MAGMA
Investing in the smallest dream

NOTICE

To all the Members of the Company

Notice is hereby given that the 33rd Annual General Meeting of the Shareholders of the Company shall be held at Citadel 1, First Floor, Eco Hub, Ecospace Business Park, Ambuja Reality, Plot No. 2F/11, Rajarhat, Kolkata - 700156, West Bengal at 3.00 P.M on Thursday, 18th July, 2013, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2013, the Audited Balance Sheet as at that date together with the Report of the Directors and the Auditors thereon.
2. To declare Dividend on Equity and Preference Shares.
3. To appoint a Director in place of Mr. Narayan K Seshadri who retires by rotation and being eligible, seeks reappointment.
4. To appoint a Director in place of Mr. Nabankur Gupta who retires by rotation and being eligible, seeks reappointment.
5. To appoint M/s. B S R & Co., Chartered Accountants, Bangalore as Statutory Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS

6. **INCREASE IN THE BORROWING LIMIT UNDER SECTION 293(1)(d) OF THE COMPANIES ACT, 1956 FROM THE EXISTING LIMIT OF RS. 15000 CRORES TO RS. 25000 CRORES**

   To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

   "RESOLVED THAT in supersession of the earlier resolution passed by the members of the Company at the Annual General Meeting held on 12th July, 2012 and pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory amendments, modifications or re – enactments thereof for the time being in force), consent of the Company be and is hereby granted to the Board of Directors to borrow sum or sums of money, which together with the money already borrowed by the Company (apart from temporary loans obtained from the Bankers of the Company in the ordinary course of business), not exceeding Rs. 250,00,00,00,000/- (Rupees Twenty Five Thousand Crores only) notwithstanding that such aggregate amount of moneys borrowed and outstanding at any one time may exceed the aggregate, for the time being, of the Paid-up Capital of the Company and its Free Reserves, that is to say, reserves not set apart for any specific purpose.

   RESOLVED FURTHER THAT the Board of Directors be and are hereby empowered and authorized to arrange and fix the terms and conditions of all such monies to be borrowed from time to time, to sign and execute such debenture/security deeds, deeds of mortgage, charge, pledge, hypothecation and such others papers, deeds and documents as they may, in their absolute discretion, deem fit and proper."

By Order of the Board of Directors
For MAGMA FINCORP LIMITED

Place: Kolkata
Date : 14th June, 2013

GIRISH BHATIA
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY IN ORDER TO BE EFFECTIVE SHOULD BE DULY STAMPED, COMPLETED, SIGNED AND DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from Friday, the 12th July, 2013 to Thursday, the 18th July, 2013 (both days inclusive).
3. Explanatory Statement pursuant to the Section 173 (2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Annual General Meeting is enclosed.
4. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote at the Annual General Meeting.
5. Dividend on Equity Shares, if declared at the meeting will be paid to those members, whose names shall appear in the Company's Register of Members at the close of working hours of the Company as on Thursday, the 11th July, 2013. In respect of the shares held in Electronic Form, the Dividend will be paid to those persons whose names shall appear as beneficial owners as at the end of the business hours on Thursday, the 11th July, 2013 as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited.
6. (a)Dividends which remain unpaid / unclaimed over a period of seven years will have to be transferred by the Company to Investor Education and Protection Fund of the Central Government under Sections 205A & 205C of the Companies Act, 1956. Accordingly, all unpaid / unclaimed amounts in respect of dividends paid by the Company for the year ended 31st March, 2006 have to be transferred to the said fund. Shareholders are advised to encash the unpaid Dividend Warrants for the year ended 31st March, 2006 or any subsequent year, before transfer to the above referred Fund. No claim will be entertained thereafter by the Company. The details of the dates on which dividend should be transferred to the aforesaid fund is given below:-

Financial Year	**Erstwhile "Magma Leasing Limited" (MLL)**		**Erstwhile "Shrachi Infrastructure Finance Limited"**	
	Date of Declaration	Due for Transfer	Date of Declaration	Due for Transfer
2005-2006	31-07-2006	05-09-2013	25-08-2006	30-09-2013
2006-2007	04-09-2007	10-10-2014	Since merged with erstwhile MLL with effect from 01-04-2006	
2007-2008	23-08-2008	28-09-2015		
2008-2009	11-09-2009	17-10-2016		
2009-2010	15-07-2010	20-08-2017		
2010-2011	21-06-2011	27-07-2018		
2011-2012	12-07-2012	17-08-2019		

(b) Unclaimed Dividend: Notices pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 have been sent to all members concerned on 24th September, 2012.

7. Securities and Exchange Board of India (SEBI) vide its Circular No. CIR/MRD/DP/10/2013 dated 21st March, 2013, has mandated usage of electronic mode for making cash payments such as dividend, etc to the investors of Companies whose securities are listed on the Stock Exchanges. Payment of dividend through electronic mode is beneficial to the Members since the risks associated with receiving payment through dividend warrants such as loss in transit/ misplacement/revalidation etc. can be easily mitigated.

