EZB, Kolkata
West Bengal Value Added Tax Act, 2003	VAT demanded	17.40	2006-07 and 2008-09	Jt. Commissioner of Sales Tax, Kolkata (South) Circle
West Bengal Value Added Tax Act, 2003	VAT demanded	7.10	2007-2008	West Bengal Commercial Taxes Appealate and Revisional Board
Jharkhand, Value Added Tax Act, 2005	VAT demanded	19.42	2006-2007 to 2009-2010	Jt. Commissioner of Commercial Taxes (Appeals), Jamshedpur
Madhya Pradesh Value Added Tax Act, 2002	VAT demanded	121.60	2008-2009	Madhya Pradesh High Court, Jabalpur

- x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers, any financial institutions or debenture holders.

- xii) In our opinion and according to the information and explanations given to us, the Company has maintained adequate records in cases where it has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi or a mutual benefit fund/ society.
- xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- xv) The Company has given guarantees for loans taken by others from banks or financial institutions. In our opinion and according to the information and explanations given to us, the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.
- xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised, other than funds temporarily invested pending utilisation of the funds for intended use.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- xviii) According to the information and explanations given to us, except for, preferential allotment of 10,000,000 equity shares on conversion of Optionally Convertible Equity Warrants to a Company covered in the register maintained under section 301 of the Act, the Company has not made any preferential allotment of shares to companies, firms or parties covered in the register maintained under Section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the Company.
- xix) According to the information and explanations given to us, the Company has created security or charge in respect of secured debentures issued during the year, except in case of Non-Convertible Debentures amounting to Rs 31,300 Lacs for which the Company is in the process of creation of securities.
- xx) The Company has not raised any money by public issues during the year.
- xxi) According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No.: 101248W

Zubin Shekary
Partner
Membership No.: 048814
Kolkata
26 April 2012

For **S. S. Kothari & Co.**
Chartered Accountants
Firm's Registration No.: 302034E

R. N. Bardhan
Partner
Membership No.: 017270
Kolkata
26 April 2012

BALANCE SHEET

(Rs. in Lacs)

	Note No.	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	3	18,061.16	17,283.83
Reserves and surplus	4	104,334.75	53,680.33
Money received against equity share warrants		–	1,250.00
		122,395.91	72,214.16
Non-current liabilities			
Long-term borrowings	5	206,517.16	102,079.38
Deferred tax liabilities (net)	6	2,358.87	3,829.40
Long-term provisions	7	2,175.04	1,455.21
		211,051.07	107,363.99
Current liabilities			
Short-term borrowings	8	374,937.05	308,766.62
Trade payables	9	22,170.85	20,268.99
Other current liabilities	10	62,011.80	67,402.36
Short-term provisions	11	6,001.01	8,594.74
		465,120.71	405,032.71
Total		798,567.69	584,610.86
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	12	17,268.28	18,047.79
Intangible assets		578.88	665.18
Capital work-in-progress		33.03	138.70
		17,880.19	18,851.67
Non-current investments	13	3,332.44	2,988.38
Long-term loans and advances	14	8,786.43	3,278.00
Other non-current assets	15	408,474.94	289,354.24
		438,474.00	314,472.29
Current assets			
Inventories		–	17.17
Trade receivables	16	860.64	606.25
Cash and bank balances	17	78,909.53	85,614.48
Short-term loans and advances	18	9,921.85	10,611.54
Other current assets	19	270,401.67	173,289.13
		360,093.69	270,138.57
Total		798,567.69	584,610.86
Significant accounting policies	2		
The Notes referred to above form an integral part of these financial statements			

As per our report attached.

For S. S. Kothari & Co.
Chartered Accountants
Firm's Regn. No. 302034E

For B S R & Co.
Chartered Accountants
Firm's Regn. No. 101248W

Mayank Poddar
Chairman

Sanjay Chamria
Vice Chairman &
Managing Director

R. N. Bardhan
Partner
Membership No. 17270

Zubin Shekary
Partner
Membership No. 048814

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 26 April 2012

STATEMENT OF PROFIT AND LOSS

(Rs. in Lacs)

	Note No.	Year ended 31 March 2012	Year ended 31 March 2011
INCOME			
Revenue from operations	20	97,537.02	82,401.52
Other income	21	4,065.07	2,331.46
Total revenue		101,602.09	84,732.98
EXPENSE			
Employee benefits expense	22	14,901.55	13,464.99
Finance costs	23	59,851.64	33,813.00
Depreciation and amortisation expense	12	2,957.74	2,785.07
Contingent provision against standard assets		630.00	1,090.00
Other expenses	24	15,053.63	16,529.82
Total expense		93,394.56	67,682.88
Profit before tax		8,207.53	17,050.10
Tax expense:			
Current tax – current year		3,320.00	6,539.37
– earlier year		33.83	29.56
Deferred tax	6	(1,470.53)	(962.15)
Profit for the year		6,324.23	11,443.32
Earnings per equity share (Face value of Rs. 2 each):	25 (iv)		
Basic (in Rupees)		2.97	8.12
Diluted (in Rupees)		2.94	7.94
Significant accounting policies	2		
The Notes referred to above form an integral part of these financial statements			

As per our report attached.

For **S. S. Kothari & Co.**
Chartered Accountants
 Firm's Regn. No. 302034E

For **B S R & Co.**
Chartered Accountants
 Firm's Regn. No. 101248W

Mayank Poddar
Chairman

Sanjay Chamria
*Vice Chairman &
 Managing Director*

R. N. Bardhan
Partner
 Membership No. 17270

Zubin Shekary
Partner
 Membership No. 048814

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 26 April 2012

CASH FLOW STATEMENT

(Rs. in Lacs)

	Year ended 31 March 2012		Year ended 31 March 2011	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax		8,207.53		17,050.10
Adjustments for:				
Depreciation and amortisation	2,957.74		2,785.07	
Bad debts written-off (net)	2,711.41		2,463.29	
Provision for bad and doubtful debts	110.00		–	
(Profit) on sale of investments	(108.52)		–	
Loss on sale of fixed assets	56.46		19.92	
Expense on Employee Stock Option Scheme	8.41		24.08	
Mark-to-market loss on derivative contracts	522.68		–	
Contingent provision against standard assets	630.00		1,090.00	
Provision for diminution in value of investments	(7.52)	6,880.66	–	6,382.36
Operating profit before working capital changes		15,088.19		23,432.46
Adjustments for:				
Trade and other receivables	(13,191.07)		1,837.76	
Assets on finance	(221,325.81)		(117,346.58)	
Trade payables	3,808.12	(230,708.76)	5,155.97	(110,352.85)
Cash used in operations		(215,620.57)		(86,920.39)
Taxes paid (net)	(5,704.92)	(5,704.92)	(5,722.37)	(5,722.37)
Net cash used in operating activities (A)		(221,325.49)		(92,642.76)
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets	(2,095.92)		(752.36)	
Proceeds from sale of fixed assets	53.20		30.28	
Purchase of long-term investments	(1,480.00)		(740.00)	
Proceeds from sale of long-term investments	–		773.20	
Net cash used in investing activities (B)		(3,522.72)		(688.88)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Increase in borrowings (net)	162,106.46		84,132.70	
Proceeds from issue of optionally convertible equity warrants	3,750.00		1,250.00	
Proceeds from issue / (redemption) of non-convertible preference shares (net)	(421.84)		939.41	
Proceeds from issue of equity shares including securities premium (net)	43,070.59		11,982.50	
Dividend paid (including tax thereon)	(1,984.74)		(1,391.05)	
Net cash from financing activities (C)		206,520.47		96,913.56
Net increase in cash and cash equivalents (A+B+C)		(18,327.74)		3,581.92
Cash and cash equivalents as at the beginning of the year		100,427.60		96,845.68
Cash and cash equivalents as at the end of the year		82,099.86		100,427.60
CASH AND BANK BALANCES				
Cash and cash equivalents		32,222.62		49,155.31
Other bank balances		46,686.91		36,459.17
Non-current bank balances		3,190.33		14,813.12
		82,099.86		100,427.60

As per our report attached.

For S. S. Kothari & Co.
Chartered Accountants
Firm's Regn. No. 302034E

For B S R & Co.
Chartered Accountants
Firm's Regn. No. 101248W

Mayank Poddar
Chairman

Sanjay Chamria
Vice Chairman &
Managing Director

R. N. Bardhan
Partner
Membership No. 17270

Zubin Shekary
Partner
Membership No. 048814

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 26 April 2012

NOTES TO THE FINANCIAL STATEMENTS

Note 01 COMPANY OVERVIEW

Magma Fincorp Limited ('Magma', 'MFL' or 'the Company'), incorporated in Kolkata, India is a publicly held non-banking finance company engaged in providing asset finance through its pan India branch network. Magma is registered as a systemically important non deposit taking Non-Banking Financial Company ('NBFC') as defined under Section 45-IA of the Reserve Bank of India (RBI) Act, 1934. The Company is headquartered at Kolkata.

Note 02 SIGNIFICANT ACCOUNTING POLICIES

i) Basis of preparation

- (a) The accompanying 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 of India under section 211 (3C) of the Companies Act, 1956. The financial statements are presented in Indian rupees rounded off to the nearest lac upto two decimal places.
- (c) As required by revised Schedule VI, the Company has classified assets and liabilities into current and non-current based on the operating cycle. An operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Since in case of non-banking financial company normal operating cycle is not readily determinable, the operating cycle has been considered as 12 months.

ii) Use of estimates and judgements

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount 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. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

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 are valued at net investment amount including installments due and is net of 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) Interest / finance income from Assets on finance / loan included in revenue from operations represents interest income arrived at based on Internal Rate of Return method.
- (b) Overdue interest is treated to accrue on realisation, due to uncertainty of realisation and is accounted for accordingly.
- (c) Income on securitisation / assignment :

In respect of transfer of financial assets by way of securitisation or bilateral assignments, the said assets are de-recognised upon contractual transfer thereof, and transfer of substantial risks and rewards to the purchaser.

If the transfer of financial assets amounts to securitisation within the meaning of the guidelines of Reserve Bank of India dated 1 February 2006, the gain arising therefrom, if received in cash, is amortised over the tenure of the related financial assets, and if received by way of excess interest spread, is recognised based on the contractual accrual of the same. Loss on sale, if any, is charged to statement of profit and loss during the year in which sale is effected.

The above policy was being followed only for the securitisation transactions upto 31 March 2011. Effective 1 April 2011, the Company has applied this policy for all transfers of financial assets.

- (d) Interest on fixed deposits, loans, margins, etc. is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (e) In case of operating lease, rent income is accounted for on straight line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Note 02 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

- (f) In respect of NPAs acquired, recoveries in excess of consideration paid is recognised as income in accordance with RBI guidelines.
- (g) Upfront income (net) pertaining to loan origination is amortised over the tenure of the underlying contracts.
- (h) Income from power generation is recognised based on the units generated as per the terms of the respective power purchase agreements with the State Electricity Boards.
- (i) Income from dividend is accounted for on receipt basis.
- (j) All other items of income are accounted for on accrual basis.

v) Provisioning / Write-offs

- (a) All contracts with six months past dues other than NPAs acquired are treated as loss assets and written off. This policy on non-performing assets classification and provisioning is more stringent than the guidelines prescribed by the Reserve Bank of India for compliance by Non-Banking Financial (Non-Deposit Accepting or Holding) Companies (NBFC-ND). Any subsequent recoveries out of such contracts is treated as income for the year during which the same is received.
- (b) The Company makes provision of 0.25% on standard assets in accordance with RBI guidelines issued on 17 January, 2011. The above contingent provision against standard assets is treated as Tier II capital and accordingly considered as long-term provision.

vi) Prudential norms

Subject to para 1 (v) (a) 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.

vii) Fixed Assets, intangible assets and capital work-in-progress

Fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date are disclosed as long term loans and advances. The cost of fixed assets not ready for their intended use at each balance sheet date is disclosed as capital work-in-progress.

All assets given on operating lease are shown at the cost of acquisition less accumulated depreciation.

Intangible assets are recorded at the consideration paid for acquisition / development and licensing less accumulated amortisation.

viii) Depreciation and amortisation

Depreciation on fixed assets, including assets on operating lease is provided using the straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Depreciation on commercial vehicles given on operating lease is provided on Straight Line Method at rates based on economic life of the assets. Individual assets costing less than Rs 5,000/- are depreciated in full in the year of acquisition.

Intangible assets are amortised over their estimated useful lives, not exceeding six years, on a straight-line basis, commencing from the date the asset is available to the Company for its use.

ix) Impairment of fixed assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

x) Inventories

Inventories comprises of real estate property held for sale and is valued at lower of cost or net realisable value.

xi) Investments

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Note 02 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

- (a) Long-term investments are carried at cost less any other than temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist.
- (b) Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each share individually.

xii) Employee benefits

(a) Provident fund

Contributions paid / payable to the recognised provident fund, which is a defined contribution scheme, are charged to the statement of profit and loss.

(b) Gratuity

Gratuity which is a defined benefit scheme, is accrued based on an actuarial valuation at the balance sheet date, carried out by an independent actuary. Actuarial gains and losses are charged to the statement of profit and loss in the period in which they arise.

(c) Compensated absences

Compensated absences, a defined benefit, is accrued based on an actuarial valuation at the balance sheet date, carried out by an independent actuary. The Company accrues for the expected cost of short-term compensated absences in the period in which the employee renders services.

xiii) Taxes on income

Income tax expense comprises current tax and deferred tax charge or credit.

(a) Current tax

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the Company.

(b) Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised. The break-up of the major components of the deferred tax assets and liabilities as at balance sheet date has been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

xiv) Provision and contingent liabilities

The Company creates a provision when there is a present obligation as a result of past events and it is probable that there will be outflow of resources and a reliable estimate of the obligation can be made of the amount of the obligation. Contingent liabilities are not recognised but are disclosed in the notes to the financial statements. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Note 02 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

xv) Transactions in foreign currencies

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at year-end rates. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

xvi) Derivative transactions

Fair value of derivative contracts is determined based on the appropriate valuation techniques considering the terms of the contract as at the balance sheet date. Mark to market losses in option contracts are recognised in the statement of profit and loss in the period in which they arise. Mark to market gains are not recognised keeping in view the principle of prudence as enunciated in AS 1.

xvii) Borrowing cost

Ancillary expenditure incurred in connection with the arrangement of borrowings is amortised over the tenure of the respective borrowings. Unamortised borrowing costs remaining, if any, is fully expensed off as and when the related borrowing is prepaid / cancelled.

xviii) Earnings per share

The basic earnings per share ('EPS') is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

In computing dilutive earnings per share, only potential equity shares that are dilutive and that reduce profit / loss per share are included.

xix) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of non-cash nature, any deferrals, or accruals of past or future operating cash receipts or payments and item of expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

	As at 31 March 2012	As at 31 March 2011
Note 03 SHARE CAPITAL		
Authorised		
220,000,000 (Previous year - 175,000,000) Equity shares of Rs.2 each	4,400.00	3,500.00
24,100,000 (Previous year - 25,000,000) Preference shares of Rs.100 each	24,100.00	25,000.00
	28,500.00	28,500.00
Issued, subscribed and paid-up		
Equity share capital		
189,732,175 (Previous year - 129,773,550) Equity shares of Rs.2 each, fully paid up.	3,794.64	2,595.47
Preference share capital		
2,109,199 (Previous year - 2,109,199) 9.70% Cumulative non-convertible redeemable preference shares of Rs.100 each. Allotted at par on 17 February 2006 and redeemable at par in five equal annual installments starting at the end of 5 years from the date of allotment i.e. 17 February 2011 till all the preference shares are redeemed which is at the end of 9th year from the date of allotment i.e. 17 February 2015 (paid-up value per share reduced to Rs.60 on redemption of two annual installments of Rs.20 each per share).	1,265.52	1,687.36
3,000,000 (Previous year - 3,000,000) 5.00% Cumulative non-convertible redeemable preference shares (NCPS) of Rs.100 each fully paid. Allotted at par on 4 August 2006 and redeemable at the end of 7 years i.e. 4 August 2013 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) 6 months US Dollar Libor plus 3.25% Cumulative non-convertible redeemable preference shares of Rs.100 each fully paid up. Allotted at par on 26 March 2007 and redeemable at par in US Dollar over five equal annual installments of US Dollar 3 million each, for the first time on 1 April 2012 until all preference shares are redeemed i.e. 1 April 2016.	6,501.00	6,501.00
1,000,000 (Previous year - 1,000,000) 9.60% Cumulative non-convertible redeemable preference shares of Rs.100 each fully paid up. Allotted at par on 19 June 2010 and redeemable at the end of 5 years i.e. 19 June 2015 along with a redemption premium equal to 25% of the consideration.	1,000.00	1,000.00
2,500,000 (Previous year - 2,500,000) 12.00% Cumulative non-convertible redeemable preference shares of Rs.100 each fully paid up. Allotted at par on 30 June 2010 and redeemable at par at the end of 5 years i.e. 30 June 2015.	2,500.00	2,500.00
	18,061.16	17,283.83

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 03 SHARE CAPITAL (Contd.)

Reconciliation of the number of shares outstanding and the amount of share capital

	As at 31 March 2012		As at 31 March 2011	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
Opening balance	129,773,550	2,595.47	108,885,700	2,177.71
Equity shares issued during the year vide preferential issue	49,854,375	997.09	20,336,100	406.72
Equity shares issued on conversion of equity warrants during the year	10,000,000	200.00	–	–
Equity shares issued on exercise of ESOPs during the year	104,250	2.08	551,750	11.04
Closing balance	189,732,175	3,794.64	129,773,550	2,595.47
Preference shares (Cumulative non-convertible redeemable)				
Opening balance	15,110,198	14,688.36	11,610,198	11,610.20
9.60 % Preference shares issued during the year	–	–	1,000,000	1,000.00
12.00 % Preference shares issued during the year	–	–	2,500,000	2,500.00
9.70% Preference shares redeemed during the year (20% annually)	–	(421.84)	–	(421.84)
Closing balance	15,110,198	14,266.52	15,110,198	14,688.36

Equity shares

The Company has only one class of equity shares having a par value of Rs.2/- each. Each holder of equity share is entitled to one vote per share.

The Company has not allotted any fully paid-up equity shares by way of bonus shares nor has bought back any class of equity shares during the period of five years immediately preceding the balance sheet date. Details of equity shares allotted as fully paid up without payment being received in cash during the period of five years immediately preceding the balance sheet date is given below:

Particulars	31 March				
	2011	2010	2009	2008	2007
Class of shares	Equity	Equity	Equity	Equity	Equity
No. of shares	–	–	–	16,165,380*	–

*Allotted to the shareholders of erstwhile Shrachi Infrastructure Finance Limited pursuant to the scheme of amalgamation.

The Company declares and pays dividend on equity shares in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March 2011, the amount of per share dividend recognised as distribution to equity shareholders was Re.0.60 (30%) per equity share of the face value of Rs.2/- each. Total dividend appropriation on equity shares for the year ended 31 March 2011 amounted to Rs.904.95 Lacs including corporate dividend tax of Rs.126.31 Lacs.

On 30 June 2011, the Company has allotted 26,854,375 equity shares of Rs.2/- each to Zend Mauritius VC Investments, Limited, a Foreign body Corporate (a fund within the private equity division of Kohlberg Kravis Roberts & Co. L.P.) ('KKR') and 23,000,000 equity shares of Rs.2/- each to International Finance Corporation, (IFC), a Multilateral Development Organisation, on preferential basis pursuant to provisions of Section 81(1A) of the Companies Act, 1956 and under chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 at a price of Rs.88/- per equity share (including premium of Rs.86/- per share) aggregating to Rs. 43,871.85 Lacs. The funds raised have been deployed in the business of the Company. Pursuant to the terms of the preference share agreement, the Company has redeemed installment of Rs.20/- of the 2,109,199, 9.70 % Cumulative non-convertible redeemable preference shares Rs.100/- each aggregating to Rs.421.84 Lacs due for redemption during the year ended 31 March 2012 and will also be redeeming preference shares due for redemption in future as per the terms of the issue out of the proceeds of this issue.

On 29 July 2011 and 25 November 2011, the Company has allotted, 35,650 and 68,600 equity shares respectively of the face value of Rs.2/- each on preferential basis, under Magma Employee Stock Option Plan (MESOP) pursuant to SEBI (ESOS and ESOS) Guidelines, 1999 to eligible employees of the Company.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 03 SHARE CAPITAL (Contd.)

On 28 October 2011, the Company has allotted, 10,000,000 equity shares of the face value of Rs.2/- each to Microfirm Softwares Private Limited, a promoter company at a price of Rs.50/- per equity share (including share premium of Rs.48/- per equity share) on receipt of balance 75% consideration amounting to Rs.3,750.00 Lacs pursuant to exercise of the options attached with 10,000,000 warrants allotted to them on 30 April 2010 in terms of provisions of SEBI Guidelines for Preferential Issue (Chapter VII of the SEBI (Issue and Disclosure Requirements) Regulations, 2009). These 2,000,000 warrants were allotted on 30 April 2010 carrying an option to subscribe to equivalent number of equity shares of the face value of Rs.10/- each within a period not exceeding 18 months from the date of issue of such warrants. 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 previous year, the number of warrants increased from 2,000,000 to 10,000,000 and the issue price reduced from Rs. 250/- to Rs. 50/- per equity share of Rs. 2/- each. The Company had received Rs. 1,250.00 Lacs being 25% of the total issue price at the time of allotment of warrants.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution to preference shareholders. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

Preference shares

The Company declares and pays dividend on preference shares in both Indian rupees and foreign currencies. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting.

The Company has redeemed Rs.421.84 Lacs being second installment of Rs. 20/- per share in respect of 2,109,199 cumulative non-convertible redeemable preference shares of Rs.100/- per share on 17 February 2012. The paid-up value as at 31 March 2012 of the above preference shares stands reduced to Rs.60/- per share from Rs.100/- per share. The above preference shares were redeemed out of the proceeds of a fresh issue of equity shares made for the purposes which inter-alia include redemption of preference shares and accordingly, no transfer has been made to capital redemption reserve.

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.6,501.00 Lacs (equivalent to USD 15 Million) allotted on 26 March 2007 are entitled to fixed dividend at the rate equivalent to 6 months US Dollar Libor applicable on the respective dates i.e. 30 December or 29 June depending upon the actual date of payment plus 3.25% on subscription amount of USD 15 Million.

Accordingly, the Company had provided dividend for the financial year ended 31 March 2011 in accounts based on the 6 months US Dollar Libor applicable as on 30 December 2010 and closing exchange rate applicable as on 31 March 2011 and which was liable to vary depending on the actual date of payment of the dividend. Accordingly, the excess/ (deficit) dividend and tax thereon of Rs.0.13 Lacs (Previous Year: (Rs.37.06 Lacs)) provided with respect to above preference shares for the previous financial year ended 31 March, 2011 has been adjusted in the current year with consequent impact on earning per share for the year.

In the event of liquidation of the Company, the holders of preference shares will have priority over equity shares in payment of dividend and repayment of capital.

Shareholders holding more than 5%

Name of the shareholder	As at 31 March 2012		As at 31 March 2011	
	% age	No. of shares	% age	No. of shares
Equity shares				
Microfirm Softwares Private Limited	17.93	34,015,928	11.92	15,473,510
Celica Developers Private Limited	15.51	29,434,455	22.68	29,434,455
Zend Mauritius VC Investments, Limited	14.15	26,854,375	–	–
International Finance Corporation	12.12	23,000,000	–	–
India Capital Fund Limited	8.17	15,506,739	8.14	10,564,495
Wellington Management Company LLP A/C Bay Pond BM	–	–	6.63	8,604,860
Citigroup Global Markets Mauritius Private Limited	–	–	5.98	7,763,657
Preference shares (Cumulative non-convertible redeemable)				
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	56.98	8,610,198	56.98	8,610,198
Bank of India	9.93	1,500,000	9.93	1,500,000
Andhra Bank	9.93	1,500,000	9.93	1,500,000
United Bank of India	6.62	1,000,000	6.62	1,000,000

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 03 SHARE CAPITAL (Contd.)

Employee stock options

The Company instituted the Magma Employee Stock Option Plan (MESOP) in 2007, which was approved by the Board of Directors. Under MESOP, the Company provided for the creation and issue of 1,000,000 options that would eventually convert into equity shares of Rs. 10/- each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of and at the exercise price determined by the Nomination and Remuneration Committee of the Board of Directors. The options generally vest in a graded manner over a five year period and are exercisable till the grantee remains an employee of the Company. 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 previous year, the number of options increased from 1,000,000 to 5,000,000.

Magma Employee Stock Option Plan 2007 (Tranche 1, year 2007)

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 12 October 2007. 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 previous year, the number of options increased from 350,800 to 1,754,000 and the issue price reduced from Rs.180/- to Rs.36/- per equity share of Rs.2/- each.

	(in Numbers)	
	Year ended 31 March 2012	Year ended 31 March 2011
Outstanding options at the beginning of the year	738,750	1,312,500
Granted during the year	-	-
Exercised during the year	104,250	551,750
Lapsed during the year	29,000	22,000
Forfeited during the year	-	-
Outstanding options at the end of the year	605,500	738,750
Options vested and exercisable at the end of the year	361,900	222,550

The weighted average fair value of each option of Magma Fincorp Limited was Rs.30.32 using the Black-Scholes model with the following assumptions:

Grant date share price (in Rs.)	50.33
Exercise price (in Rs.)	36.00
Dividend yield %	3.03%
Expected life	4.80 years
Risk free interest rate	7.76%
Volatility	73.94%

Magma Employee Stock Option Plan 2007 (Tranche 2, year 2012)

The Nomination and Remuneration Committee of the Board of Directors has granted 250,000 Options (each Option entitled to 1 equity share of Rs.2/- each at a price of Rs.60/- per share) to the eligible employees of the Company under "Magma Employee Stock Option Plan 2007" on 1 February 2012.

The Company has recorded Rs. Nil stock compensation cost under the intrinsic value method of accounting as the exercise price of the options was greater than or equal to the fair value on the dates of grants.

	(in Numbers)	
	Year ended 31 March 2012	Year ended 31 March 2011
Outstanding options at the beginning of the year	-	-
Granted during the year	250,000	-
Exercised during the year	-	-
Lapsed during the year	-	-
Forfeited during the year	-	-
Outstanding options at the end of the year	250,000	-
Options vested and exercisable at the end of the year	-	-

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 03 SHARE CAPITAL (Contd.)

The weighted average fair value of each option of Magma Fincorp Limited was Rs.29.35 using the Black-Scholes model with the following assumptions:

Grant date share price (in Rs.)	56.85
Exercise price (in Rs.)	60.00
Dividend yield %	1.06%
Expected life	4.80 years
Risk free interest rate	8.35%
Volatility	58.13%

The Company has recorded compensation cost for all grants using the intrinsic value based method of accounting, in line with prescribed SEBI guidelines.

Had compensation been determined under the fair value approach described in the Guidance Note on, "Accounting for employee share based payments" issued by ICAI, the Company's net profit and basic and diluted earnings per share would have reduced to the proforma amounts as indicated.

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Net profit for equity shareholders (Rs. in Lacs)	5,097.66	10,325.68
Add: Stock-based employee compensation expense (intrinsic value method) (Rs. in Lacs)	8.41	24.08
Less: Stock-based employee compensation expense (fair value method) (Rs. in Lacs)	17.79	50.95
Proforma net profit (Rs. in Lacs)	5,088.28	10,298.81
Basic earnings per share as reported (in Rs.)	2.97	8.12
Proforma basic earnings per share (in Rs.)	2.96	8.10
Diluted earnings per share as reported (in Rs.)	2.94	7.94
Proforma diluted earnings per share (in Rs.)	2.93	7.92

	As at 31 March 2012	As at 31 March 2011
Note 04 RESERVES AND SURPLUS		
Capital reserve	457.98	457.98
Capital redemption reserve		
Opening balance	1,421.84	1,000.00
Add: Transfer from general reserve	–	421.84
	1,421.84	1,421.84
Securities premium reserve		
Opening balance	21,929.11	10,285.30
Add: On equity shares issued during the year vide preferential issue	42,874.76	11,835.61
Add: On equity shares issued on conversion of equity warrants during the year	4,800.00	–
Add: On equity shares issued on exercise of ESOPs during the year	50.38	266.66
Less: Share issue expenses	838.78	458.46
	68,815.47	21,929.11
Employee share option outstanding		
Gross employee share compensation cost for options granted in earlier years	89.57	144.56
Add: Gross compensation cost for options granted during the year	–	–
Less: Transferred to securities premium reserve on allotment of shares	14.94	79.07
Add: Deferred employee compensation cost	8.41	24.08
	83.04	89.57
Amalgamation reserve account	106.48	106.48
Statutory reserve (under RBI Act)		
Opening balance	8,638.15	6,348.15
Add: Transfer from surplus	1,270.00	2,290.00
	9,908.15	8,638.15

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

	As at 31 March 2012	As at 31 March 2011
Note 04 RESERVES AND SURPLUS (Contd.)		
General reserve		
Opening balance	4,864.50	4,136.34
Add: Transfer from surplus	640.00	1,150.00
Less: Transferred to capital redemption reserve	-	421.84
	5,504.50	4,864.50
Surplus (balance in the statement of profit and loss)		
Opening balance	16,172.70	10,191.97
Add: Transfer from statement of profit and loss	6,324.23	11,443.32
Amount available for appropriations	22,496.93	21,635.29
Appropriations		
Transfer to statutory reserve	1,270.00	2,290.00
Transfer to general reserve	640.00	1,150.00
Proposed dividend on preference shares	1,055.36	961.53
Proposed dividend on equity shares	1,138.39	778.64
Corporate dividend tax	355.89	282.42
	18,037.29	16,172.70
	104,334.75	53,680.33

	Security as per	As at 31 March 2012	As at 31 March 2011
Note 05 LONG-TERM BORROWINGS			
Debentures			
Secured			
Redeemable non-convertible debentures	(a)	121,300.00	10,000.00
		121,300.00	10,000.00
Unsecured			
Subordinated non-convertible perpetual debentures (Tier I capital)		5,500.00	5,500.00
Subordinated redeemable non-convertible debentures (Tier II capital)		61,150.00	35,420.00
		66,650.00	40,920.00
Term loan			
Secured*			
from banks	(b) and (c)	15,639.06	47,593.88
from others	(b) and (c)	2,928.10	3,565.50
		18,567.16	51,159.38
		206,517.16	102,079.38
*Aggregate of loans guaranteed by#			
Directors		20,983.74	45,855.18
# includes current maturities of long term borrowings			

Nature of security

- Debentures are secured by mortgage of Company's immovable property situated at Village - Mehrun, Taluk and District - Jalgaon in the state of Maharashtra and are also secured against designated Assets on finance/loan.
- Term loans from Banks/Financial Institutions are secured by hypothecation of designated Assets on finance/loan and future 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 05 LONG-TERM BORROWINGS (Contd.)

Details of Debentures

Secured redeemable non-convertible debentures

Number of Debentures	Face Value (Rs. in Lacs)	Rate of Interest	Redeemable at	Date of Redemption	As at 31 March 2012	As at 31 March 2011
1000	10	11.50%	Par	01 February, 2017	10,000.00	–
1000	10	11.50%	Par	14 Dec, 2016	10,000.00	–
1750	10	11.20%	Par	02 Apr, 2015	17,500.00	–
1000	10	11.00%	Par	25 Nov, 2014	10,000.00	–
1500	10	11.25%	Par	14 Nov, 2014	15,000.00	–
1000	10	10.60%	Par	17 Oct, 2014	10,000.00	–
1000	10	10.45%	Par	07 Sep, 2014	10,000.00	–
1500	10	11.25%	Par	16 May, 2014	15,000.00	–
25	10	10.75%	Par	20 Jan, 2014	250.00	–
100	10	10.75%	Par	20 Jan, 2014	1,000.00	–
80	10	10.75%	Par	31 Jul, 2013	800.00	–
25	10	10.75%	Par	23 Jul, 2013	250.00	–
150	10	10.75%	Par	23 Jul, 2013	1,500.00	–
2000	10	11.15%	Par	13 Nov, 2013	20,000.00	–
700	10	9.75%	Par	16 Nov, 2012	–	7,000.00
200	10	10.00%	Par	15 Oct, 2012	–	2,000.00
100	10	9.50%	Par	16 Aug, 2012	–	1,000.00
					121,300.00	10,000.00

Unsecured subordinated non-convertible perpetual debentures (Tier I capital)

Number of Debentures	Face Value (Rs. in Lacs)	Rate of Interest	Redeemable at	Earliest date of exercise*	As at 31 March 2012	As at 31 March 2011
150	10	12.50%	Par	07 Jan, 2021	1,500.00	1,500.00
100	10	12.50%	Par	09 Dec, 2020	1,000.00	1,000.00
200	10	13.75%	Par	29 Mar, 2020	2,000.00	2,000.00
100	10	13.50%	Par	24 Mar, 2020	1,000.00	1,000.00
					5,500.00	5,500.00
Percentage of Tier I Capital					4.87%	8.82%

* 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 05 LONG-TERM BORROWINGS (Contd.)

Unsecured subordinated redeemable non-convertible debentures (Tier II capital)

Number of Debentures	Face Value (Rs. in Lacs)	Rate of Interest	Redeemable at	Date of Redemption	As at 31 March 2012	As at 31 March 2011
250	10	11.75%	Par	30 Mar, 2019	2,500.00	–
3	10	11.75%	Par	30 Mar, 2019	30.00	–
1250	10	11.20%	Par	09 Dec, 2018	12,500.00	–
100	10	12.00%	Par	27 Sep, 2017	1,000.00	–
50	10	12.00%	Par	27 Sep, 2017	500.00	–
20	10	11.75%	Par	07 Sep, 2017	200.00	–
100	10	11.75%	Par	07 Sep, 2017	1,000.00	–
150	10	11.75%	Par	28 Jun, 2017	1,500.00	–
500	10	11.75%	Par	14 Jun, 2017	5,000.00	–
150	10	11.75%	Par	05 Jun, 2017	1,500.00	–
50	10	11.50%	Par	26 Jun, 2016	500.00	500.00
200	10	11.50%	Par	19 Jan, 2016	2,000.00	2,000.00
792	10	11.50%	Par	30 Dec, 2015	7,920.00	7,920.00
320	10	11.50%	Par	07 Aug, 2015	3,200.00	3,200.00
150	10	11.50%	Par	30 Jun, 2015	1,500.00	1,500.00
50	10	11.50%	Par	29 Jun, 2015	500.00	500.00
150	10	11.50%	Par	22 Jun, 2015	1,500.00	1,500.00
130	10	11.50%	Par	02 Jun, 2015	1,300.00	1,300.00
100	10	13.15%	Par	18 Jun, 2014	1,000.00	1,000.00
200	10	13.00%	Par	03 Jun, 2014	2,000.00	2,000.00
100	10	14.00%	Par	04 May, 2014	1,000.00	1,000.00
50	10	14.00%	Par	15 Mar, 2014	500.00	500.00
500	10	10.90%	Par	19 Jul, 2013	5,000.00	5,000.00
250	10	10.50%	Par	25 Jun, 2013	2,500.00	2,500.00
500	10	10.50%	Par	11 May, 2013	5,000.00	5,000.00
					61,150.00	35,420.00

Terms of repayment of term loans

Repayment Terms	Interest Terms	Repayable at	As at 31 March 2012	As at 31 March 2011
Monthly	Fixed	Par	–	6,488.47
Monthly	Floating	Par	1,500.00	8,000.00
Quarterly	Fixed	Par	2,928.10	9,815.50
Quarterly	Floating	Par	14,139.06	26,855.41
			18,567.16	51,159.38

The above term loans carry interest rate ranging from 10.75% to 12.75% p.a.