Therefore, Members are advised to avail National Electronic Clearing Service (NECS) facility whereby the dividend will be directly credited electronically to their respective Bank Accounts. Members holding the Company's shares in dematerialized mode are requested to provide NECS particulars to their respective Depository Participants, if they have not done so already. Members holding the Company's shares in physical form who have not opted for NECS are requested to provide their NECS particulars in the enclosed 'NECS Mandate Form' and forward the same duly filled in and signed to the Company's Registrar and Share Transfer Agent at the earliest to avail this facility.

8. Members holding shares in physical form are requested to intimate change in their registered address mentioning full address in block letters with Pin code of the Post Office, mandate, bank particulars and Permanent Account Number (PAN) to the Company's Registrar and Share Transfer Agent and in case of members holding their shares in electronic form, this information should be given to their Depository Participants immediately.

9. Members holding shares in physical form and wishing to make / change a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, may submit the prescribed particulars in Form 2B, to the Company.

10. The Company has entered into necessary arrangement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to enable the Shareholders to dematerialise their shareholding in the Company for which they may contact the Depository Participant of either of the above Depositories. The Equity Shares of the Company are compulsorily required to be traded in dematerialized form by all Investors.

11. The Ministry of Corporate Affairs, Government of India, pursuant to its Green Initiative in Corporate Governance, has permitted under Section 53 of the Companies Act, 1956, the service of documents including the Annual Report consisting of Notice, Accounts and other relevant Reports through the electronic mode. The Company may henceforth e-mail the Annual Report and other documents /communications to the shareholders at the e-mail addresses registered with the Company/ received through the respective Depositories. Shareholders holding shares in physical form are requested to register/update their e-mail addresses with the Company's Registrar and Share Transfer Agent, i.e. M/s. Niche Technologies Private Limited, D-511, Bagree Market, 5th Floor, 71, B. R. B. Basu Road, Kolkata – 700 001 at magma@nichetechpl.com or with the Company at bhatia.g@magma.co.in. Shareholders holding shares in dematerialized form are requested to register their e-mail addresses and changes therein with the concerned Depositories through their Depository Participant. In absence of e-mail address, the documents will be sent in physical mode.

12. Members are requested to bring their copy of Annual Report to the meeting. A member desirous of getting any information with regard to Accounts of the Company is requested to send the queries to the Company at least 10 days before the Annual General Meeting to the Company Secretary at the Registered Office of the Company.

13. Members are requested to mention their Folio Number/Client ID/DP ID Number (in case of shares held in dematerialized form) in all their correspondence with the Company/ Depository Participant in order to facilitate response to their queries promptly.

14. Members are requested to produce the enclosed attendance slip duly signed as per the specimen signature recorded with the Company/Depository Participant for admission at the entrance to the place of the meeting.

15. Members who are holding shares in identical order of names in more than one folio are requested to write to the Company, enclosing their share certificates, to enable the Company to consolidate their holdings in one folio.

16. As per the requirement of Clause 49 of the Listing Agreement on Corporate Governance for reappointment of the retiring Directors, a statement containing details of the concerned Directors is given below:

DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING

Name	Mr. Narayan K Seshadri	Mr. Nabankur Gupta
Date of birth	13th April, 1957	15th October, 1948
Date of appointment	31st October, 2006	22nd October, 2008
Qualification	FCA	B.Tech, AMP
Expertise in specific functional area	He has over 33 years experience and specialises in Corporate Strategy, Organisational Transformation, Financial Restructuring and Risk Management to enable growth of inherently strong but under-performing businesses. He held leadership positions in Andersen and KPMG before establishing his Business Value Management, Investment Advisory and Private Equity Business.	He has rich experience of over 37 years in the field of Marketing, Business Development and General Management. He has been associated with leading Companies and has held senior management positions. He is the founder of Nobby Brand Architects & Strategic Marketing Consultants. He is also the cofounder of Blue Ocean Capital & Advisory Services.
List of outside *Directorships held excluding Alternate Directorship	1. PI Industries Limited 2. Kalpataru Power Transmission Limited 3. WABCO India Limited 4. SBI Capital Markets Limited 5. IRIS Business Services Limited 6. TVS Investments Limited 7. AstraZeneca Pharma India Limited	1. Raymond Limited 2. Colorplus Fashions Limited 3. Cravatex Limited 4. J.K. Helene Curtis Limited 5. J. K. Investo Trade (India) Limited 6. Pritish Nandy Communications Limited 7. PNC Wellness Limited 8. VIP Industries Limited 9. Bharat Business Channel Limited
Membership/Chairmanship of ** Committees of the Board of Directors of the Company	Chairman of the Audit Committee	None
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.WABCO India Limited 2. TVS Investments Limited **Member of the Audit Committee of:** 1. PI Industries Limited 2. Kalpataru Power Transmission Limited 3. SBI Capital Markets Limited 4. IRIS Business Services Limited **Chairman of the Shareholders'/ Investors' Grievance Redressal Committee of :** 1.WABCO India Limited	**Chairman of the Audit Committee of:** 1. J.K. Investo Trade (India) Limited **Member of the Audit Committee of:** 1. Pritish Nandy Communications Limited 2. Raymond Limited 3. Cravatex Limited **Chairman of the Shareholders'/ Investors' Grievance Redressal Committee of:** 1. Raymond Limited **Member of the Shareholders'/ Investors' Grievance Redressal Committee of:** 1. J.K. Investo Trade (India) Limited
Number of shares held in the Company	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

By Order of the Board of Directors
For MAGMA FINCORP LIMITED

Place: Kolkata
Date : 14th June, 2013

GIRISH BHATIA
Company Secretary

EXPLANATORY STATEMENT to the Notice convening the 33rd Annual General Meeting to be held at Citadel 1, First Floor, Eco Hub, Ecospace Business Park, Ambuja Reality, Plot No. 2F/11, Rajarhat, Kolkata - 700156, West Bengal at 3 P.M. on Thursday, 18th July, 2013.