There is no continuing default in repayment of the principal loan and interest amount.

	As at 31 March 2012	As at 31 March 2011
Note 06 DEFERRED TAX LIABILITIES (NET)		
Deferred tax liabilities*		
Fixed assets	3,230.80	4,266.29
Others	78.08	56.40
	3,308.88	4,322.69
Deferred tax assets		
Provision for standard assets	558.05	353.66
Others	391.96	139.63
	950.01	493.29
	2,358.87	3,829.40

* During the year excess deferred tax liability of Rs. 785.25 Lacs has been reversed.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

	As at 31 March 2012	As at 31 March 2011
Note 07 LONG-TERM PROVISIONS		
Provision for employee benefits [Refer Note 25 (i)]	455.04	365.21
Contingent provision against standard assets (Tier II Capital)*	1,720.00	1,090.00
	2,175.04	1,455.21

* The Reserve Bank of India (RBI) vide its Notification No. DNBS. 223/CGM (US) – 2011 dated 17 January 2011 had issued directions to all NBFCs to make provision @ 0.25% against standard assets. The above contingent provision against standard assets is treated as Tier II Capital and accordingly considered as long-term provision.

	Security as per	As at 31 March 2012	As at 31 March 2011
Note 08 SHORT-TERM BORROWINGS			
Debentures			
Secured			
Redeemable non-convertible debentures	(a)	10,000.00	–
		10,000.00	–
Unsecured			
Redeemable non-convertible debentures		–	8,695.00
		–	8,695.00
Term loan			
Secured*			
from banks	(b) and (c)	16,301.00	4,860.23
from others	(b) and (c)	104.50	765.74
		16,405.50	5,625.97
Unsecured			
from banks		–	30,000.00
		–	30,000.00
Commercial papers			
Unsecured			
Face value		14,770.00	22,470.00
Less: Unmatured discounting charges		531.96	272.00
		14,238.04	22,198.00
Cash credit facilities and working capital demand loans			
Secured*			
Cash credit facilities	(d)	190,058.64	104,142.30
Working capital demand loans	(d)	144,234.87	138,105.35
		334,293.51	242,247.65
		374,937.05	308,766.62

The cash credit facilities are repayable on demand and carries interest at 11.25% to 13.75% p.a.

Working capital demand loans are repayable on demand and carries interest at 10.75% to 11.00% p.a.

*Aggregate of loans guaranteed by			
Directors		7,498.13	106,001.61
Others		104.50	–
		7,602.63	106,001.61

Nature of security

- (a) Debentures are secured by mortgage of Company's immovable property situated at Village - Mehrun, Taluk and District - Jalgaon in the state of Maharashtra and are also secured against designated Assets on finance/loan.
- (b) Term loans from Banks/Financial Institutions are secured by hypothecation of designated Assets on finance/loan and future rentals receivable therefrom. Certain term loans are additionally secured by way of personal guarantee of a Director.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 08 SHORT-TERM BORROWINGS (Contd.)

- (c) 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.
- (d) Cash credit facilities and working capital demand loans from Banks are secured by hypothecation of the Company's finance/loan assets, plant and machinery 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.

Details of debentures

Secured redeemable non-convertible debentures

Number of Debentures	Face Value (Rs. in Lacs)	Rate of Interest	Redeemable at	Date of Maturity	As at 31 March 2012	As at 31 March 2011
700	10	9.75%	Par	16 Nov, 2012	7,000.00	–
200	10	10.00%	Par	15 Oct, 2012	2,000.00	–
100	10	9.50%	Par	16 Aug, 2012	1,000.00	–
					10,000.00	–

Unsecured redeemable non-convertible debentures

Number of Debentures	Face Value (Rs. in Lacs)	Rate of Interest	Redeemable at	Date of Maturity	As at 31 March 2012	As at 31 March 2011
39	5	8.40%	Par	21 Jul, 2011	–	195.00
75	100	7.05%	Par	21 Jun, 2011	–	7,500.00
10	100	6.85%	Par	25 Apr, 2011	–	1,000.00
					–	8,695.00

Terms of repayment of term loans

Repayment Terms	Interest Terms	Repayable at	As at 31 March 2012	As at 31 March 2011
Secured				
Monthly	Fixed	Par	6,517.37	1,924.77
Monthly	Floating	Par	3,535.00	3,701.20
Quarterly	Fixed	Par	6,353.13	–
			16,405.50	5,625.97
Unsecured				
Monthly	Fixed	Par	–	30,000.00
			–	30,000.00

The above term loans carry interest rate ranging from 6.65% to 12.75% p.a.

Details of unsecured commercial paper

Number of Units	Face Value (Rs. in Lacs)	Interest Terms	As at 31 March 2012	As at 31 March 2011
2954	5	Fixed	14,238.04	22,198.00
			14,238.04	22,198.00

The above commercial paper carries interest rate ranging from 10.25% to 11.65% p.a.

There is no continuing default in repayment of the principal loan and interest amount.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

	As at 31 March 2012	As at 31 March 2011
Note 09 TRADE PAYABLES		
Due to micro and small enterprises	–	–
Due to others	22,170.85	20,268.99
	22,170.85	20,268.99

The Company has no dues to micro and small enterprises covered under the MSMED Act, 2006, as at 31 March 2012 and 31 March 2011.

Note 10 OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings (Refer Note 5)	16,558.89	29,714.48
Interest accrued but not due on borrowings	7,189.85	2,536.01
Unpaid dividend #	19.70	19.02
Unclaimed deposits and interest accrued thereon*	9.88	11.40
Other payables		
Book overdraft	6,402.43	4,194.67
Advances/deposits from customers	8,153.35	10,176.95
Statutory liabilities	497.01	447.81
Director's commission payable	75.00	170.00
Pending remittance on assignment	19,788.64	16,980.93
Other current liabilities	3,317.05	3,151.09
	62,011.80	67,402.36

Balance would be credited to Investor Education and Protection Fund as and when due.

* Represents liability transferred to and vested in the Company pursuant to the amalgamation of erstwhile 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 the entire outstanding amount together with interest to an escrow account.

Note 11 SHORT-TERM PROVISIONS		
Provision for employee benefits [Refer to Note 25 (i)]	34.75	22.04
Proposed dividend (including tax thereon)	2,549.76	1,985.54
Provision for taxation	3,416.50	6,587.16
	6,001.01	8,594.74

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 12 FIXED ASSETS

Description of Assets	GROSS BLOCK			DEPRECIATION & AMORTISATION				NET BLOCK		
	As at 01.04. 2011	Additions	Deletions / Adjust- ment	As at 31.03. 2012	As at 01.04. 2011	For the year	Deletions / Adjust- ment	As at 31.03. 2012	As at 31.03. 2012	As at 31.03. 2011
Tangible Assets										
Fixed assets for own use										
Land	30.26	-	-	30.26	-	-	-	-	30.26	30.26
Buildings*	3,424.74	-	-	3,424.74	600.32	393.15	-	993.47	2,431.27	2,824.42
Plant and equipment	2,341.31	1,164.78	224.42	3,281.67	1,471.99	370.94	181.83	1,661.10	1,620.57	869.32
Wind mills	9,701.29	-	-	9,701.29	1,818.38	513.64	-	2,332.02	7,369.27	7,882.91
Furniture and fixtures	2,239.91	498.94	27.56	2,711.29	893.92	179.62	12.15	1,061.39	1,649.90	1,345.99
Vehicles	349.98	67.26	62.63	354.61	186.65	23.42	21.48	188.59	166.02	163.33
Office equipment	1,523.85	292.23	19.95	1,796.13	386.73	91.45	9.44	468.74	1,327.39	1,137.12
Sub-total	19,611.34	2,023.21	334.56	21,299.99	5,357.99	1,572.22	224.90	6,705.31	14,594.68	14,253.35
Fixed assets on operating lease										
Buildings	11.00	-	-	11.00	1.33	0.18	-	1.51	9.49	9.67
Commercial vehicles	17,771.08	-	-	17,771.08	13,986.31	1,120.66	-	15,106.97	2,664.11	3,784.77
Sub-total	17,782.08	-	-	17,782.08	13,987.64	1,120.84	-	15,108.48	2,673.60	3,794.44
Total	37,393.42	2,023.21	334.56	39,082.07	19,345.63	2,693.06	224.90	21,813.79	17,268.28	18,047.79
Intangible assets										
Fixed assets for own use										
Computer softwares	629.59	178.38	-	807.97	337.74	104.68	-	442.42	365.55	291.85
Business and commercial rights	800.00	-	-	800.00	426.67	160.00	-	586.67	213.33	373.33
Total	1,429.59	178.38	-	1,607.97	764.41	264.68	-	1,029.09	578.88	665.18
Grand total	38,823.01	2,201.59	334.56	40,690.04	20,110.04	2,957.74	224.90	22,842.88	17,847.16	18,712.97
Previous year	38,207.05	752.36	136.40	38,823.01	17,411.18	2,785.07	86.21	20,110.04	18,712.97	-

*Out of total 10 buildings owned by the Company, registration of title for 3 buildings is pending.

	As at 31 March 2012	As at 31 March 2011
Note 13 NON-CURRENT INVESTMENT		
Other investment (at cost) [Refer to Note 25 (xiv)]		
Investment in equity shares		
Quoted (Fully paid-up of Rs. 10 each)	8.31	8.31
Unquoted (Fully paid-up of Rs. 10 each)		
In subsidiary	3,329.94	1,849.94
In associates	-	723.46
In others	29.38	449.38
Investment in government or trust securities		
Unquoted (Rs. 0.16 lac pledged with Sales tax authorities)	0.39	0.39
	3,368.02	3,031.48
Less : Aggregate provision for diminution in value of investments	35.58	43.10
	3,332.44	2,988.38
Aggregate book value of quoted investments	8.31	8.31
Aggregate market value of quoted investments	4.30	6.86
Aggregate book value of unquoted investments	3,359.71	3,023.17

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

	As at 31 March 2012	As at 31 March 2011
Note 14 LONG-TERM LOANS AND ADVANCES		
Unsecured, considered good		
Capital advances	21.09	3.45
Security deposits	577.18	497.74
Loans	61.82	214.36
Loans and advances to related parties [Refer to Note 25 (vi)]	6,343.10	267.60
Other loans and advances		
Margin with body corporate	1,783.24	2,294.85
	8,786.43	3,278.00
Loans and advances due by directors or other officers of the Company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member.	1,583.60	322.53

Note 15 OTHER NON-CURRENT ASSETS		
Others		
Assets on finance		
Secured, considered good	373,444.70	254,393.45
Unsecured, considered good	25,614.70	19,058.87
	399,059.40	273,452.32
Non-current bank balances [Note 17]*	3,190.33	14,813.12
Unamortised expenses (net) [Refer to Note 25 (v)]	5,984.55	914.98
Gratuity (excess of plan assets over obligation)	240.66	173.82
	408,474.94	289,354.24

* Balances with banks held as margin money, security against borrowings, guarantees amounts to Rs.3,190.33 (Previous year Rs.14,813.12)

Note 16 TRADE RECEIVABLES		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	-	-
	-	-
Other debts		
Unsecured, considered good	860.64	606.25
	860.64	606.25
	860.64	606.25
Debts due by directors or other officers of the Company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member.	-	-

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

	As at 31 March 2012	As at 31 March 2011
Note 17 CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash in hand	3,167.28	3,096.93
Balances with banks		
In current and cash credit accounts	29,035.64	24,396.36
In unpaid dividend account	19.70	19.02
In deposit accounts with maturity of less than three months	–	21,643.00
	32,222.62	49,155.31
Other bank balances*		
In deposit accounts with maturity of less than three months	14,481.87	6,870.68
In deposit accounts with maturity of more than three months and less than twelve months	32,205.04	29,588.49
	46,686.91	36,459.17
	78,909.53	85,614.48

* Balances with banks held as margin money, security against borrowings, guarantees amounts to Rs.46,686.91 (Previous year: Rs.36,459.17)

Fixed deposits accounts with more than 12 months maturity amounting to Rs.3,190.33 (Previous year: Rs.14,813.12) included under Note 15.

Note 18 SHORT-TERM LOANS AND ADVANCES		
Unsecured, considered good		
Loan and advances to related parties [Refer to Note 25 (vi)]	258.52	305.49
Other loans and advances		
Loans	326.90	152.21
Advances recoverable in cash or kind or for value to be received	3,953.53	4,118.78
Prepaid expenses	500.68	289.44
Tax payments / deduction at source	4,392.65	5,212.22
Accrued interest / financial charges	489.57	533.40
	9,921.85	10,611.54
Unsecured, considered doubtful		
Other loans and advances		
Advances recoverable in cash or kind or for value to be received	110.00	–
Less: Provision against loans and advances	110.00	–
	–	–
	9,921.85	10,611.54
Debts due by directors or other officers of the Company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member.	–	–

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

	As at 31 March 2012	As at 31 March 2011
Note 19 OTHER CURRENT ASSETS		
Others		
Asset on finance		
Secured, considered good	234,472.19	153,334.08
Unsecured, considered good	31,673.18	19,019.86
	266,145.37	172,353.94
Unamortised expenses (net) [Refer to Note 25 (v)]	4,023.88	726.82
Others	232.42	208.37
	270,401.67	173,289.13

Assets on finance is net of amounts securitised / assigned aggregating to Rs. 493,634.51 as at 31 March 2012 (Previous year: Rs. 484,503.21).

Value of repossessed assets as at the year-end is Rs. 568.27 (Previous year: Rs. 273.93).

(Rs. in Lacs)

	Year ended 31 March 2012	Year ended 31 March 2011
Note 20 REVENUE FROM OPERATIONS		
Interest / finance income		
On assets on finance	89,245.69	57,674.58
On assignment of loans	1,889.24	17,871.00
On fixed deposits	4,064.96	3,990.53
On loans and margins	971.50	541.59
	96,171.39	80,077.70
Other financial income		
Management fees	627.25	413.05
Lease rentals	31.43	244.78
Others	706.95	1,665.99
	1,365.63	2,323.82
	97,537.02	82,401.52

Note 21 OTHER INCOME

Dividend income (long term, other than trade)	0.07	0.07
Interest on investments (long term, other than trade)	–	105.51
Collection / support services	2,712.58	1,132.41
Sale of power	1,138.01	1,029.93
Net gain / (loss) on sale of investments (long term, other than trade)	108.52	–
Rent	62.72	73.33
Net gain / (loss) on sale of fixed assets	(56.46)	(19.92)
Excess provision for directors' commission written back	95.00	–
Miscellaneous income	4.63	10.13
	4,065.07	2,331.46

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

	Year ended 31 March 2012	Year ended 31 March 2011
Note 22 EMPLOYEE BENEFITS EXPENSES		
Salaries and wages	13,589.64	12,514.42
Contribution to provident and other funds	549.62	479.21
Expense on Employee Stock Option Scheme	8.41	24.08
Staff welfare expenses	753.88	447.28
	14,901.55	13,464.99

Note 23 FINANCE COSTS

Interest expense		
On debentures	11,026.14	8,114.01
On term loans	8,679.69	8,062.62
On cash credit and working capital facilities	36,397.27	14,866.93
On others	223.17	111.92
Other borrowing costs	3,002.69	2,657.52
Mark-to-market losses on derivative contracts	522.68	–
	59,851.64	33,813.00

Note 24 OTHER EXPENSES

Rent	1,134.23	921.16
Brokerage and commission	3,777.28	7,006.42
Rates and taxes	33.81	70.94
Insurance	82.18	65.14
Advertisement and publicity	224.03	168.89
Travelling and conveyance	1,368.34	1,286.64
Repairs and maintenance		
– machinery	451.06	353.13
– others	143.33	103.31
Payment to Directors		
– fees	11.00	6.60
– commission	75.00	170.00
Professional fees	1,299.73	1,204.78
Payment to auditors	71.10	20.60
Legal charges	948.91	653.50
Printing and stationery	377.40	258.38
Communication	812.22	566.85
Wealth tax	1.00	0.94
Electricity charges	426.32	333.55
Provision for bad and doubtful debts	110.00	–
Bad debts written-off (net)	2,711.41	2,463.29
Miscellaneous expenses	995.28	875.70
	15,053.63	16,529.82

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 25

(i) Employee benefits

Gratuity benefit plan

The following tables set out the status of the gratuity plan as required under AS 15 (revised) Employee Benefit.

(a) Reconciliation of opening and closing balances of the present value of defined benefit obligation

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Opening defined benefit obligation	526.64	412.75
Current service cost	106.78	89.97
Interest cost	41.68	32.60
Actuarial losses /(gains)	21.23	26.45
Benefit paid	(72.60)	(35.13)
Closing defined benefit obligation	623.73	526.64

(b) Changes in the fair value of the plan assets are as follows

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Opening fair value of the plan assets	700.46	539.96
Actual return on plan assets	62.46	48.51
Contributions by employer	174.07	147.12
Benefit paid	(72.60)	(35.13)
Closing fair value of the plan assets	864.39	700.46

(c) Net asset/(liability) recognised in the balance sheet

Particulars	As at 31 March 2012	As at 31 March 2011
Defined benefit obligation	(623.73)	(526.64)
Fair value of plan assets	864.39	700.46
Net asset / (liability)	240.66	173.82

(d) Expenses recognised in the statement of profit and loss account

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Current service cost	106.78	89.97
Interest on defined benefit obligation	41.68	32.60
Net actuarial losses / (gains) recognised	22.62	27.40
Expected return on plan assets	(63.85)	(49.46)
Net expense included in "Employee benefit expenses"	107.23	100.51

(e) Summary of actuarial assumptions

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Discount rate	8.75%	8.50%
Salary increase	5.00%	5.00%
Expected rate of return on plan assets	8.50%	8.25%

(f) **Discount rate:** The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

(g) **Expected rate of return on plan assets:** This is based on the expectation of the average long-term rate of return expected on investments of the fund during the estimated term of the obligations.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 25

(h) **Salary escalation rate:** The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

(i) **Experience adjustments**

Particulars	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
Present value of defined benefit obligation	(623.73)	(526.64)	(412.75)	(366.36)	(251.08)
Fair value of plan assets	864.39	700.46	539.96	380.41	276.42
Funded status [surplus/(deficit)]	240.66	173.82	127.21	14.05	25.34
Experience (gain)/loss adjustment on plan liabilities	40.78	–	(55.43)	58.35	60.66
Experience gain/(loss) adjustment on plan assets	(1.39)	–	0.64	(2.10)	(4.48)
Experience (gain)/loss adjustment on plan liabilities due to change in assumption	(19.55)	173.82	(0.59)	8.09	(3.54)

(ii) **Lease transactions**

Lease rental expense under non-cancellable operating lease during the year ended 31 March 2012 and 31 March 2011 amounted to Rs. 399.64 Lacs and Rs. 282.64 Lacs respectively. Future minimum lease payments under non cancellable operating lease is as below:

Particulars	As at 31 March 2012	As at 31 March 2011
Not later than one year	210.24	229.65
Later than one year but not later than five years	71.67	70.66
Greater than five years	–	–

Additionally, the Company uses the office facilities under cancellable operating leases. The rental expense under cancellable operating lease during the year ended 31 March 2012 and 31 March 2011 was Rs.734.59 Lacs and Rs.638.52 Lacs respectively.

(iii) **Segment reporting**

The Company's sole business segment is 'financing' and only geographical segment is 'India'. The Company considers business segment as the primary segment and geographical segment based on location of customers as a secondary segment. Since the Company has a single business segment and a single geographical segment, disclosures pertaining to the primary and secondary segments have not been presented.

(iv) **Earnings Per Share (EPS)**

The computation of EPS is set out below:

SL No.	Particulars	Units	Year ended 31 March 2012	Year ended 31 March 2011
	Basic & Diluted			
1	(i) Weighted average number of Equity Shares (Face Value of Rs. 2/- per share) for Basic EPS	Nos.	171,678,998	127,200,112
	(ii) Weighted average number of Equity Shares for Diluted EPS [after considering 18.50 Lacs shares (Previous Year: 28.91 Lacs) resulting from assumed exercise of employee stock options and equity warrants]	Nos.	173,529,271	130,091,572
2	Net Profit after tax	Rs.'Lacs	6,324.23	11,443.32
3	Less : Preference Dividend including Tax on Dividend	Rs.'Lacs	1,226.57	1,117.64
4	(i) Net Profit for Equity Shareholders for Basic EPS	Rs.'Lacs	5,097.66	10,325.68
	(ii) Net Profit for Equity Shareholders for Diluted EPS	Rs.'Lacs	5,097.66	10,325.68
5	(i) Earning Per Share (Face Value of Rs. 2/- per share) – Basic	Rs.	2.97	8.12
	(ii) Earning Per Share (Face Value of Rs. 2/- per share) – Diluted	Rs.	2.94	7.94

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 25

(v) Change in accounting policy

- (a) The Company has been doing bilateral assignment of homogeneous retail financial assets generated by itself to Banks/ FIs under a deed of assignment in two types of structures in past. First type of structure involved sale of both principal and interest parts of the future receivables (known as premium structure) and second type of structure involved sale of only principal part of its future receivables (known as par structure). From the current year the Company has decided to assign its receivables only under par structure i.e assign only the principal component of the loans in order to ensure stability of income year on year. Accordingly, with effect from 1 April 2011, the Company has decided to recognise the income i.e. excess interest spread (the difference between the interest receivable from the customer and the interest payable by the Company to the assignee of such loan receivables) arising out of assignment of receivables based on the contractual accrual of the same. The Company believes that the revised method of accounting results into better information about the impact of the said items on the Company's periodic performance, leads to more conservative accounting, and is in line with the recommended practice of the Company's principal regulator. Consequently, an amount of Rs. 15,394.17 Lacs, being income relating to future period will be recognised over the tenure of the contracts assigned.
- (b) Simultaneously with the change in income recognition on assets assigned, the Company has decided to amortise upfront brokerage expenses / income pertaining to all loan originations over the tenure of the underlying contracts. This change in method of accounting is in line with international practices on recognition of loan origination costs. Consequently, net expense of Rs. 6,553.89 Lacs for the year is not charged off in the statement of profit and loss and is amortised over the tenor of the contracts.
- (c) In view of the changes in business practices and accounting policies as above, the profit for the year is not comparable with the previous year.

(vi) Related Party disclosures

Aggregated Related Party disclosures as at and for the year ended 31 March 2012

Subsidiary company

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

Associates

Magma HDI General Insurance Co. Limited

Enterprises having significant influence

Camaro Infrastructure Private Limited, Celica Developers Private Limited, CLP Business LLP, Finprop Estates Private Limited, Jaguar Advisory Services Private Limited, Magma Consumer Finance Private Limited, Mask Corp. USA, Microfirm Softwares Private Limited, Pragati Sales Private Limited, Solvex Estates LLP (Formerly Solvex Estates Private Limited), AMRI Hospitals Limited *, Bengal Tools Limited *, Calcutta Becon Engineering Co. Limited *, Chinar Builders & Contractors Limited *, 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 *, Juhi Investment Private Limited *, Kanaiya Engineering & Finance Limited *, Liberty Pharma Limited *, Lifelong Realtors Private Limited *, Nadia Security Printing & Stationery Company Limited *, Neobeam Properties Private Limited *, Romex Promoters Private Limited *, Shivangan Developers Private Limited *, Shraichi Developers Private Limited *, Shraichi Insurance Agencies Private Limited *, Shraichi Realty Private Limited *, Sino India Agro Machinery *, Spectra Realcon Private Limited *, Noblesse Crystal Private Limited (upto 8 November 2011), Pragati Cement (India) Private Limited (upto 30 September 2011)

Key management personnel

Mayank Poddar and Sanjay Chamria

Ravi Todi *

Relative 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, Chitraklekha Todi *, Rahul Todi *, Rhea Todi *, Ruchi Todi *, Sarika Todi * and Shrawan Kumar Todi*

* upto 27 May 2011

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 25

Balance as at 31 March 2012	Subsidiary	Associate	Enterprises having significant influence	Key management Personnel	Relatives of Key Management Personnel
Optionally convertible equity warrants	- (-)	- (-)	- (1250.00)	- (-)	- (-)
Trade receivable	123.29 (56.67)	- (-)	- (-)	- (-)	- (-)
Investments	3329.94 (1849.94)	- (-)	- (723.46)	- (-)	- (-)
Long-term loans and advances	4800.00 (-)	- (-)	1543.10 (267.60)	- (-)	- (-)
Short-term loans and advances	- (-)	258.52 (150.94)	- (154.55)	- (-)	- (-)
Other current liabilities	- (-)	- (-)	- (58.82)	- (-)	- (-)
Corporate guarantees given	2000.00 (4344.35)	- (-)	- (-)	- (-)	- (-)

Transactions during the Year ended 31 March 2012	Subsidiary	Associate	Enterprises having significant influence	Key management Personnel	Relatives of Key Management Personnel
Amount received for optionally convertible equity warrants	- (-)	- (-)	3750.00 (1250.00)	- (-)	- (-)
Equity Share issued against optionally convertible equity warrants including premium (Refer to Note 3)	- (-)	- (-)	5000.00 (-)	- (-)	- (-)
Amount received against support services	979.69 (528.48)	- (-)	- (-)	- (-)	- (-)
Investment in equity shares	1480.00 (740.00)	- (-)	- (-)	- (-)	- (-)
Loans and advances given	18300.00 (3925.00)	107.58 (115.71)	23.52 (100.00)	- (-)	- (-)
Refund of loans and advances given	13500.00 (4609.91)	- (-)	154.55 (-)	- (-)	- (-)
Refund of deposit taken	- (-)	- (-)	6.50 (-)	- (-)	- (-)
Sale of investment	- (-)	- (-)	1251.98 (-)	- (-)	- (-)
Corporate guarantees released	2344.35 (6502.58)	- (-)	- (-)	- (-)	- (-)
Revenue from operation	948.60 (530.51)	- (-)	- (-)	- (-)	- (-)
Interest receipts	542.38 (231.91)	- (-)	- (-)	- (-)	- (-)
Interest payment	- (-)	- (-)	3.15 (4.92)	- (-)	- (-)
Rent paid	- (-)	- (-)	307.60 (316.19)	1.77 (1.77)	- (-)
Directors' remuneration	- (-)	- (-)	- (-)	135.32 (158.36)	- (-)
Directors' Fees	- (-)	- (-)	- (-)	- (-)	- (0.60)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 25

(vii) The Company along with its associates had entered into a Joint Venture Agreement with HDI Gerling International Holding AG ("HDI"), now replaced with HDI-Gerling Industrie Verischerung AG, 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 and R2 application and is in the process of obtaining the R3 approval from the IRDA.

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

(a) Contingent liabilities

Particulars	As at 31 March 2012	As at 31 March 2011
(a) Claims against the Company not acknowledged as debt		
(i) Income tax matters under dispute	15.67	82.37
(ii) VAT matters under dispute	165.50	25.85
(iii) Service tax matters under dispute	115.00	300.65
(iv) Legal cases against the company*	53.29	371.79
(b) Guarantees		
(i) Recourse obligation in respect of securitised assets (net of cash collaterals Rs.46,267.94 and previous year Rs.48,513.19)	7,085.22	14,634.15
(ii) Unexpired bank guarantee	40,544.05	30,331.49
(iii) Corporate Guarantee given for a Subsidiary Company	2,000.00	4,344.35

* The Company is also involved in other law suits, claims, investigations and proceedings, including collection and repossession related matters, which arise in the ordinary course of business. However, there are no significant claims on such cases.

(b) Commitments

Particulars	As at 31 March 2012	As at 31 March 2011
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	154.18	183.03
(b) Redemption of preference shares (including premium)	16,106.52	16,528.36
(c) Proposed investment in joint venture, subsidiary and associate companies	3,605.00	2,605.00

(ix) Amounts paid / payable to auditors

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Audit fees	30.00	10.00
Taxation matters	3.00	3.00
Limited review	7.20	1.20
Other services	21.31	4.30
Reimbursement of expenses	9.59	2.10
Total	71.10	20.60

(x) Loans and advances to subsidiary company

name of the Subsidiary	Maximum Outstanding	As at 31 March 2012
Magma ITL Finance Limited	18,388.84	4,800.00
[a joint venture with International Tractors Limited]	(4,516.05)	(-)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 25

(xi) Additional Notes

- (a) C.I.F. value of imports of goods acquired for asset financing arrangements Rs.641.33 Lacs (Previous year: Rs.1,991.77 Lacs).
- (b) Expenditure in Foreign Currency on account of Travelling and Others Rs.44.51 Lacs (Previous year: Rs.90.52 Lacs).
- (c) Expenditure in Foreign Currency on account of Professional fees during the year amounting to Rs.81.55 Lacs (Previous year: Nil).
- (d) Dividend remitted in foreign currency

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Preference shares		
Year to which the dividend relates	2010-11	2009-10
Number of shareholders	2	2
Number of shares held	8,610,198	8,610,198
Amount remitted	478.38	524.49

- (xii) (a) Commissioner of service tax had issued a Show Cause Notice in respect of the financial years 2002-03 to 2006-07 on 16 Oct 2007 and the matter was adjudicated vide Order dated 31 March 2009, confirming the service tax liability at Rs.464 Lacs plus interest and penalty. The Company had made payment of Rs.304 Lacs in financial year 2010-11 in relation to the said Order and charged the same to the statement of profit and loss. Simultaneously the Company had preferred an appeal against the Order of Commissioner of Service Tax at the Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Kolkata. The service tax department had also preferred an appeal against the said Order of the Commissioner with CESTAT, Kolkata. In course of hearing at CESTAT the Company made a further payment of Rs.100 Lacs as pre-deposit in the current financial year 2011-12 which has been provided for in the statement of profit and loss. Vide its Order dated 21 March 2012 the Hon'ble CESTAT has set aside the impugned Order of the Commissioner of service tax Kolkata and has passed an Order remanding the matter to the Commissioner of service tax, Kolkata for a revised assessment.
- (b) Commissioner of service tax had issued a Show Cause Notice dated 7 April 2008 in respect of the financial years 2002-03 to 2005-06 in the matter of erstwhile Shraci Infrastructure Finance limited which was merged with the Company with effect from 1 April 2006. The matter was decided by the Commissioner of service tax vide Order dated 24 September 2009, confirming the service tax liability at Rs.83 Lacs plus interest and penalty. The Company had made payment of Rs. 68 Lacs in the financial years 2010-11 against the said Order and charged the same to the statement of profit and loss. Simultaneously, the Company had preferred an appeal against the impugned Order of Commissioner of service tax in CESTAT, Kolkata which have stayed the balance of the demand amounting to Rs.15 Lacs. The said amount of Rs.15 Lacs has been shown as a contingent liability.
- (c) Commissioner of service tax had issued another Show Cause Notice dated 04 April 2008 in respect of the financial years 2002-03 to 2005-06 in the matter of erstwhile Shraci Infrastructure Finance limited which was merged with the Company with effect from 1 April 2006. The matter was decided by the Commissioner of service tax vide Order dated 24 September 2009, confirming the service tax liability at Rs.125 Lacs plus interest and penalty. The Company had preferred an appeal against the impugned Order of Commissioner of service tax before CESTAT, Kolkata. In course of hearing at CESTAT the Company made a payment of Rs. 25 Lacs as pre-deposit in the current financial year 2011-12 which has been provided for in the statement of profit and loss. CESTAT, Kolkata has stayed the balance of the demand amounting to Rs.100 Lacs. The said amount of Rs.100 Lacs has been shown as a contingent liability.
- (d) 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 1 April 2009.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 25

(xiii) Additional disclosure required by NBFC-ND-SI in terms of the notification issued by RBI on 1 August 2008

(a) Capital to Risk Assets Ratio (CRAR)

Items	As at 31 March 2012	As at 31 March 2011
(i) CRAR (%)	21.2	18.2
(ii) CRAR -Tier I Capital (%)	14.1	11.3
(iii) CRAR -Tier II Capital (%)	7.1	6.9

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

Category	As at 31 March 2012	As at 31 March 2011
(i) Direct exposure		
A. 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)	–	–
B. 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;	–	–
C. Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential,	–	–
b. Commercial Real Estate.	–	–
(ii) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	–	–

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

	1 day to 30/31 days (1 month)	Over 1 Months upto 2 Months	Over 2 Months upto 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Years to 3 Years	Over 3 Years to 5 Years	Over 5 Years	Total
Liabilities									
Borrowings from Banks	12,553.09	13,268.08	10,957.89	34,371.35	94,925.88	189,919.22	49,655.16	27,408.89	433,059.56
Market Borrowings	969.21	2,477.07	–	10,055.55	11,373.61	94,865.80	40,345.25	4,867.05	164,953.54
Assets									
Advances	30,869.41	26,992.86	22,345.52	71,664.93	129,280.12	347,050.64	66,192.44	859.28	695,255.20
Investments	–	–	–	–	–	–	–	3,332.44	3,332.44
Cash & Bank	35,565.89	7,762.42	3,376.18	8,717.92	23,487.12	2,058.55	1,121.42	10.36	82,099.86

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 25

(xiv) Details of investments

SL No.	Name of the Company	As at 31 March 2012		As at 31 March 2011	
		Quantity (No.)	Book Value	Quantity (No.)	Book Value
A	EQUITY SHARES (Fully paid up)				
	Quoted				
1	BCL Financial Services Limited	600	0.05	600	0.05
2	Emami Paper Mills Limited	12,000	0.90	12,000	0.90
3	HGI Industries Limited	1,100	0.42	1,100	0.42
4	Hindustan Financial Management Limited	200	0.01	200	0.01
5	Integrated Thermoplastics Limited	5,000	0.15	5,000	0.15
6	ITC Limited	100	1.12	100	1.12
7	Kanoria Plaschem Limited	13,400	0.37	13,400	0.37
8	Kings International Aqua-Marine Exports Limited	20,000	4.90	20,000	4.90
9	Lok Housing and Constructions Limited	600	0.01	600	0.01
10	Prudential Sugar Limited	1,000	0.21	1,000	0.21
11	Radico Khaitan Finance Limited	200	0.01	200	0.01
12	TTG Industries Limited	20,000	0.16	20,000	0.16
	Total	74,200	8.31	74,200	8.31
	Unquoted (in subsidiary Company)				
1	Magma ITL Finance Limited	33,299,400	3,329.94	18,499,400	1,849.94
	Total	33,299,400	3,329.94	18,499,400	1,849.94
	Unquoted (in associate Company)				
1	Celica Developers Private Limited	–	–	215,506	723.46
	Total	–	–	215,506	723.46
	Unquoted				
1	ECICI Private Limited	–	–	4,200,000	420.00
2	Fund Point Finance Limited	120,000	12.00	120,000	12.00
3	Multi-Mode Multi-Media Training Services Private Limited	160,000	16.00	160,000	16.00
4	Magma CF Services Private Limited	1,900	0.99	1,900	0.99
5	Panchawati Holiday Resorts Limited	4,000	0.39	4,000	0.39
	Total	285,900	29.38	4,485,900	449.38
B	GOVERNMENT SECURITIES				
	Unquoted				
1	7-Years National Savings Certificate	–	0.16	–	0.16
2	7-Years National Savings Certificate	–	0.23	–	0.23
	Total	–	0.39	–	0.39
	Grand Total	33,659,500	3,368.02	23,275,006	3,031.48
	Aggregate provision for diminution in value of investments		35.58	–	43.10
	Net Total	33,659,500	3,332.44	23,275,006	2,988.38

(xv) The Company has prepared these financial statements as per the format prescribed by revised schedule VI to the Companies Act, 1956 ('the schedule') issued by Ministry of Corporate Affairs. Previous years' figures have been recast/restated to conform to the classification required by the revised schedule VI.