Item No. 6

The Members of the Company had at the Annual General Meeting held on 12th July, 2012, approved increase in the Borrowing Limit of the Company to Rs. 15000 Crores (excluding temporary loans obtained from the Company's Bankers in the ordinary course of business) pursuant to Section 293 (1) (d) of the Companies Act, 1956. Taking into account the further requirements of additional finance for expanding the operations of the Company, your Board of Directors propose to increase the borrowing limit of the Company from existing Rs.15000 Crores to Rs. 25000 Crores.

The Board recommends the proposed resolution for your approval.

None of the Directors are, in any way, concerned or interested in the above resolution.

By Order of the Board of Directors
For **MAGMA FINCORP LIMITED**

Place: Kolkata
Date : 14th June, 2013

GIRISH BHATIA
Company Secretary

Niche Technologies Private Limited
Unit: **MAGMA FINCORP LIMITED**
D-511, Bagree Market, 5th floor,
71, B. R. B. Basu Road,
Kolkata – 700 001

Re.: Payment of Dividend through NECS

I wish to participate in the National Electronic Clearing Service (NECS) introduced by the Reserve Bank of India.

I do not wish to participate in the NECS. However, kindly print the bank particulars given below on the Dividend Warrant being issued to me.

1 Registered Folio No. : ....

2. Shareholder' s Name : ....

3. Shareholder's Address : ....
....

4. Income Tax Permanent Account Number (PAN): 10 digits : ....
(PAN should be latest and correct)

5. Particulars of Bank

a. Name of the Bank : ....

b. Branch Name and Address : ....

* c. 9 digit Code Number of the Bank and Branch as appearing on the MICR cheque issued by the Bank (Please attach photocopy of a cheque or a cancelled blank cheque issued by your bank for verifying the accuracy of the code number) : ☐☐☐☐☐☐☐☐☐

d. Account type (Please tick) : ☐ Savings ☐ Current ☐ Cash Credit

e. Account No. (as appearing on the MICR cheque book) : ....

I hereby declare that the particulars above given are correct and complete. I undertake to inform any subsequent changes in the above particulars before the relevant book closure date(s). If the payment is delayed or not effected at all for any reason(s) beyond the control of the Company, I will not hold the Company responsible.

Date : Signature of the First Holder

Delete whichever is not applicable

* The nine digit code number of your bank and branch is mentioned on the MICR band next to the cheque number.

MAGMA FINCORP LIMITED

Registered Office : "MAGMA HOUSE", 24, Park Street, Kolkata - 700 016.

ATTENDANCE SLIP

Ledger Folio No.………………... D. P. ID * ....………………………

No.of Shares held …….......……….................................. Client ID * ....………………………

1. Full name of Member/Proxy ....……………………...

2. If Proxy, full name of Member ……………………………………………………………...

I hereby record my presence at the Thirty Third Annual General Meeting of the Members of the Company held at Citadel 1, First Floor, Eco Hub, Ecospace Business Park, Ambuja Reality, Plot No. 2F/11, Rajarhat, Kolkata - 700156, West Bengal at 3 P.M. on Thursday, 18th July, 2013, or/and at any adjournment thereof.

Date ………………………….. Signature …………………..

Important: This attendance slip should be signed and handed over at the entrance of the Meeting Hall.

*** Applicable for Members holding shares in Electronic Form**

MAGMA FINCORP LIMITED

Registered Office : "MAGMA HOUSE", 24, Park Street, Kolkata - 700 016.

PROXY FORM

Ledger Folio No.………………….................................. D. P. ID * ……………………..................………

No.of Shares held …….......……............................. Client ID * ……………………………....................

I/We ……………….. of ………………….................................
....being a member/members of Magma Fincorp Limited hereby appoint
....of.. (or
failing him/her.. of ....
......) as my/our proxy to attend and vote for me/us on my/our behalf at the Thirty Third Annual General Meeting of the Members of the Company held at Citadel 1, First Floor, Eco Hub, Ecospace Business Park, Ambuja Reality Plot No. 2F/11, Rajarhat, Kolkata - 700156, West Bengal at 3 P.M. on Thursday, 18th July, 2013, or/and at any adjournment thereof.

Signed this .... day of 2013

Affix
Revenue
Stamp

Signature of Proxy ....

Note : 1) This instrument of Proxy must be deposited at the Registered Office of the Company not less than forty eight hours before the time for holding the meeting.

2) A Proxy need not be a member.

*** Applicable for Members holding shares in Electronic Form**

MAGMA FINCORP LIMITED

Registered Office : "MAGMA HOUSE", 24, Park Street, Kolkata - 700 016.

14th June, 2013

Dear Shareholders,

Submission of PAN Details

We request you to submit details of your Income Tax Permanent Account Number (PAN) as in terms of directive of Securities and Exchange Board of India, submission of these details by every participant in the Securities / capital market has become mandatory.

Kindly return the slip appended below, duly filled in and signed with self-attested copies of PAN cards of all holders including jointholders, to the Company or the Registrars. If you are holding shares in electronic form, please furnish these details to your Depository Participant.

In case you have already submitted the PAN details, kindly ignore this letter.

For **MAGMA FINCORP LIMITED**

Girish Bhatia

Company Secretary

Name :
Address :

To

Niche Technologies Private Limited

Unit : **Magma Fincorp Limited**

D-511, Bagree Market, 5th Floor,

71, B. R. B. Basu Road, Kolkata – 700 001.

We give below the PAN details together with self-attested photocopies of the PAN card which kindly record against my / our names.

Folio No…………………………………………….................. Tel No. :…………………………........……….........…………

E-mail :……………………………………….........................

Name of the Shareholder	PAN	* Signature

* In case of account holder(s) other than individuals, kindly submit an attested copy of the required authorization alongwith the specimen signatures of the authorized signatories.

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MAGMA FINCORP LIMITED | ANNUAL REPORT 2012-13

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.

Contents

Corporate information

Board of Directors:

Mayank Poddar, *Chairman*

Sanjay Chamria, *Vice Chairman and Managing Director*

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*

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
- Syndicate Bank
- Central Bank of India
- Bank of Maharashtra

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:

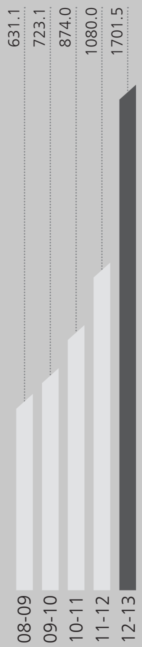
"MAGMA HOUSE"
24, Park Street,
Kolkata-700 016

Registrar and Share Transfer Agent:

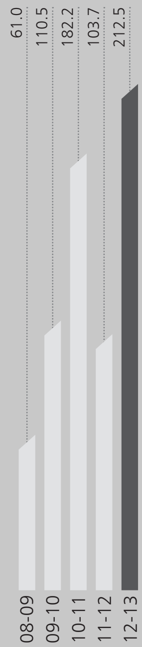
Niche Technologies Private Limited,
D-511, Bagree Market, 5th Floor,
71, B.R.B.Basu Road, Kolkata- 700 001,
Tel No. 033-22357270/7271
Email Id: nichetechpl@nichetechpl.com

Performance highlights

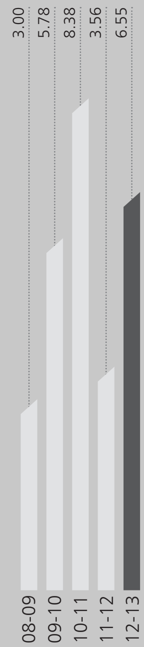
Total Income
(Rs. crore)



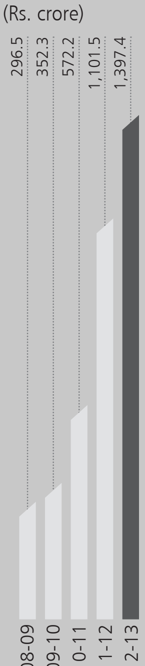
Profit Before Tax
(Rs. crore)



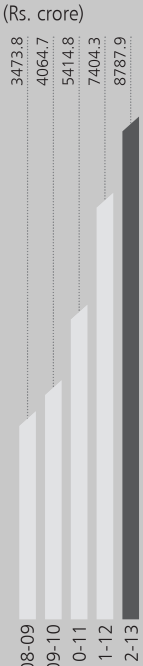
EPS *
(Rs)



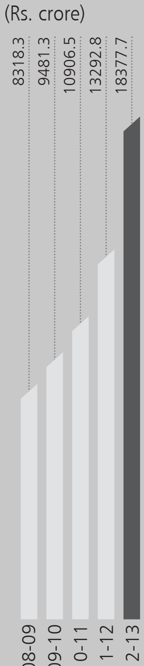
Net worth
(Rs. crore)



Disbursement ^
(Rs. crore)



AUM
(Rs. crore)



Notes:
All figures are on consolidated basis
** EPS for FY03-FY10 has been adjusted for the stock spilt in the ratio of 10:2 in FY11*
^ Disbursement numbers are excluding bought out portfolios

Vision

To become India's largest retail asset finance company

Mission

Continue service excellence in retail financing to bring prosperity and happiness to all

Values

Openness and transparency: We will foster honesty and frankness in all our dealings and be clearly discernable with everybody we deal with.

Integrity and credibility: We will act with the utmost intellectual and financial uprightness and will be seen acting as such.