For S. S. Kothari & Co.
Chartered Accountants
Firm's Regn. No. 302034E

For B S R & Co.
Chartered Accountants
Firm's Regn. No. 101248W

Mayank Poddar
Chairman

Sanjay Chamria
Vice Chairman &
Managing Director

R. N. Bardhan
Partner
Membership No. 17270

Zubin Shekary
Partner
Membership No. 048814

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 26 April, 2012

Schedule annexed to the Balance Sheet

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	Amount overdue
		as at 31 March 2012	as at 31 March 2012
Liabilities			
1.	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid		
(a)	Debentures		
	– Secured	131,300.00	–
	– Unsecured	66,650.00	–
(b)	Deferred Credits	–	–
(c)	Term Loans	51,531.55	–
(d)	Inter-Corporate Loans and Borrowing	–	–
(e)	Commercial Paper	14,238.04	–
(f)	Public Deposits *	9.88	–
(g)	Cash Credit / Working Capital Demand Loans from Banks	334,293.51	–

Sl. No.	Particulars	Amount outstanding as at 31 March 2012
Assets		
2.	Break-up of Loans and Advances, including Bills Receivables (other than those included in (4) below)	
(a)	Secured	–
(b)	Unsecured	18,708.28
3.	Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards AFC activities	
(i)	Lease Assets including Lease Rentals under Sundry Debtors	2,673.60
(ii)	Stock on Hire including Hire Charges under Sundry Debtors	–
(iii)	Other loans counting towards AFC activities	
	(a) Loans where assets have been repossessed	568.27
	(b) Loans other than (a) above	664,636.50
4.	Break-up of Investments	
Current Investments		
1.	Quoted	
	(i) Shares (a) Equity	–
	(b) Preference	–
	(ii) Debentures and Bonds	–
	(iii) Units of Mutual Funds	–
	(iv) Government Securities	–
	(v) Others (please specify)	–
2.	Unquoted	
	(i) Shares (a) Equity	–
	(b) Preference	–
	(ii) Debentures and Bonds	–
	(iii) Units of Mutual Funds	–
	(iv) Government Securities	–
	(v) Others (please specify)	–

* 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.

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 (Contd.)

(Rs. in Lacs)

Sl. No.	Particulars	Amount outstanding as at 31 March 2012
Long Term Investments		
1.	Quoted	
	(i) Shares (a) Equity	1.12
	(b) Preference	–
	(ii) Debentures and Bonds	–
	(iii) Units of Mutual Funds	–
	(iv) Government Securities	–
	(v) Others (please specify)	–
2.	Unquoted	
	(i) Shares (a) Equity	3,330.93
	(b) Preference	–
	(ii) Debentures and Bonds	–
	(iii) Units of Mutual Funds	–
	(iv) Government Securities	–
	(v) Others	
	– National Savings Certificate	0.39
	– Pass Through Certificate	–

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

Category	Secured	Unsecured	Total as at 31 March 2012
1. Related Parties			
(a) Subsidiaries	–	4,800.00	4,800.00
(b) Companies in the same group	–	–	–
(c) Other related parties		1,801.62	1,801.62
2. Other than Related Parties	610,590.49	69,394.54	679,985.03
Total	610,590.49	75,996.16	686,586.65

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 March 2012	Book Value (Net of Provisions) as at 31 March 2012
1. Related Parties		
(a) Subsidiaries	5,355.47	3,329.94
(b) Companies in the same group	–	–
(c) Other related parties	–	–
2. Other than Related Parties	27.04	2.50
Total	5,382.51	3,332.44

7. Other information

Particulars	Total as at 31 March 2012
i. Gross Non-Performing Assets	
(a) Related parties	–
(b) Other than Related parties	110.00
ii. Net Non-Performing Assets	
(a) Related parties	–
(b) Other than Related parties	–
iii. Assets acquired in satisfaction of debt	–

Mayank Poddar
Chairman

Sanjay Chamria
Vice Chairman &
Managing Director

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 26 April 2012

CONSOLIDATED AUDITOR'S REPORT

Auditor's Report to the Members of Magma Fincorp Limited on the Consolidated Financial Statements of Magma Fincorp Limited and its subsidiary

We have audited the attached Consolidated Balance Sheet of Magma Fincorp Limited ("the Company") and its subsidiary (collectively referred to as "the Group") as at 31 March 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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 consolidated financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion

We did not audit the financial statements and financial information of the subsidiary. The financial statements of the subsidiary for the year ended 31 March 2012 have been audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary is based solely on these reports. The attached consolidated financial statements include total assets of Rs 28,505 Lacs as at 31 March 2012, total revenues of Rs 6,185 Lacs and net cash inflows amounting to Rs 307 Lacs in respect of the aforementioned subsidiary for the year then ended.

The consolidated financial statements have been prepared by the Company's management in accordance with the

requirements of Accounting Standard 21 – Consolidated Financial Statements, issued by the Companies (Accounting Standard) Rules, 2006.

Without qualifying our opinion, we draw attention to note 25(vi) of the financial statements, regarding change in method of accounting for business origination costs and upfront incomes, including on assignment of receivables, effective 1 April 2011, and which has a significant impact on the financial statements for the year ended 31 March 2012. This change in policy and method of accounting is necessary to reflect the current business model of the Company. Pursuant to the same income from assignment of receivables aggregating to Rs 17,906 Lacs for the year ended 31 March 2012, being income relating to future periods will be recognised over the tenor of the contracts assigned. Similarly, net business origination costs aggregating to Rs 6,507 Lacs, for the year ended 31 March 2012, have been deferred and amortised over the tenor of the contracts originated.

In our opinion and to the best of our information and according to the explanations given to us, the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at 31 March 2012;
- (ii) in the case of Consolidated Statement of Profit and Loss, of the consolidated profits of the Group for the year ended on that date; and
- (iii) in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No.: 101248W

Zubin Shekary
Partner
Membership No.: 048814
Kolkata
26 April 2012

For **S. S. Kothari & Co.**
Chartered Accountants
Firm's Registration No.: 302034E

R. N. Bardhan
Partner
Membership No.: 017270
Kolkata
26 April 2012

CONSOLIDATED BALANCE SHEET

(Rs. in Lacs)

	Note No.	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	3	18,061.16	17,283.83
Reserves and surplus	4	106,360.26	54,629.23
Money received against equity share warrants		–	1,250.00
		124,421.42	73,163.06
Minority interest		1,881.80	983.51
Non-current liabilities			
Long-term borrowings	5	211,946.16	109,545.63
Deferred tax liabilities (net)	6	2,336.48	3,808.96
Long-term provisions	7	2,244.04	1,513.21
		216,526.68	114,867.80
Current liabilities			
Short-term borrowings	8	379,333.99	316,694.61
Trade payables	9	23,263.92	20,826.04
Other current liabilities	10	67,278.34	70,993.19
Short-term provisions	11	6,090.60	8,662.73
		475,966.85	417,176.57
Total		818,796.75	606,190.94
ASSETS			
Non-current assets			
Fixed assets			
	12		
Tangible assets		17,268.28	18,047.79
Intangible assets		578.88	665.18
Capital work-in-progress		33.03	138.70
		17,880.19	18,851.67
Non-current investments	13	2.50	1,138.44
Long-term loans and advances	14	3,986.43	3,278.00
Other non-current assets	15	427,551.52	306,151.75
		449,420.64	329,419.86
Current assets			
Inventories		–	17.17
Trade receivables	16	772.41	549.58
Cash and bank balances	17	81,005.04	85,940.01
Short-term loans and advances	18	10,271.76	10,718.42
Other current assets	19	277,326.90	179,545.90
		369,376.11	276,771.08
Total		818,796.75	606,190.94
Significant accounting policies	2		
The Notes referred to above form an integral part of these financial statements			

As per our report attached.

For S. S. Kothari & Co.
Chartered Accountants
Firm's Regn. No. 302034E

For B S R & Co.
Chartered Accountants
Firm's Regn. No. 101248W

Mayank Poddar
Chairman

Sanjay Chamria
Vice Chairman &
Managing Director

R. N. Bardhan
Partner
Membership No. 17270
Kolkata, 26 April 2012

Zubin Shekary
Partner
Membership No. 048814

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Rs. in Lacs)

	Note No.	Year ended 31 March 2012	Year ended 31 March 2011
INCOME			
Revenue from operations	20	103,147.59	85,602.28
Other income	21	3,148.26	1,800.95
Total revenue		106,295.85	87,403.23
EXPENSE			
Employee benefits expense	22	14,901.55	13,464.99
Finance costs	23	62,542.85	35,234.54
Depreciation and amortisation expense	12	2,957.74	2,785.07
Contingent provision against standard assets		641.00	1,148.00
Other expenses	24	14,881.40	16,549.65
Total expense		95,924.54	69,182.25
Profit before tax		10,371.31	18,220.98
Tax expense:			
Current tax – current year		4,030.84	6,956.88
– earlier year		33.83	29.56
Deferred tax	6	(1,472.48)	(980.06)
Profit after tax		7,779.12	12,214.60
Minority interest		378.29	200.55
Profit after tax and minority interest		7,400.83	12,014.05
Earnings per equity share (Face value of Rs. 2 each):	25 (v)		
Basic (in Rupees)		3.60	8.57
Diluted (in Rupees)		3.56	8.38
Significant accounting policies	2		
The Notes referred to above form an integral part of these financial statements			

As per our report attached.

For **S. S. Kothari & Co.**
Chartered Accountants
Firm's Regn. No. 302034E

For **B S R & Co.**
Chartered Accountants
Firm's Regn. No. 101248W

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Partner
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V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 26 April 2012

CONSOLIDATED CASH FLOW STATEMENT

(Rs. in Lacs)

	Year ended 31 March 2012		Year ended 31 March 2011	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax		10,371.31		18,220.98
Adjustments for :				
Depreciation and amortisation	2,957.74		2,785.07	
Bad debts written-off (net)	2,433.01		2,408.43	
Provision for bad and doubtful debts	110.00		-	
(Profit) on sale of investments	(108.52)	-		
Loss on sale of fixed assets	56.46		19.92	
Expense on Employee Stock Option Scheme	8.41		24.08	
Mark-to-market loss on derivative contracts	522.68		-	
Contingent provision against standard assets	641.00		1,148.00	
Provision for diminution in value of investments	(7.52)	6,613.26	-	6,385.50
Operating profit before working capital changes		16,984.57		24,606.48
Adjustments for :				
Trade and other receivables	(8,560.10)		1,125.22	
Assets on finance	(222,585.02)		(128,207.06)	
Trade payables	4,532.57	(226,612.55)	5,421.75	(121,660.09)
Cash used in operations		(209,627.98)		(97,053.61)
Taxes paid (net)	(6,436.60)	(6,436.60)	(6,187.45)	(6,187.45)
Net cash used in operating activities (A)		(216,064.58)		(103,241.06)
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets	(2,095.92)		(752.37)	
Proceeds from sale of fixed assets	53.20		30.27	
Proceeds from sale of long term investments	-		773.20	
Net cash (used in) / from investing activities (B)		(2,042.72)		51.10
C. CASH FLOW FROM FINANCING ACTIVITIES				
Increase in borrowings (net)	157,348.02		93,811.56	
Proceeds from issue of optionally convertible equity warrants	3,750.00		1,250.00	
Proceeds from issue / (redemption) of non-convertible preference shares (net)	(421.84)		939.41	
Proceeds from issue of equity shares including securities premium (net)	43,590.59		12,242.52	
Dividend paid (including tax thereon)	(1,984.73)		(1,391.05)	
Net cash from financing activities (C)		202,282.04		106,852.44
Net increase in cash and cash equivalents (A+B+C)		(15,825.26)		3,662.48
Cash and cash equivalents as at the beginning of the year		100,753.13		97,090.65
Cash and cash equivalents as at the end of the year		84,927.87		100,753.13
CASH AND BANK BALANCES				
Cash and cash equivalents		32,855.13		49,480.84
Other bank balances		48,149.91		36,459.17
Non-current bank balances		3,922.83		14,813.12
		84,927.87		100,753.13

As per our report attached.

For S. S. Kothari & Co.
Chartered Accountants
Firm's Regn. No. 302034E

For B S R & Co.
Chartered Accountants
Firm's Regn. No. 101248W

Mayank Poddar
Chairman

Sanjay Chamria
Vice Chairman &
Managing Director

R. N. Bardhan
Partner
Membership No. 17270

Zubin Shekary
Partner
Membership No. 048814

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 26 April 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 01 COMPANY OVERVIEW

Magma Fincorp Limited ('Magma', 'MFL' or 'the Company'), incorporated in Kolkata, India is a publicly held non-banking finance company engaged in providing asset finance through its pan India branch network. Magma is registered as a systemically important non deposit taking Non-Banking Financial Company ('NBFC') as defined under Section 45-IA of the Reserve Bank of India (RBI) Act, 1934. The Company is headquartered at Kolkata. Magma ITL Finance limited ('MITL') is a subsidiary of Magma Fincorp Limited and is a joint venture between Magma Fincorp Limited and International Tractors Limited (manufacturer of 'Sonalika' brand of tractors). MITL is registered as a NBFC with Reserve Bank of India and is engaged primarily in tractor financing.

Note 02 SIGNIFICANT ACCOUNTING POLICIES

i) Basis of preparation

- (a) The accompanying 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 of India under section 211 (3C) of the Companies Act, 1956. The financial statements are presented in Indian rupees rounded off to the nearest lac upto two decimal places.
- (c) As required by revised Schedule VI, the Company has classified assets and liabilities into current and non-current based on the operating cycle. An operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Since in case of non-banking financial company normal operating cycle is not readily determinable, the operating cycle has been considered as 12 months.

ii) Principles of consolidation

Consolidated financial statements relate to Magma Fincorp Limited, the parent company and its subsidiary (collectively referred to as '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) Use of estimates and judgements

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount 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. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

iv) 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 are valued at net investment amount including installments due and is net of amounts securitised / assigned and includes advances under such agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note 02 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

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

v) Revenue recognition

(a) Interest / finance income from Assets on finance / loan included in revenue from operations represents interest income arrived at based on Internal Rate of Return method.

(b) Overdue interest is treated to accrue on realisation, due to uncertainty of realisation and is accounted for accordingly.

(c) Income on securitisation / assignment :

In respect of transfer of financial assets by way of securitisation or bilateral assignments, the said assets are de-recognised upon contractual transfer thereof, and transfer of substantial risks and rewards to the purchaser.

If the transfer of financial assets amounts to securitisation within the meaning of the guidelines of Reserve Bank of India dated 1 February 2006, the gain arising therefrom, if received in cash, is amortised over the tenure of the related financial assets, and if received by way of excess interest spread, is recognised based on the contractual accrual of the same. Loss on sale, if any, is charged to statement of profit and loss during the year in which sale is effected.

The above policy was being followed only for the securitisation transactions upto 31 March 2011. Effective 1 April 2011, the Company has applied this policy for all transfers of financial assets.

(d) Interest on fixed deposits, loans, margins, etc. is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(e) In case of operating lease, rent income is accounted for on straight line basis over the period of the lease.

(f) In respect of NPAs acquired, recoveries in excess of consideration paid is recognised as income in accordance with RBI guidelines.

(g) Upfront income (net) pertaining to loan origination is amortised over the tenure of the underlying contracts.

(h) Income from power generation is recognised based on the units generated as per the terms of the respective power purchase agreements with the State Electricity Boards.

(i) Income from dividend is accounted for on receipt basis.

(j) All other items of income are accounted for on accrual basis.

vi) Provisioning / Write-offs

(a) All contracts with six months past dues other than NPAs acquired are treated as loss assets and written off. This policy on non-performing assets classification and provisioning is more stringent than the guidelines prescribed by the Reserve Bank of India for compliance by Non-Banking Financial (Non-Deposit Accepting or Holding) Companies (NBFC-ND). 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.

(b) The Company makes provision of 0.25% on standard assets in accordance with RBI guidelines issued on 17 January, 2011. The above contingent provision against standard assets is treated as Tier II capital and accordingly considered as long-term provision.

vii) Prudential norms

Subject to para 1 (vi) (a) 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.

viii) Fixed Assets, intangible assets and capital work-in-progress

Fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date are disclosed as long term loans and advances. The cost of fixed assets not ready for their intended use at each balance sheet date is disclosed as capital work-in-progress.

All assets given on operating lease are shown at the cost of acquisition less accumulated depreciation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note 02 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Intangible assets are recorded at the consideration paid for acquisition / development and licensing less accumulated amortisation.

ix) Depreciation and amortisation

Depreciation on fixed assets, including assets on operating lease is provided using the straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Depreciation on commercial vehicles given on operating lease is provided on Straight Line Method at rates based on economic life of the assets. Individual assets costing less than Rs 5,000/- are depreciated in full in the year of acquisition.

Intangible assets are amortised over their estimated useful lives, not exceeding six years, on a straight-line basis, commencing from the date the asset is available to the Company for its use.

x) Impairment of fixed assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

xi) Inventories

Inventories comprises of real estate property held for sale and is valued at lower of cost or net realisable value.

xii) Investments

(a) Long-term investments are carried at cost less any other than temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist.

(b) Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each share individually.

xiii) Employee benefits

(a) Provident fund

Contributions paid / payable to the recognised provident fund, which is a defined contribution scheme, are charged to the statement of profit and loss.

(b) Gratuity

Gratuity which is a defined benefit scheme, is accrued based on an actuarial valuation at the balance sheet date, carried out by an independent actuary. Actuarial gains and losses are charged to the statement of profit and loss in the period in which they arise.

(c) Compensated absences

Compensated absences, a defined benefit, is accrued based on an actuarial valuation at the balance sheet date, carried out by an independent actuary. The Company accrues for the expected cost of short-term compensated absences in the period in which the employee renders services.

xiv) Taxes on income

Income tax expense comprises current tax and deferred tax charge or credit.

(a) Current tax

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the Company.

(b) Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Note 02 SIGNIFICANT ACCOUNTING POLICIES (Contd.)

amount that is reasonably / virtually certain (as the case may be) to be realised. The break-up of the major components of the deferred tax assets and liabilities as at balance sheet date has been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

xv) Provision and contingent liabilities

The Company creates a provision when there is a present obligation as a result of past events and it is probable that there will be outflow of resources and a reliable estimate of the obligation can be made of the amount of the obligation. Contingent liabilities are not recognised but are disclosed in the notes to the financial statements. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

xvi) Transactions in foreign currencies

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at year-end rates. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

xvii) Derivative transactions

Fair value of derivative contracts is determined based on the appropriate valuation techniques considering the terms of the contract as at the balance sheet date. Mark to market losses in option contracts are recognised in the statement of profit and loss in the period in which they arise. Mark to market gains are not recognised keeping in view the principle of prudence as enunciated in AS 1.

xviii) Borrowing cost

Ancillary expenditure incurred in connection with the arrangement of borrowings is amortised over the tenure of the respective borrowings. Unamortised borrowing costs remaining, if any, is fully expensed off as and when the related borrowing is prepaid / cancelled.

xix) Earnings per share

The basic earnings per share ('EPS') is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

In computing dilutive earnings per share, only potential equity shares that are dilutive and that reduce profit / loss per share are included.

xx) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of non-cash nature, any deferrals, or accruals of past or future operating cash receipts or payments and item of expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

	As at 31 March 2012	As at 31 March 2011
Note 03 SHARE CAPITAL		
Authorised		
220,000,000 (Previous year - 175,000,000) Equity shares of Rs.2 each	4,400.00	3,500.00
24,100,000 (Previous year - 25,000,000) Preference shares of Rs.100 each	25,000.00	24,100.00
	28,500.00	28,500.00
Issued, subscribed and paid-up		
Equity share capital		
189,732,175 (Previous year - 129,773,550) Equity shares of Rs.2 each, fully paid up.	3,794.64	2,595.47
Preference share capital		
2,109,199 (Previous year - 2,109,199) 9.70% Cumulative non-convertible redeemable preference shares of Rs.100 each. Allotted at par on 17 February 2006 and redeemable at par in five equal annual installments starting at the end of 5 years from the date of allotment i.e. 17 February 2011 till all the preference shares are redeemed which is at the end of 9th year from the date of allotment i.e. 17 February 2015 (paid-up value per share reduced to Rs.60 on redemption of two annual installments of Rs.20 each per share).	1,265.52	1,687.36
3,000,000 (Previous year - 3,000,000) 5.00% Cumulative non-convertible redeemable preference shares (NCPS) of Rs.100 each fully paid. Allotted at par on 4 August 2006 and redeemable at the end of 7 years i.e. 4 August 2013 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) 6 months US Dollar Libor plus 3.25% Cumulative non-convertible redeemable preference shares of Rs.100 each fully paid up. Allotted at par on 26 March 2007 and redeemable at par in US Dollar over five equal annual installments of US Dollar 3 million each, for the first time on 1 April 2012 until all preference shares are redeemed i.e. 1 April 2016.	6,501.00	6,501.00
1,000,000 (Previous year - 1,000,000) 9.60% Cumulative non-convertible redeemable preference shares of Rs.100 each fully paid up. Allotted at par on 19 June 2010 and redeemable at the end of 5 years i.e. 19 June 2015 along with a redemption premium equal to 25% of the consideration.	1,000.00	1,000.00
2,500,000 (Previous year - 2,500,000) 12.00% Cumulative non-convertible redeemable preference shares of Rs.100 each fully paid up. Allotted at par on 30 June 2010 and redeemable at par at the end of 5 years i.e. 30 June 2015.	2,500.00	2,500.00
	18,061.16	17,283.83

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 03 SHARE CAPITAL (Contd.)

Reconciliation of the number of shares outstanding and the amount of share capital

	As at 31 March 2012		As at 31 March 2011	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
Opening balance	129,773,550	2,595.47	108,885,700	2,177.71
Equity shares issued during the year vide preferential issue	49,854,375	997.09	20,336,100	406.72
Equity shares issued on conversion of equity warrants during the year	10,000,000	200.00	–	–
Equity shares issued on exercise of ESOPs during the year	104,250	2.08	551,750	11.04
Closing balance	189,732,175	3,794.64	129,773,550	2,595.47
Preference shares (Cumulative non-convertible redeemable)				
Opening balance	15,110,198	14,688.36	11,610,198	11,610.20
9.60 % Preference shares issued during the year	–	–	1,000,000	1,000.00
12.00 % Preference shares issued during the year	–	–	2,500,000	2,500.00
9.70% Preference shares redeemed during the year (20% annually)	–	(421.84)	–	(421.84)
Closing balance	15,110,198	14,266.52	15,110,198	14,688.36

Equity shares

The Company has only one class of equity shares having a par value of Rs. 2/- each. Each holder of equity share is entitled to one vote per share.

The Company has not allotted any fully paid-up equity shares by way of bonus shares nor has bought back any class of equity shares during the period of five years immediately preceding the balance sheet date. Details of equity shares allotted as fully paid up without payment being received in cash during the period of five years immediately preceding the balance sheet date is given below:

Particulars	31 March				
	2011	2010	2009	2008	2007
Class of shares	Equity	Equity	Equity	Equity	Equity
No. of shares	–	–	–	16,165,380*	–

*Allotted to the shareholders of erstwhile Shraci Infrastructure Finance Limited pursuant to the scheme of amalgamation.

The Company declares and pays dividend on equity shares in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March 2011, the amount of per share dividend recognised as distribution to equity shareholders was Re.0.60 (30%) per equity share of the face value of Rs.2/- each. Total dividend appropriation on equity shares for the year ended 31 March 2011 amounted to Rs.904.95 Lacs including corporate dividend tax of Rs.126.31 Lacs.

On 30 June 2011, the Company has allotted 26,854,375 equity shares of Rs. 2/- each to Zend Mauritius VC Investments, Limited, a Foreign body Corporate (a fund within the private equity division of Kohlberg Kravis Roberts & Co. L.P.) ('KKR') and 23,000,000 equity shares of Rs.2/- each to International Finance Corporation, (IFC), a Multilateral Development Organisation, on preferential basis pursuant to provisions of Section 81(1A) of the Companies Act, 1956 and under chapter VII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 at a price of Rs.88/- per equity share (including premium of Rs.86/- per share) aggregating to Rs.43,871.85 Lacs. The funds raised have been deployed in the business of the Company. Pursuant to the terms of the preference share agreement, the Company has redeemed installment of Rs.20/- of the 2,109,199, 9.70 % Cumulative non-convertible redeemable preference shares Rs.100/- each aggregating to Rs.421.84 Lacs due for redemption during the year ended 31 March 2012 and will also be redeeming preference shares due for redemption in future as per the terms of the issue out of the proceeds of this issue.

On 29 July 2011 and 25 November 2011, the Company has allotted, 35,650 and 68,600 equity shares respectively of the face value of Rs.2/- each on preferential basis, under Magma Employee Stock Option Plan (MESOP) pursuant to SEBI (ESOS and ESOS) Guidelines, 1999 to eligible employees of the Company.

On 28 October 2011, the Company has allotted, 10,000,000 equity shares of the face value of Rs.2/- each to Microfirm Softwares

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 03 SHARE CAPITAL (Contd.)

Private Limited, a promoter company at a price of Rs.50/- per equity share (including share premium of Rs.48/- per equity share) on receipt of balance 75% consideration amounting to Rs.3,750.00 Lacs pursuant to exercise of the options attached with 10,000,000 warrants allotted to them on 30 April 2010 in terms of provisions of SEBI Guidelines for Preferential Issue (Chapter VII of the SEBI (Issue and Disclosure Requirements) Regulations, 2009). These 2,000,000 warrants were allotted on 30 April 2010 carrying an option to subscribe to equivalent number of equity shares of the face value of Rs.10/- each within a period not exceeding 18 months from the date of issue of such warrants. 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 previous year, the number of warrants increased from 2,000,000 to 10,000,000 and the issue price reduced from Rs. 250/- to Rs. 50/- per equity share of Rs. 2/- each. The Company had received Rs. 1,250.00 Lacs being 25% of the total issue price at the time of allotment of warrants.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution to preference shareholders. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

Preference shares

The Company declares and pays dividend on preference shares in both Indian rupees and foreign currencies. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting.

The Company has redeemed Rs.421.84 Lacs being second installment of Rs. 20/- per share in respect of 2,109,199 cumulative non-convertible redeemable preference shares of Rs.100/- per share on 17 February 2012. The paid-up value as at 31 March 2012 of the above preference shares stands reduced to Rs.60/- per share from Rs.100/- per share. The above preference shares were redeemed out of the proceeds of a fresh issue of equity shares made for the purposes which inter-alia include redemption of preference shares and accordingly, no transfer has been made to capital redemption reserve.

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.6,501.00 Lacs (equivalent to USD 15 Million) allotted on 26 March 2007 are entitled to fixed dividend at the rate equivalent to 6 months US Dollar Libor applicable on the respective dates i.e. 30 December or 29 June depending upon the actual date of payment plus 3.25% on subscription amount of USD 15 Million.

Accordingly, the Company had provided dividend for the financial year ended 31 March 2011 in accounts based on the 6 months US Dollar Libor applicable as on 30 December 2010 and closing exchange rate applicable as on 31 March 2011 and which was liable to vary depending on the actual date of payment of the dividend. Accordingly, the excess/ (deficit) dividend and tax thereon of Rs.0.13 Lacs (Previous Year: (Rs.37.06 Lacs)) provided with respect to above Preference Shares for the previous financial year ended 31 March, 2011 has been adjusted in the current year with consequent impact on earning per share for the year.

In the event of liquidation of the Company, the holders of preference shares will have priority over equity shares in payment of dividend and repayment of capital.

Shareholders holding more than 5%

Name of the shareholder	As at 31 March 2012		As at 31 March 2011	
	% age	No. of shares	% age	No. of shares
Equity shares				
Microfirm Softwares Private Limited	17.93	34,015,928	11.92	15,473,510
Celica Developers Private Limited	15.51	29,434,455	22.68	29,434,455
Zend Mauritius VC Investments, Limited	14.15	26,854,375	–	–
International Finance Corporation	12.12	23,000,000	–	–
India Capital Fund Limited	8.17	15,506,739	8.14	10,564,495
Wellington Management Company LLP A/C Bay Pond BM	–	–	6.63	8,604,860
Citigroup Global Markets Mauritius Private Limited	–	–	5.98	7,763,657
Preference shares (Cumulative non-convertible redeemable)				
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	56.98	8,610,198	56.98	8,610,198
Bank of India	9.93	1,500,000	9.93	1,500,000
Andhra Bank	9.93	1,500,000	9.93	1,500,000
United Bank of India	6.62	1,000,000	6.62	1,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 03 SHARE CAPITAL (Contd.)

Employee stock options

The Company instituted the Magma Employee Stock Option Plan (MESOP) in 2007, which was approved by the Board of Directors. Under MESOP, the Company provided for the creation and issue of 1,000,000 options that would eventually convert into equity shares of Rs. 10/- each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of and at the exercise price determined by the Nomination and Remuneration Committee of the Board of Directors. The options generally vest in a graded manner over a five year period and are exercisable till the grantee remains an employee of the Company. 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 previous year, the number of options increased from 1,000,000 to 5,000,000.

Magma Employee Stock Option Plan 2007 (Tranche 1, year 2007)

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 12 October 2007. 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 previous year, the number of options increased from 350,800 to 1,754,000 and the issue price reduced from Rs.180/- to Rs. 36/- per equity share of Rs. 2/- each.

(in Numbers)

	Year ended 31 March 2012	Year ended 31 March 2011
Outstanding options at the beginning of the year	738,750	1,312,500
Granted during the year	–	–
Exercised during the year	104,250	551,750
Lapsed during the year	29,000	22,000
Forfeited during the year	–	–
Outstanding options at the end of the year	605,500	738,750
Options vested and exercisable at the end of the year	361,900	222,550

The weighted average fair value of each option of Magma Fincorp Limited was Rs.30.32 using the Black-Scholes model with the following assumptions:

Grant date share price (in Rs.)	50.33
Exercise price (in Rs.)	36.00
Dividend yield %	3.03%
Expected life	4.80 years
Risk free interest rate	7.76%
Volatility	73.94%

Magma Employee Stock Option Plan 2007 (Tranche 2, year 2012)

The Nomination and Remuneration Committee of the Board of Directors has granted 250,000 Options (each Option entitled to 1 equity share of Rs.2/- each at a price of Rs.60/- per share) to the eligible employees of the Company under "Magma Employee Stock Option Plan 2007" on 1 February 2012.

The Company has recorded Rs. Nil stock compensation cost under the intrinsic value method of accounting as the exercise price of the options was greater than or equal to the fair value on the dates of grants.

(in Numbers)

	Year ended 31 March 2012	Year ended 31 March 2011
Outstanding options at the beginning of the year	–	–
Granted during the year	250,000	–
Exercised during the year	–	–
Lapsed during the year	–	–
Forfeited during the year	–	–
Outstanding options at the end of the year	250,000	–
Options vested and exercisable at the end of the year	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 03 SHARE CAPITAL (Contd.)

The weighted average fair value of each option of Magma Fincorp Limited was Rs.29.35 using the Black-Scholes model with the following assumptions:

Grant date share price (in Rs.)	56.85
Exercise price (in Rs.)	60.00
Dividend yield %	1.06%
Expected life	4.80 years
Risk free interest rate	8.35%
Volatility	58.13%

The Company has recorded compensation cost for all grants using the intrinsic value based method of accounting, in line with prescribed SEBI guidelines.

Had compensation been determined under the fair value approach described in the Guidance Note on, "Accounting for employee share based payments" issued by ICAI, the Company's net profit and basic and diluted earnings per share would have reduced to the proforma amounts as indicated.

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Net profit for equity shareholders (Rs. in Lacs)	6,174.26	10,896.41
Add: Stock-based employee compensation expense (intrinsic value method) (Rs. in Lacs)	8.41	24.08
Less: Stock-based employee compensation expense (fair value method) (Rs. in Lacs)	17.79	50.95
Proforma net profit (Rs. in Lacs)	6,164.88	10,869.54
Basic earnings per share as reported (in Rs.)	3.60	8.57
Proforma basic earnings per share (in Rs.)	3.59	8.55
Diluted earnings per share as reported (in Rs.)	3.56	8.38
Proforma diluted earnings per share (in Rs.)	3.55	8.36

	As at 31 March 2012	As at 31 March 2011
Note 04 RESERVES AND SURPLUS		
Capital reserve	457.98	457.98
Capital redemption reserve		
Opening balance	1,421.84	1,000.00
Add: Transfer from general reserve	–	421.84
	1,421.84	1,421.84
Securities premium reserve		
Opening balance	21,929.11	10,285.30
Add: On equity shares issued during the year vide preferential issue	42,874.76	11,835.61
Add: On equity shares issued on conversion of equity warrants during the year	4,800.00	–
Add: On equity shares issued on exercise of ESOPs during the year	50.38	266.66
Less: Share issue expenses	838.78	458.46
	68,815.47	21,929.11
Employee share option outstanding		
Gross employee share compensation cost for options granted in earlier years	89.57	144.56
Add: Gross compensation cost for options granted during the year	–	–
Less: Transferred to securities premium reserve on allotment of shares	14.94	79.07
Add: Deferred employee compensation cost	8.41	24.08
	83.04	89.57
Amalgamation reserve account	106.48	106.48
Statutory reserve (under RBI Act)		
Opening balance	8,902.54	6,458.28
Add: Transfer from surplus	1,561.00	2,444.26
	10,463.54	8,902.54

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

	As at 31 March 2012	As at 31 March 2011
Note 04 RESERVES AND SURPLUS (Contd.)		
General reserve		
Opening balance	4,864.50	4,136.34
Add: Transfer from surplus	640.00	1,150.00
Less: Transferred to capital redemption reserve	–	421.84
	5,504.50	4,864.50
Surplus (balance in the statement of profit and loss)		
Opening balance	16,857.21	10,460.01
Add: Transfer from statement of profit and loss	7,400.83	12,014.05
Amount available for appropriations	24,258.04	22,474.06
Appropriations		
Transfer to statutory reserve	1,561.00	2,444.26
Transfer to general reserve	640.00	1,150.00
Proposed dividend on preference shares	1,055.36	961.53
Proposed dividend on equity shares	1,138.39	778.64
Corporate dividend tax	355.88	282.42
	19,507.41	16,857.21
	106,360.26	54,629.23

	Security as per	As at 31 March 2012	As at 31 March 2011
Note 05 LONG-TERM BORROWINGS			
Debentures			
Secured			
Redeemable non-convertible debentures	(a)	121,300.00	10,000.00
		121,300.00	10,000.00
Unsecured			
Subordinated non-convertible perpetual debentures (Tier I capital)		5,500.00	5,500.00
Subordinated redeemable non-convertible debentures (Tier II capital)		61,150.00	35,420.00
		66,650.00	40,920.00
Term loan			
Secured*			
from banks	(b) and (c)	21,068.06	51,843.31
from others	(b) and (c)	2,928.10	3,565.50
		23,996.16	55,408.81
Unsecured			
from banks		–	–
from others		–	3,216.82
		–	3,216.82
		211,946.16	109,545.63
*Aggregate of loans guaranteed by#			
Directors		20,983.74	45,855.18
# includes current maturities of long term borrowings			

Nature of security

- Debentures are secured by mortgage of Company's immovable property situated at Village - Mehrun, Taluk and District - Jalgaon in the state of Maharashtra and are also secured against designated Assets on finance/loan.
- Term loans from Banks/Financial Institutions are secured by hypothecation of designated Assets on finance/loan and future 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 05 LONG-TERM BORROWINGS (Contd.)