Fairness and impartiality: We will be just in our dealings with others and practice empathy.

Trust and respect for people: We will recognise and demonstrate through our actions, our inherent belief in the dignity that every human being is entitled to.

Demanding excellence: We will, in demanding excellence of ourselves and others, exceed all expectations and overcome perceived barriers.

DIRECTORS' REPORT

Mayank Poddar, Chairman

Dear Shareholders,
Your Directors have pleasure in presenting the 33rd Annual Report along with the Audited Accounts of the Company for the year ended 31st March, 2013. A summary of the Financial Results is given herein:

Financial Results

(Rs. in Lacs)

	Consolidated		Standalone	
	2012-13	2011-12	2012-13	2011-12
Total income	1,70,147.17	1,08,000.42	1,60,615.16	1,02,463.70
Profit before interest and depreciation	1,17,628.39	75,871.90	1,10,326.27	71,016.91
Less: Interest and finance charges	92,624.60	62,542.85	88,740.44	59,851.64
Less: Depreciation	3,755.83	2,957.74	3,670.12	2,957.74
Profit before tax	21,247.96	10,371.31	17,915.71	8,207.53
Tax Expense	6,753.76	2,592.19	5,635.74	1,883.30
Profit after tax (Before Minority Interest)	14,494.20	7,779.12	12,279.97	6,324.23
Minority Interest	669.91	378.29	--	--
Profit after tax (After Minority Interest)	13,824.29	7,400.83	12,279.97	6,324.23
Add: Surplus brought forward	19,507.41	16,857.21	18,037.29	16,172.70
Balance available for appropriation	33,331.70	24,258.04	30,317.26	22,496.93
- Statutory reserves	3,228.44	1,561.00	2,460.00	1,270.00
- General reserve	1,230.00	640.00	1,230.00	640.00
Provision for dividend				
- On preference shares	1,167.47	1,055.36	1,167.42	1,055.36
- On equity shares	1,519.66	1,138.39	1,519.66	1,138.39
- Dividend tax	456.53	355.88	456.52	355.89
Balance carried forward	25,729.60	19,507.41	23,483.66	18,037.29

Business

Indian Economy during 2012-13

The Indian economy is estimated to have grown at 5% during the year under review, i.e. Financial Year 2012-13, as compared to 6.2% 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 5.96%, but it was mainly due to high base effect. RBI have started easing its monetary policy during the year and also reduced key policy rates – viz. the Cash Reserve Ratio and the Repo & Reverse Repo rates to improve liquidity and interest rates scenario in the economy. High government borrowings, Current account deficit and Fiscal deficit were highlights of the economy during the year.

During the year, the Company through its wholly owned subsidiary, Magma Advisory Services Limited completed acquisition of 100% Equity Share Capital of GE Money Housing Finance (A Public Company with Unlimited Liability) [GEMHF] (an affiliate of GE Capital India) engaged in Housing Finance in India on 11th February, 2013. Following the acquisition, GEMHF has been renamed as Magma Housing Finance (A Public Company with Unlimited Liability).The Company has also acquired the entire home equity loan portfolio of GE Money Financial Services Private Limited. This acquisition marks entry of the Magma Group into the Housing Finance Business.

The Company also acquired Auto-Lease portfolio of Religare Finvest Limited. This acquisition is in synergy with recent launching of Auto Lease product. The transaction has also provided a direct entry opportunity into the Auto Lease Business with lease agreements being with Corporates in mostly Tier I & few Tier II cities.

The Company had entered into a Joint Venture with HDI Gerling, part of the Talanx Group and the 3rd Largest Insurance Company in Germany. Post receipt of approval from the regulator, Insurance Regulatory and Development Authority of India (IRDA), the Company has successfully operationalized its General Insurance Venture – Magma HDI General Insurance Company Limited, the First Eastern India based General Insurance Company in October 2012.

The Company has also forayed into Gold Loan Business in June 2012.

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 2.2% during 2012-13 as against 4.7% during 2011-12. Similarly, sale of new construction equipment reported a de-growth of 8% in 2012-13 as against a growth of 10% in 2011-12. Commercial vehicles and tractors also reported de-growth of 2% and 1% respectively during 2012-13 against growth of 18.2% and 11% respectively in 2011-12.

Despite subdued industry growth in primary sale of the entire asset class financed by us, the Company recorded total disbursements of Rs. 8,78,794 Lacs on consolidated basis and Rs. 8,37,980 Lacs on a standalone basis during FY 2012-13 as against Rs. 7,40,434 Lacs and Rs. 7,14,030 Lacs respectively in FY 2011-12, recording a corresponding growth of 18.7% and 17.4%. The total income increased to Rs. 1,70,147 Lacs on a consolidated basis and Rs. 1,60,615 Lacs on standalone basis, recording a YoY growth of 57.5% and 56.8% respectively.

Capital infusion and change in business strategy

The Company mobilized a sum of Rs. 3600 Lacs through issue of 11% Cumulative Redeemable Non Convertible Preference Shares on private placement basis.