Details of debentures

Secured redeemable non-convertible debentures

Number of Debentures	Face Value (Rs. in Lacs)	Rate of Interest	Redeemable at	Date of Redemption	As at 31 March 2012	As at 31 March 2011
1000	10	11.50%	Par	01 February, 2017	10,000.00	–
1000	10	11.50%	Par	14 Dec, 2016	10,000.00	–
1750	10	11.20%	Par	02 Apr, 2015	17,500.00	–
1000	10	11.00%	Par	25 Nov, 2014	10,000.00	–
1500	10	11.25%	Par	14 Nov, 2014	15,000.00	–
1000	10	10.60%	Par	17 Oct, 2014	10,000.00	–
1000	10	10.45%	Par	07 Sep, 2014	10,000.00	–
1500	10	11.25%	Par	16 May, 2014	15,000.00	–
25	10	10.75%	Par	20 Jan, 2014	250.00	–
100	10	10.75%	Par	20 Jan, 2014	1,000.00	–
80	10	10.75%	Par	31 Jul, 2013	800.00	–
25	10	10.75%	Par	23 Jul, 2013	250.00	–
150	10	10.75%	Par	23 Jul, 2013	1,500.00	–
2000	10	11.15%	Par	13 Nov, 2013	20,000.00	–
700	10	9.75%	Par	16 Nov, 2012	–	7,000.00
200	10	10.00%	Par	15 Oct, 2012	–	2,000.00
100	10	9.50%	Par	16 Aug, 2012	–	1,000.00
					121,300.00	10,000.00

Unsecured subordinated non-convertible perpetual debentures (Tier I capital)

Number of Debentures	Face Value (Rs. in Lacs)	Rate of Interest	Redeemable at	Earliest date of exercise*	As at 31 March 2012	As at 31 March 2011
150	10	12.50%	Par	07 Jan, 2021	1,500.00	1,500.00
100	10	12.50%	Par	09 Dec, 2020	1,000.00	1,000.00
200	10	13.75%	Par	29 Mar, 2020	2,000.00	2,000.00
100	10	13.50%	Par	24 Mar, 2020	1,000.00	1,000.00
					5,500.00	5,500.00

*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.

Unsecured subordinated redeemable non-convertible debentures (Tier II capital)

Number of Debentures	Face Value (Rs. in Lacs)	Rate of Interest	Redeemable at	Date of Redemption	As at 31 March 2012	As at 31 March 2011
250	10	11.75%	Par	30 Mar, 2019	2,500.00	–
3	10	11.75%	Par	30 Mar, 2019	30.00	–
1250	10	11.20%	Par	09 Dec, 2018	12,500.00	–
100	10	12.00%	Par	27 Sep, 2017	1,000.00	–
50	10	12.00%	Par	27 Sep, 2017	500.00	–
20	10	11.75%	Par	07 Sep, 2017	200.00	–
100	10	11.75%	Par	07 Sep, 2017	1,000.00	–
150	10	11.75%	Par	28 Jun, 2017	1,500.00	–
500	10	11.75%	Par	14 Jun, 2017	5,000.00	–
150	10	11.75%	Par	05 Jun, 2017	1,500.00	–
50	10	11.50%	Par	26 Jun, 2016	500.00	500.00
200	10	11.50%	Par	19 Jan, 2016	2,000.00	2,000.00
792	10	11.50%	Par	30 Dec, 2015	7,920.00	7,920.00
320	10	11.50%	Par	07 Aug, 2015	3,200.00	3,200.00
150	10	11.50%	Par	30 Jun, 2015	1,500.00	1,500.00
50	10	11.50%	Par	29 Jun, 2015	500.00	500.00
150	10	11.50%	Par	22 Jun, 2015	1,500.00	1,500.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 05 LONG-TERM BORROWINGS (Contd.)

Unsecured subordinated redeemable non-convertible debentures (Tier II capital)

Number of Debentures	Face Value (Rs. in Lacs)	Rate of Interest	Redeemable at	Date of Redemption	As at 31 March 2012	As at 31 March 2011
130	10	11.50%	Par	02 Jun, 2015	1,300.00	1,300.00
100	10	13.15%	Par	18 Jun, 2014	1,000.00	1,000.00
200	10	13.00%	Par	03 Jun, 2014	2,000.00	2,000.00
100	10	14.00%	Par	04 May, 2014	1,000.00	1,000.00
50	10	14.00%	Par	15 Mar, 2014	500.00	500.00
500	10	10.90%	Par	19 Jul, 2013	5,000.00	5,000.00
250	10	10.50%	Par	25 Jun, 2013	2,500.00	2,500.00
500	10	10.50%	Par	11 May, 2013	5,000.00	5,000.00
					61,150.00	35,420.00

Terms of repayment of term loans

Repayment Terms	Interest Terms	Repayable at	As at 31 March 2012	As at 31 March 2011
Secured				
Monthly	Fixed	Par	–	6,488.47
Monthly	Floating	Par	5,929.00	10,249.43
Quarterly	Fixed	Par	2,928.10	9,815.50
Quarterly	Floating	Par	15,139.06	28,855.41
			23,996.16	55,408.81
Unsecured				
Monthly	Fixed	Par	–	3,216.82
			–	3,216.82

The above term loans carry interest rate ranging from 10.75% to 14.00% p.a.

There is no continuing default in repayment of the principal loan and interest amount.

	As at 31 March 2012	As at 31 March 2011
Note 06 DEFERRED TAX LIABILITIES (NET)		
Deferred tax liabilities*		
Fixed assets	3,230.80	4,266.29
Others	78.08	56.40
	3,308.88	4,322.69
Deferred tax assets		
Provision for standard assets	580.44	372.48
Others	391.96	141.25
	972.40	513.73
	2,336.48	3,808.96

* During the year excess deferred tax liability of Rs. 785.25 Lacs has been reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Rs. in Lacs)

	As at 31 March 2012	As at 31 March 2011
Note 07 LONG-TERM PROVISIONS		
Provision for employee benefits	455.04	365.21
Contingent provision against standard assets (Tier II Capital)*	1,789.00	1,148.00
	2,244.04	1,513.21

* The Reserve Bank of India (RBI) vide its Notification No. DNBS. 223/CGM (US) – 2011 dated 17 January 2011 had issued directions to all NBFs to make provision @ 0.25% against standard assets. The above contingent provision against standard assets is treated as Tier II Capital and accordingly considered as long-term provision.

	Security as per	As at 31 March 2012	As at 31 March 2011
Note 08 SHORT-TERM BORROWINGS			
Debentures			
Secured			
Redeemable non-convertible debentures	(a)	10,000.00	–
		10,000.00	–
Unsecured			
Redeemable non-convertible debentures		–	8,695.00
		–	8,695.00
Term loan			
Secured*			
from banks	(b) and (c)	16,301.00	4,860.23
from others	(b) and (c)	104.50	765.74
		16,405.50	5,625.97
Unsecured			
from banks		–	30,000.00
from others		1,710.29	–
		1,710.29	30,000.00
Commercial papers			
Unsecured			
Face value		14,770.00	22,470.00
Less: Unmatured discounting charges		531.96	272.00
		14,238.04	22,198.00
Cash credit facilities and working capital demand loans*			
Secured			
Cash credit facilities	(d)	192,745.29	112,070.29
Working capital demand loans	(d)	144,234.87	138,105.35
		336,980.16	250,175.64
		379,333.99	316,694.61
The cash credit facilities are repayable on demand and carries interest at 11.25% to 14.75% p.a.			
Working capital demand loans are repayable on demand and carries interest at 10.75% to 11.00% p.a.			
*Aggregate of loans guaranteed by			
Directors		7,498.13	106,001.61
Others		104.50	–
		7,602.63	106,001.61

Nature of security

- Debentures are secured by mortgage of Company's immovable property situated at Village - Mehrun, Taluk and District - Jalgaon in the state of Maharashtra and are also secured against designated Assets on finance/loan.
- Term loans from Banks/Financial Institutions are secured by hypothecation of designated Assets on finance/loan and future rentals receivable therefrom. Certain term loans are additionally secured by way of personal guarantee of a Director.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 08 SHORT-TERM BORROWINGS (Contd.)

- (c) 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.
- (d) Cash credit facilities and working capital demand loans from Banks are secured by hypothecation of the Company's finance/loan assets, plant and machinery 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.

Details of debentures

Secured redeemable non-convertible debentures

Number of Debentures	Face Value (Rs. in Lacs)	Rate of Interest	Redeemable at	Date of Maturity	As at 31 March 2012	As at 31 March 2011
700	10	9.75%	Par	16 Nov, 2012	7,000.00	–
200	10	10.00%	Par	15 Oct, 2012	2,000.00	–
100	10	9.50%	Par	16 Aug, 2012	1,000.00	–
					10,000.00	–

Unsecured redeemable non-convertible debentures

Number of Debentures	Face Value (Rs. in Lacs)	Rate of Interest	Redeemable at	Date of Maturity	As at 31 March 2012	As at 31 March 2011
39	5	8.40%	Par	21 Jul, 2011	–	195.00
75	100	7.05%	Par	21 Jun, 2011	–	7,500.00
10	100	6.85%	Par	25 Apr, 2011	–	1,000.00
					–	8,695.00

Terms of repayment of term loans

Repayment Terms	Interest Terms	Repayable at		As at 31 March 2012	As at 31 March 2011
Secured					
Monthly	Fixed	Par		6,517.37	1,924.77
Monthly	Floating	Par		3,535.00	3,701.20
Quarterly	Fixed	Par		6,353.13	–
				16,405.50	5,625.97
Unsecured					
Monthly	Fixed	Par		1,710.29	30,000.00
				1,710.29	30,000.00

The above term loans carry interest rate ranging from 6.65% to 14.75% p.a.

Details of unsecured commercial paper

Number of Units	Face Value (Rs. in Lacs)	Interest Terms		As at 31 March 2012	As at 31 March 2011
2954	5	Fixed		14,238.04	22,198.00
				14,238.04	22,198.00

The above commercial paper carries interest rate ranging from 10.25% to 11.65% p.a.
There is no continuing default in repayment of the principal loan and interest amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

	As at 31 March 2012	As at 31 March 2011
Note 09 TRADE PAYABLES		
Due to micro and small enterprises	–	–
Due to others	23,263.92	20,826.04
	23,263.92	20,826.04

The Company has no dues to micro and small enterprises covered under the MSMED Act, 2006, as at 31 March 2012 and 31 March 2011.

Note 10 OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings (Refer Note 5)	20,378.98	32,723.16
Interest accrued but not due on borrowings	7,213.28	2,560.99
Unpaid dividend #	19.70	19.02
Unclaimed deposits and interest accrued thereon*	9.88	11.40
Other payables		
Book overdraft	6,742.87	4,362.98
Advances/deposits from customers	8,821.16	10,544.88
Statutory liabilities	524.17	464.23
Director's commission payable	75.00	170.00
Pending remittance on assignment	20,166.18	16,980.93
Other current liabilities	3,327.12	3,155.60
	67,278.34	70,993.19

Balance would be credited to Investor Education and Protection Fund as and when due.

* Represents liability transferred to and vested in the Company pursuant to the amalgamation of erstwhile Shraci Infrastructure Finance Limited with the Company in the financial year 2006-07. The Company, in accordance with Reserve Bank of India directives, had transferred the entire outstanding amount together with interest to an escrow account.

Note 11 SHORT-TERM PROVISIONS		
Provision for employee benefits [Refer to Note 25 (ii)]	34.75	22.04
Proposed dividend (including tax thereon)	2,549.76	1,985.54
Provision for taxation	3,506.09	6,655.15
	6,090.60	8,662.73

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 12 FIXED ASSETS

Description of Assets	GROSS BLOCK			DEPRECIATION & AMORTISATION				NET BLOCK		
	As at 01.04. 2011	Additions	Deletions / Adjust- ment	As at 31.03. 2012	As at 01.04. 2011	For the year	Deletions / Adjust- ment	As at 31.03. 2012	As at 31.03. 2012	As at 31.03. 2011
Tangible Assets										
Fixed assets for own use										
Land	30.26	-	-	30.26	-	-	-	-	30.26	30.26
Buildings*	3,424.74	-	-	3,424.74	600.32	393.15	-	993.47	2,431.27	2,824.42
Plant and equipment	2,341.31	1,164.78	224.42	3,281.67	1,471.99	370.94	181.83	1,661.10	1,620.57	869.32
Wind mills	9,701.29	-	-	9,701.29	1,818.38	513.64	-	2,332.02	7,369.27	7,882.91
Furniture and fixtures	2,239.91	498.94	27.56	2,711.29	893.92	179.62	12.15	1,061.39	1,649.90	1,345.99
Vehicles	349.98	67.26	62.63	354.61	186.65	23.42	21.48	188.59	166.02	163.33
Office equipment	1,523.85	292.23	19.95	1,796.13	386.73	91.45	9.44	468.74	1,327.39	1,137.12
Sub-total	19,611.34	2,023.21	334.56	21,299.99	5,357.99	1,572.22	224.90	6,705.31	14,594.68	14,253.35
Fixed assets on operating lease										
Buildings	11.00	-	-	11.00	1.33	0.18	-	1.51	9.49	9.67
Commercial vehicles	17,771.08	-	-	17,771.08	13,986.31	1,120.66	-	15,106.97	2,664.11	3,784.77
Sub-total	17,782.08	-	-	17,782.08	13,987.64	1,120.84	-	15,108.48	2,673.60	3,794.44
Total	37,393.42	2,023.21	334.56	39,082.07	19,345.63	2,693.06	224.90	21,813.79	17,268.28	18,047.79
Intangible assets										
Fixed assets for own use										
Computer softwares	629.59	178.38	-	807.97	337.74	104.68	-	442.42	365.55	291.85
Business and commercial rights	800.00	-	-	800.00	426.67	160.00	-	586.67	213.33	373.33
Total	1,429.59	178.38	-	1,607.97	764.41	264.68	-	1,029.09	578.88	665.18
Grand total	38,823.01	2,201.59	334.56	40,690.04	20,110.04	2,957.74	224.90	22,842.88	17,847.16	18,712.97
Previous year	38,207.05	752.36	136.40	38,823.01	17,411.18	2,785.07	86.21	20,110.04	18,712.97	-

*Out of total 10 buildings owned by the Company, registration of title for 3 buildings is pending.

	As at 31 March 2012	As at 31 March 2011
Note 13 NON-CURRENT INVESTMENT		
Other investment (at cost)		
Investment in equity shares		
Quoted (Fully paid-up of Rs. 10 each)	8.31	8.31
Unquoted (Fully paid-up of Rs. 10 each)		
In associates	-	723.46
In others	29.38	449.38
Investment in government or trust securities		
Unquoted (Rs. 0.16 lac pledged with Sales tax authorities)	0.39	0.39
	38.08	1,181.54
Less : Aggregate provision for diminution in value of investments	35.58	43.10
	2.50	1,138.44
Aggregate book value of quoted investments	8.31	8.31
Aggregate market value of quoted investments	4.30	6.86
Aggregate book value of unquoted investments	29.77	1,173.23

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

	As at 31 March 2012	As at 31 March 2011
Note 14 LONG-TERM LOANS AND ADVANCES		
Unsecured, considered good		
Capital advances	21.09	3.45
Security deposits	577.18	497.74
Loans	61.82	214.36
Loans and advances to related parties [Refer to Note 25 (vii)]	1,543.10	267.60
Other loans and advances		
Margin with body corporate	1,783.24	2,294.85
	3,986.43	3,278.00
Loans and advances due by directors or other officers of the Company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member.	1,583.60	322.53

Note 15 OTHER NON-CURRENT ASSETS		
Others		
Assets on finance		
Secured, considered good	391,788.78	271,190.96
Unsecured, considered good	25,614.70	19,058.87
	417,403.48	290,249.83
Non-current bank balances (Note 17)*	3,922.83	14,813.12
Unamortised expenses (net) [Refer to Note 25 (vi)]	5,984.55	914.98
Gratuity (excess of plan assets over obligation)	240.66	173.82
	427,551.52	306,151.75

* Balances with banks held as margin money, security against borrowings, guarantees amounts to Rs.3,922.83 (Previous year Rs.14,813.12)

Note 16 TRADE RECEIVABLES		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	-	-
	-	-
Other debts		
Unsecured, considered good	772.41	549.58
	772.41	549.58
	772.41	549.58
Debts due by directors or other officers of the Company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member.	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

	As at 31 March 2012	As at 31 March 2011
Note 17 CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash in hand	3,167.31	3,097.44
Cheques, drafts on hand	–	282.50
Balances with banks		
In current and cash credit accounts	29,668.12	24,438.88
In unpaid dividend account	19.70	19.02
In deposit accounts with maturity of less than three months	–	21,643.00
	32,855.13	49,480.84
Other bank balances*		
In deposit accounts with maturity of less than three months	14,481.87	6,870.68
In deposit accounts with maturity of more than three months and less than twelve months	33,668.04	29,588.49
	48,149.91	36,459.17
	81,005.04	85,940.01

*Balances with banks held as margin money, security against borrowings, guarantees amounts to Rs.48,149.91 (Previous year Rs.36,459.17). Fixed deposits accounts with more than 12 months maturity amounting to Rs.3,922.83 (Previous year Rs.14,813.12) included under Note 15.

Note 18 SHORT-TERM LOANS AND ADVANCES

Unsecured, considered good		
Loans and advances to related parties [Refer to Note 25 (vii)]	333.27	343.77
Other loans and advances		
Loans	326.90	152.21
Advances recoverable in cash or kind or for value to be received	4,172.59	4,184.35
Prepaid expenses	500.68	289.44
Tax payments/deduction at source	4,438.12	5,215.25
Accrued interest / financial charges	500.20	533.40
	10,271.76	10,718.42
Unsecured, considered doubtful		
Other loans and advances		
Advances recoverable in cash or kind or for value to be received	110.00	–
Less: Provision against loans and advances	110.00	–
	–	–
	10,271.76	10,718.42
Debts due by directors or other officers of the Company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member.	–	–

Note 19 OTHER CURRENT ASSETS

Others		
Asset on finance		
Secured, considered good	241,397.42	159,590.85
Unsecured, considered good	31,673.18	19,019.86
	273,070.60	178,610.71
Unamortised expenses (net) [Refer to Note 25 (vi)]	4,023.88	726.82
Others	232.42	208.37
	277,326.90	179,545.90

Assets on finance is net of amounts securitised / assigned aggregating to Rs. 510,485.64 as at 31 March 2012 (Previous year: Rs. 484,503.21).