DIRECTORS' REPORT

Regulatory Changes and Change in Accounting Policy

In view of the imminent regulatory changes in capital adequacy, income recognition, asset classification and provisioning norms being proposed in the RBI draft guidelines released on 12th December, 2012, proposed to become effective on 1st April, 2013, the Company has proactively refined its method of recognizing delinquencies and loan losses giving effect to such refinements from 1st April, 2012.

Further, the Company believes that in the light of the current business and economic conditions and the change in its business model it would be prudent and appropriate in reflecting the prevalent credit risk by commencing recognition of delinquencies earlier and creating provisions against them as prescribed in the draft RBI guidelines set out below.

Such early adoption of the draft guidelines enables the Company to be better prepared for full compliance well before the prescribed timelines.

Asset Classification	Ageing	Secured	Unsecured
Standard Assets	Less than 120 days	0.30%	0.30%
Sub-standard Assets	> 120 days to 16 months	15%	25%
Doubtful Assets	> 16 months to 28 months	25%	100%
Doubtful Assets	> 28 months to 52 months	40%	100%
Doubtful Assets	> 52 months	100%	100%
Loss Assets		100%	100%

Following the change, the Company recognises delinquencies and commences provisioning at 120 days, rather than recognising delinquencies at 180 days and writing off 100% of loan outstanding as done previously. These provisioning norms are considered the minimum and higher provision is made based on perceived credit risk where necessary.

The aforesaid revision in provisioning norms has resulted in reduction of interest income by Rs. 911.98 Lacs (Standalone) and Rs. 1,073.01 Lacs (Consolidated), and a net lower provision/ write-off of Rs. 1,938.41 Lacs (Standalone) and Rs. 1,359.61 Lacs (Consolidated) for the year ended 31st March, 2013. Recoveries made from loans written off are included in 'Other Income'.

Further, the Company has increased the standard provisioning by 0.05% to a total of 0.30% of the Standard Assets, from the existing 0.25% to progressively comply with the draft guidelines. This increase has resulted in an additional charge of Rs. 480.00 Lacs (Standalone) and Rs. 503.00 Lacs (Consolidated) for the year ended 31st March, 2013 respectively.

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 received the R3 approval on 22nd May, 2012 from the IRDA and has subsequently commenced commercial operations of General Insurance business in India from 1st October, 2012.

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.

Your Company has also acquired International Autotrac Finance Limited (IAFL), a Non-Deposit Taking NBFC registered with RBI, through its Subsidiary Company, Magma ITL Finance Limited by way of acquisition of the entire shareholding of 10,71,40,000 Equity Shares of IAFL of the face value of Rs. 10/- each. IAFL has thus become a Subsidiary of the Company w.e.f. 11th June, 2012.

During the year, the Company formed a wholly owned subsidiary in the name of Magma Housing Finance Limited w.e.f. 21st May, 2012. The name of the Company was subsequently changed to Magma Advisory Services Limited w.e.f. 10th December, 2012.

Further the Company has, through its wholly owned subsidiary, Magma Advisory Services Limited completed acquisition of 100% Equity Share Capital of GE Money Housing Finance (A Public Company with Unlimited Liability) [GEMHF] (an affiliate of GE Capital India engaged in Housing Finance in India and having home loan portfolio of approximate Rs. 540 Crores as on 31st January, 2013) on 11th February, 2013. Following the acquisition, GEMHF has been renamed as Magma Housing Finance (A Public Company with Unlimited Liability) [MHF] w.e.f. 22nd March, 2013.

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 Companies. 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 2012-13 does not contain the Financial Statements of the Subsidiaries. The Audited Annual Accounts and related information of our subsidiaries, 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 Companies are enclosed as an Annexure to this Report.

Dividend

Your Directors recommend the following dividend, subject to your approval at the ensuing Annual General Meeting as under:

1. **On Equity Shares** @ 40% i.e Re. 0.80 per Equity Share of the face value of Rs. 2/- each;

2. **On Preference Shares:**

a) 9.7% i.e. Rs. 9.70 pro-rata per share dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 60/- each for the period from 01.04.2012 to 17.02.2013 and 9.7% i.e. Rs. 9.70 pro-rata per share dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 40/- each (reduced to Rs.40/- upon redemption of 3rd instalment of Rs. 20/- each per share on 17th February, 2013) for the period from 18.02.2013 to 31.03.2013;

b) 5% i.e. Rs. 5/- per share dividend on 30,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each;

c) 3.76% i.e. Rs. 3.76 pro-rata per share dividend on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each for the period from 01.04.2012 to 03.04.2012 and 3.76% i.e. Rs. 3.76 pro-rata per share dividend on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 80/- each (reduced to Rs. 80/- upon redemption of 1st instalment of Rs. 20/- each on 1st April, 2012) for the period from 04.04.2012 to 31.03.2013;

d) 12% i.e. Rs. 12/- per share dividend on 25,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each;

e) 9.6% i.e. Rs. 9.60 per share dividend on 10,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each;

f) 1% i.e. Re. 1/- pro-rata per share dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 80/- each for the period from 01.04.2011 to 17.02.2012 and 1% i.e. Re 1/- pro-rata per share dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 60/- each (reduced to Rs.60/- upon redemption of 2nd instalment of Rs.20/- each per share on 17th February, 2012) for the period from 18.02.2012 to 31.03.2012;

g) 11% i.e. Rs. 11/- pro-rata per share dividend on 36,00,000 Cumulative Redeemable Non-Convertible Preference Shares of Rs. 100/- each for the period from 12.11.2012 to 31.03.2013.

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 5,00,000 number of Stock Options were granted to the eligible employees under Magma Employees Stock Option Plan 2007 as per the details mentioned below:-

Grant Date	Tranche	No. of options granted
25.04.2012	Tranche-3	50,000
16.01.2013	Tranche-4	3,00,000
16.01.2013	Tranche-5	1,50,000
	TOTAL	5,00,000

The details of options granted and outstanding as on 31st March, 2013 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 Auditors' 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:

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

During the year, 2,24,600 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. 3,799 Lacs divided into 18,99,56,775 Equity Shares of Rs. 2/- each.

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

Preference Shares

a) Issue of Preference Shares

During the year, 36,00,000, 11% Cumulative Redeemable Non Convertible Preference Shares on Preferential Basis of the face value of Rs.100/- each aggregating to Rs. 3600 Lacs were issued and allotted on preferential allotment basis at par redeemable at the end of 3 years.

b) 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 third instalment of 20% (Rs.20/- each) on 21,09,199 Preference shares aggregating to Rs. 4,21,83,980/- was redeemed on 17th February, 2013. The paid up value per share consequent to the third redemption stands reduced to Rs. 40/-.

(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 second instalment aggregating US Dollar 3 million was redeemed after the close of the Financial Year on 2nd April, 2013 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. 14,844 Lacs as on date.

Debt

Secured Debt

During the year, the Company issued 7,050 Nos. Secured Redeemable Non-Convertible Debt Instruments of Rs. 10,00,000/- each, aggregating to Rs. 70,500 Lacs. Such instruments are in the nature of Debentures.

Subordinated Debt

During the year, the Company issued 2,250 Nos. 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. 22,500 Lacs.

Credit Rating

During the Financial Year 2012-13, 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+.

Consolidated Financial Statements

In accordance with the requirements under Clause 32 of the Listing Agreement, your Company prepared Consolidated Financial Statements in accordance with Accounting Standard-21-"Consolidated Financial Statements" and Accounting Standard-27- "Financial Reporting of Interests in Joint Ventures" 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 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.

- That having selected such accounting policies, 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, 2013 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. The gross NPA stood at Rs. 21,206.40 Lacs (Standalone) and Rs. 26,463.96 Lacs (Consolidated) and net NPA stood at Rs. 16,863.56 Lacs (Standalone) and Rs. 20,960.23 Lacs (Consolidated). Your Company appends 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 Schedule 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).

Directors

In accordance with the provisions of the Companies Act, 1956 and your Company's Articles of Association, Mr. Narayan K Seshadri and Mr. Nabankur Gupta retire at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The brief resume of the Directors who are to be reappointed, as stipulated under Clause 49 of the Listing Agreement are furnished in the Notice of the ensuing Annual General Meeting (AGM).

The Board of Directors of your Company recommends the reappointment of the above Directors at the ensuing AGM.

The retiring Directors have filed Form DDA with your Company as required under the Companies (Disqualification of Directors under Section 274 (1)(g) of the Companies Act, 1956) Rules 2003.

Auditors

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.

M/s. S. S. Kothari & Co., Chartered Accountants, has expressed their unwillingness to be reappointed. M/s. B S R & Co., Chartered Accountants, has 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. 8.67 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 foreign exchange earnings and the foreign exchange outgo of the Company is furnished in Note No. 36.

3) Particulars of employees as required under Section 217(2A) Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 as amended, forms part of this report. However, pursuance of Section 219(1) (b) (iv) of the Companies Act, 1956, report is being sent to all the shareholders of the Company excluding the aforesaid information and the said particulars are made available at the Registered Office of the Company. The members interested in obtaining information under Section 217 (2A) may write to the Company Secretary at the Registered Office of the Company.

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
8th May, 2013

Mayank Poddar
Chairman

ANNEXURE TO DIRECTORS' REPORT

Statement as at 31st March 2013, 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 except in respcet of Tranche 4. In respect of Tranche 4, the vesting options of 2,00,000 Normal options are 20%, 20%, 30% and 30% of the total normal options granted after 24, 36, 48 and 60 months respectively from the date of grant. Further in respect of 1,00,000 Additional options, 100% vesting will take place on the expiry of 5 years from the grant date. 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)	Details (3rd Tranche)	Details (4th Tranche)	Details (5th Tranche)
1	Date of grant of options	12th October, 2007	1st February, 2012	25th April, 2012	16th January, 2013	16th January, 2013
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	50,000 Each option is equivalent to one Equity Share of face value of Rs. 2/- each of the Company	Normal Options-2,00,000 Additional Options-1,00,000 (All 3,00,000 options are Performance Linked) Each option is equivalent to one Equity Share of face value of Rs. 2/- each of the Company	1,50,000 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				
4	Options vested	12,62,100	Nil as the minimum vesting period in respect of our plan is two years from the date of grant			