Value of repossessed assets as at the year-end is Rs. 674.81 (Previous year: Rs. 296.49).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

	Year ended 31 March 2012	Year ended 31 March 2011
Note 20 REVENUE FROM OPERATIONS		
Interest / finance income		
On assets on finance	95,141.59	60,955.17
On assignment of loans	1,982.74	17,871.00
On fixed deposits	4,076.77	3,990.53
On loans and margins	444.87	310.29
	101,645.97	83,126.99
Other financial income		
Management fees	747.29	481.23
Lease rentals	31.43	244.78
Others	722.90	1,749.28
	1,501.62	2,475.29
	103,147.59	85,602.28

Note 21 OTHER INCOME

Dividend income (long term, other than trade)	0.07	0.07
Interest on investments (long term, other than trade)	–	105.51
Collection / support services	1,795.77	601.90
Sale of power	1,138.01	1,029.93
Net gain / (loss) on sale of investments (long term, other than trade)	108.52	–
Rent	62.72	73.33
Net gain / (loss) on sale of fixed assets	(56.46)	(19.92)
Excess provision for directors' commission written back	95.00	–
Miscellaneous income	4.63	10.13
	3,148.26	1,800.95

Note 22 EMPLOYEE BENEFITS EXPENSES

Salaries and wages	13,589.64	12,514.42
Contribution to provident and other funds	549.62	479.21
Expense on Employee Stock Option Scheme	8.41	24.08
Staff welfare expenses	753.88	447.28
	14,901.55	13,464.99

Note 23 FINANCE COSTS

Interest expense		
On debentures	11,026.14	8,114.01
On term loans	9,961.13	8,846.24
On cash credit and working capital facilities	37,707.78	15,441.75
On others	223.17	111.92
Other borrowing costs	3,101.95	2,720.62
Mark-to-market losses on derivative contracts	522.68	–
	62,542.85	35,234.54

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

	Year ended 31 March 2012	Year ended 31 March 2011
Note 24 OTHER EXPENSES		
Rent	1,134.23	921.16
Brokerage and commission	3,783.49	7,009.07
Rates and taxes	33.92	71.15
Insurance	82.18	65.14
Advertisement and publicity	224.03	168.89
Travelling and conveyance	1,368.34	1,286.64
Repairs and maintenance		
– machinery	451.06	353.13
– others	143.33	103.31
Payment to Directors		
– fees	11.00	6.60
– commission	75.00	170.00
Professional fees	1,322.79	1,216.07
Payment to auditors	71.10	20.60
Legal charges	959.90	653.73
Printing and stationery	383.32	261.77
Communication	812.22	566.85
Wealth tax	1.00	0.94
Electricity charges	426.32	333.55
Provision for bad and doubtful debts	110.00	–
Bad debts written-off (net)	2,433.01	2,408.43
Miscellaneous expenses	1,055.16	932.62
	14,881.40	16,549.65

Note 25

- (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 March 2012
Magma ITL Finance Limited (MITL)	India	74%

- (ii) Employee benefits

Gratuity benefit plans

The following tables set out the status of the gratuity plan as required under AS 15 (revised) Employee Benefit.

- (a) Reconciliation of opening and closing balances of the present value of defined benefit obligation

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Opening defined benefit obligation	526.64	412.75
Current service cost	106.78	89.97
Interest cost	41.68	32.60
Actuarial losses/(gains)	21.23	26.45
Benefit paid	(72.60)	(35.13)
Closing defined benefit obligation	623.73	526.64

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 25

(b) Changes in the fair value of the plan assets are as follows

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Opening fair value of the plan assets	700.46	539.96
Actual return on plan assets	62.46	48.51
Contributions by employer	174.07	147.12
Benefit paid	(72.60)	(35.13)
Closing fair value of the plan assets	864.39	700.46

(c) Net asset / (liability) recognised in the balance sheet

Particulars	As at 31 March 2012	As at 31 March 2011
Defined benefit obligation	(623.73)	(526.64)
Fair value of plan assets	864.39	700.46
Net asset / (liability)	240.66	173.82

(d) Expenses recognised in the statement of statement of Profit and Loss

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Current service cost	106.78	89.97
Interest on defined benefit obligation	41.68	32.60
Net actuarial losses / (gains) recognised	22.62	27.40
Expected return on plan assets	(63.85)	(49.46)
Net expense included in "Employee benefit expenses"	107.23	100.51

(e) Summary of actuarial assumptions

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Discount rate	8.75%	8.50%
Salary increase	5.00%	5.00%
Expected rate of return on plan assets	8.50%	8.25%

(f) **Discount rate:** The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

(g) **Expected rate of return on plan assets:** This is based on the expectation of the average long-term rate of return expected on investments of the fund during the estimated term of the obligations.

(h) **Salary escalation rate:** The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

(i) **Experience adjustments**

Particulars	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
Present value of defined benefit obligation	(623.73)	(526.64)	(412.75)	(366.36)	(251.08)
Fair value of plan assets	864.39	700.46	539.96	380.41	276.42
Funded status [surplus/(deficit)]	240.66	173.82	127.21	14.05	25.34
Experience (gain)/loss adjustment on plan liabilities	40.78	–	(55.43)	58.35	60.66
Experience gain/(loss) adjustment on plan assets	(1.39)	–	0.64	(2.10)	(4.48)
Experience (gain)/loss adjustment on plan liabilities due to change in assumption	(19.55)	173.82	(0.59)	8.09	(3.54)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 25

(iii) Lease transactions

Lease rental expense under non-cancellable operating lease during the year ended 31 March 2012 and 31 March 2011 amounted to Rs. 399.64 Lacs and Rs. 282.64 Lacs respectively. Future minimum lease payments under non cancellable operating lease is as below:

Particulars	As at 31 March 2012	As at 31 March 2011
Not later than one year	210.24	229.65
Later than one year but not later than five years	71.67	70.66
Greater than five years	–	–

Additionally, the Company uses the office facilities under cancellable operating leases. The rental expense under cancellable operating lease during the year ended 31 March 2012 and 31 March 2011 was Rs.734.59 Lacs and Rs.638.52 Lacs respectively.

(iv) Segment reporting

The Company's sole business segment is 'financing' and only geographical segment is 'India'. The Company considers' business segment as the primary segment and geographical segment based on location of customers as a secondary segment. Since the Company has a single business segment and a single geographical segment, disclosures pertaining to the primary and secondary segments have not been presented.

(iv) Earnings Per Share (EPS)

The computation of EPS is set out below:

SL No.	Particulars	Units	Year ended 31 March 2012	Year ended 31 March 2011
	Basic & Diluted			
1	(i) Weighted average number of Equity Shares (Face Value of Rs. 2/- per share) for Basic EPS	Nos.	171,678,998	127,200,112
	(ii) Weighted average number of Equity Shares for Diluted EPS [after considering 18.50 Lacs shares (Previous Year: 28.91 Lacs) resulting from assumed exercise of employee stock options and equity warrants]	Nos.	173,529,271	130,091,572
2	Net Profit after tax	Rs.'Lacs	7,400.83	12,014.05
3	Less : Preference Dividend including Tax on Dividend	Rs.'Lacs	1,226.57	1,117.64
4	(i) Net Profit for Equity Shareholders for Basic EPS	Rs.'Lacs	6,174.26	10,896.41
	(ii) Net Profit for Equity Shareholders for Diluted EPS	Rs.'Lacs	6,174.26	10,896.41
5	(i) Earning Per Share (Face Value of Rs. 2/- per share) – Basic	Rs.	3.60	8.57
	(ii) Earning Per Share (Face Value of Rs. 2/- per share) – Diluted	Rs.	3.56	8.38

(vi) Change in accounting policy

- (a) The Company has been doing bilateral assignment of homogeneous retail financial assets generated by itself to Banks/ FIs under a deed of assignment in two types of structures in past. First type of structure involved sale of both principal and interest parts of the future receivables (known as premium structure) and second type of structure involved sale of only principal part of its future receivables (known as par structure). From the current year the Company has decided to assign its receivables only under par structure i.e assign only the principal component of the loans in order to ensure stability of income year on year. Accordingly, with effect from 1 April 2011, the Company has decided to recognise the income i.e. excess interest spread (the difference between the interest receivable from the customer and the interest payable by the Company to the assignee of such loan receivables) arising out of assignment of receivables based on the contractual accrual of the same. The Company believes that the revised method of accounting results into better information about the impact of the said items on the Company's periodic performance, leads to more conservative accounting, and is in line with the recommended practice of the Company's principal regulator. Consequently, an amount of Rs. 17,905.72 Lacs, being income relating to future period will be recognised over the tenure of the contracts assigned.
- (b) Simultaneously with the change in income recognition on assets assigned, the Company has decided to amortise upfront brokerage expenses / income pertaining to all loan originations over the tenure of the underlying contracts. This change in method of accounting is in line with international practices on recognition of loan origination costs. Consequently, net expense of Rs. 6,506.94 Lacs for the year is not charged off in the statement of profit and loss and is amortised over the tenor of the contracts.
- (c) In view of the changes in business practices and accounting policies as above, the profit for the year is not comparable with the previous year.

(vii) Related party disclosures

Aggregated related party disclosures as at and for the year ended 31 March 2012

Associates

Magma HDI General Insurance Co. Limited

Enterprises having significant influence

Camaro Infrastructure Private Limited, Celica Developers Private Limited, CLP Business LLP, Finprop Estates Private Limited, Jaguar Advisory Services Private Limited, Magma Consumer Finance Private Limited, Mask Corp. USA, Microfirm Softwares Private Limited, Pragati Sales Private Limited, Solvex Estates LLP (Formerly Solvex Estates Private Limited), International Tractor Limited, AMRI Hospitals Limited *, Bengal Tools Limited *, Calcutta Becon Engineering Co. Limited *, Chinar Builders & Contractors Limited *, 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 *, Juhi Investment Private Limited *, Kanaiya Engineering & Finance Limited *, Liberty Pharma Limited *, Lifelong Realtors Private Limited *, Nadia Security Printing & Stationery Company Limited *, Neobeam Properties 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 *, Spectra Realcon Private Limited *, Noblesse Crystal Private Limited (upto 8 November 2011), Pragati Cement (India) Private Limited (upto 30 September 2011)

Key management personnel

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

Relative 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, Chitralekha Todi *, Rahul Todi *, Rhea Todi *, Ruchi Todi *, Sarika Todi *, Shrawan Kumar Todi *, Avantika Mathur#, Neha Mathur#, Abhilasha Mathur#, Leena Mathur#, Prem Kumari Mathur#, Chitra Bhattacharya**, Satyajit Bhattacharya**, Sibashish Bhattacharya**, Subhasish Bhattacharya**, Ajit Bhattacharya**, Minakshi Bhattacharya**.

* upto 27 May 2011 # upto 23 May 2010 ** w.e.f from 24 May 2010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 25

Balance as at 31 March 2012	Associate	Enterprises having significant influence	Key management Personnel	Relatives of Key Management Personnel
Optionally convertible equity warrants	- (-)	- (1250.00)	- (-)	- (-)
Investments	- (-)	- (723.46)	- (-)	- (-)
Long-term loans and advances	- (-)	1543.10 (267.60)	- (-)	- (-)
Short-term loans and advances	258.52 (150.94)	74.75 (192.83)	- (-)	- (-)
Other current liabilities	- (-)	- (58.82)	- (-)	- (-)

Transaction during Year ended 31 March 2012	Associate	Enterprises having significant influence	Key management Personnel	Relatives of Key Management Personnel
Amount received for optionally convertible equity warrants	- (-)	3750.00 (1250.00)	- (-)	- (-)
Equity Share issued against optionally convertible equity warrants including premium (Refer to Note 3)	- (-)	5000.00 (-)	- (-)	- (-)
Loans and advances given	107.58 (115.71)	87.34 (172.90)	- (-)	- (-)
Refund of loans and advances given	- (-)	181.90 (57.34)	- (-)	- (-)
Refund of deposit taken	- (-)	6.50 (-)	- (-)	- (-)
Sale of investment	- (-)	1251.98 (-)	- (-)	- (-)
Interest payment	- (-)	3.15 (4.92)	- (-)	- (-)
Rent paid	- (-)	307.60 (316.19)	1.77 (1.77)	- (-)
Directors' remuneration	- (-)	- (-)	135.32 (158.36)	- (-)
Directors' Fees	- (-)	- (-)	- (-)	- (0.60)

(viii) The Company along with its associates had entered into a Joint Venture Agreement with HDI Gerling International Holding AG ("HDI"), now replaced with HDI-Gerling Industrie Verischerung AG, 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 and R2 application and is in the process of obtaining the R3 approval from the IRDA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 25

(ix) Contingent liabilities and commitments (To the extent not provided for)

(a) Contingent liabilities

Particulars	As at 31 March 2012	As at 31 March 2011
(a) Claims against the Company not acknowledged as debt		
(i) Income tax matters under dispute	15.67	84.65
(ii) VAT matters under dispute	165.50	25.85
(iii) Service tax matters under dispute	115.00	300.65
(iv) Legal cases against the company*	53.29	371.79
(b) Guarantees		
(i) Recourse obligation in respect of securitised assets (net of cash collaterals) (Rs. 48,463.44 and previous year Rs. 48,513.19)	7,085.22	14,634.15
(ii) Unexpired bank guarantee	40,544.05	30,331.49

* The Company is also involved in other law suits, claims, investigations and proceedings, including collection and repossession related matters, which arise in the ordinary course of business. However, there are no significant claims on such cases.

(b) Commitments

Particulars	As at 31 March 2012	As at 31 March 2011
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	154.18	183.03
(b) Redemption of preference shares (including premium)	16,106.52	16,528.36
(c) Proposed investment in subsidiaries, joint ventures, and associate companies	3,605.00	2,605.00

(x) Amounts paid / payable to auditors

Particulars	Year ended 31 March 2012	Year ended 31 March 2011
Audit fees	30.00	10.00
Taxation matters	3.00	3.00
Limited review	7.20	1.20
Other services	21.31	4.30
Reimbursement of expenses	9.59	2.10
Total	71.10	20.60

- (xi) (a) Commissioner of service tax had issued a Show Cause Notice in respect of the financial years 2002-03 to 2006-07 on 16 Oct 2007 and the matter was adjudicated vide Order dated 31 March 2009, confirming the service tax liability at Rs.464 Lacs plus interest and penalty. The Company had made payment of Rs.304 Lacs in financial year 2010-11 in relation to the said Order and charged the same to the statement of profit and loss. Simultaneously the Company had preferred an appeal against the Order of Commissioner of Service Tax at the Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Kolkata. The service tax department had also preferred an appeal against the said Order of the Commissioner with CESTAT, Kolkata. In course of hearing at CESTAT the Company made a further payment of Rs.100 Lacs as pre-deposit in the current financial year 2011-12 which has been provided for in the statement of profit and loss. Vide its Order dated 21 March 2012 the Hon'ble CESTAT has set aside the impugned Order of the Commissioner of service tax Kolkata and has passed an Order remanding the matter to the Commissioner of service tax, Kolkata for a revised assessment.
- (b) Commissioner of service tax had issued a Show Cause Notice dated 7 April 2008 in respect of the financial years 2002-03 to 2005-06 in the matter of erstwhile Shraci Infrastructure Finance limited which was merged with the Company with effect

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

(Rs. in Lacs)

Note 25

from 1 April 2006. The matter was decided by the Commissioner of service tax vide Order dated 24 September 2009, confirming the service tax liability at Rs.83 Lacs plus interest and penalty. The Company had made payment of Rs. 68 Lacs in the financial years 2010-11 against the said Order and charged the same to the statement of profit and loss. Simultaneously, the Company had preferred an appeal against the impugned Order of Commissioner of service tax in CESTAT, Kolkata which have stayed the balance of the demand amounting to Rs.15 Lacs. The said amount of Rs.15 Lacs has been shown as a contingent liability.

(c) Commissioner of service tax had issued another Show Cause Notice dated 04 April 2008 in respect of the financial years 2002-03 to 2005-06 in the matter of erstwhile Shracchi Infrastructure Finance limited which was merged with the Company with effect from 1 April 2006. The matter was decided by the Commissioner of service tax vide Order dated 24 September 2009, confirming the service tax liability at Rs.125 Lacs plus interest and penalty. The Company had preferred an appeal against the impugned Order of Commissioner of service tax before CESTAT, Kolkata. In course of hearing at CESTAT the Company made a payment of Rs. 25 Lacs as pre-deposit in the current financial year 2011-12 which has been provided for in the statement of profit and loss. CESTAT, Kolkata has stayed the balance of the demand amounting to Rs.100 Lacs. The said amount of Rs.100 Lacs has been shown as a contingent liability.

(d) 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 01 April 2009.

(xii) The Company has prepared these financial statements as per the format prescribed by revised schedule VI to the Companies Act, 1956 ('the schedule') issued by Ministry of Corporate Affairs. Previous years' figures have been recast/restated to conform to the classification required by the revised schedule VI.

For **S. S. Kothari & Co.**
Chartered Accountants
Firm's Regn. No. 302034E

For **B S R & Co.**
Chartered Accountants
Firm's Regn. No. 101248W

Mayank Poddar
Chairman

Sanjay Chamria
Vice Chairman &
Managing Director

R. N. Bardhan
Partner
Membership No. 17270

Zubin Shekary
Partner
Membership No. 048814

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 26 April 2012



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