Sl. No.	Description	Details (1st Tranche)	Details (2nd Tranche)	Details (3rd Tranche)	Details (4th Tranche)	Details (5th Tranche)
5	Options exercised as at the year end	8,80,600	Nil	Nil	Nil	Nil
6	Total number of equity shares of Rs. 2/- each arising as a result of exercise of options	8,80,600	N.A.	N.A.	N.A.	N.A.
7	Options lapsed as at the year end	5,10,500	Nil	Nil	Nil	Nil
8	Variation in terms of options	Nil	Nil	Nil	Nil	Nil
9	Money realized by exercise of options	Rs. 3,17,01,600/-	Nil	Nil	Nil	Nil
10	Total number of options in force as at the year end	3,62,900	2,50,000	50,000	Normal Options-2,00,000 Additional Options-1,00,000 (All 3,00,000 options are Performance Linked)	1,50,000
11	Employee-wise details of options granted to					
(i)	Senior managerial personnel	Details in Appendix-I	Details in Appendix-II	N.A.	Details in Appendix-III	Details in Appendix-IV
(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-V		
(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	Nil	Nil	Nil
12	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard 20 (AS 20) 'Earnings per Share'	Rs.5.75				

Sl. No.	Description	Details (1st Tranche)	Details (2nd Tranche)	Details (3rd Tranche)	Details (4th Tranche)	Details (5th 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 13 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. 28.26 Lacs				
15	Exercise price of the options	Rs. 36/-	Rs. 60/-	Rs. 60/-	Rs. 60/-	Rs. 60/-
16	The impact of this difference on profits and on the EPS of the Company				**Basic**	**Diluted**
		Net income (Rs. in Lacs)			10,914.30	10,914.30
		Add: Employee cost intrinsic value (Rs. in Lacs)			13.50	13.50
		Less: Employee Cost fair value (Rs. in Lacs)			28.26	28.26
		Adjusted net income (Rs. in Lacs)			10,899.54	10,899.54
		Earning Per Share				
		As reported (Rs.)			5.75	5.74
		As adjusted (Rs.)			5.74	5.73
17	Fair value of each options based on Black Scholes Methodology	Rs. 30.32	Rs. 29.35	Rs. 38.65	Normal Rs.63.89 Additional Rs.68.83	Rs.62.06
	Assumptions Risk free rate	7.76%	8.35%	8.45%	7.86% 7.90%	7.85%
	Expected life of options	4.80 years	4.80 years	4.80 years	5.20 years 6.50 years	4.80 years
	Expected volatility	73.94%	58.13%	56.51%	52.51% 55.70%	50.86%
	Expected dividend	3.03%	1.06%	0.88%	0.61% 0.61%	0.61%

APPENDIX-I

List of Senior Management Employees to whom stock options were granted on 12th 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 1st 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 Senior Management Employees to whom stock options were granted on 16th January, 2013

Name of the employee	Designation	Stock options granted
Vikash Mittal	Business Head- Gold Loan	Normal options-2,00,000
		Additional options-1,00,000 (All 3,00,000 options are Performance Linked)

APPENDIX-IV

List of Senior Management Employees to whom stock options were granted on 16th January, 2013

Name of the employee	Designation	Stock options granted
Sandeep Walunj	Chief Marketing Officer	1,00,000

APPENDIX-V

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
Subir Roy Chowdhury	Vice- President – HR	50,000
Dhirendra Kumar Hota	Head IT Core Project Team	50,000

For and on behalf of the Board

Kolkata
8th May, 2013

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 Magma Employee Stock Option Plan 2007, approved by the Company at its Extra Ordinary General Meeting held on 5th 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 up to the Circular no. SEBI/CFD/DIL/ESOP/5/2009/03/09 dated 3rd September, 2009, and in accordance with the terms of the aforesaid resolutions passed by the Company.

The certificate is issued on the request of the management of the Company and is solely for the purposes as stated in Clause 14 of the Guidelines. This certificate is not intended to be and should not be used for any other purpose.

For BSR & Co.
Chartered Accountants
Firm's Registration No.: 101248W

Zubin Shekary
Partner
Membership No.: 048814

Kolkata
8th May, 2013

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

R.N Bardhan
Partner
Membership No.: 017270

Kolkata
8th May, 2013

Statement of interest in Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956

(Rs. in Lacs)

Name of the Subsidiary Companies	Magma ITL Finance Limited (MITL)	International Autotrac Finance Limited (IAFL)	Magma Advisory Services Limited (MASL)	Magma Housing Finance (A Public Company with Unlimited Liability) (MHF)
Financial Year to which the accounts relates	31st March, 2013	31st March, 2013	31st March, 2013	31st March, 2013
Holding Company's interest –				
-Number of shares held – Equity (Rs. 10/- each)	3,32,99,400	10,71,40,000*	2,11,11,112	14,81,02,500**
-Extent of holding	74%	74%	100%	100%
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, 2013	Nil	Nil	Nil	Nil
(b) i) Not dealt with in the accounts of the Company for the Subsidiary's Financial Year ended 31st March, 2013	1,803.53	103.05	0.96	(17.11)
ii) For previous Financial Year since it became a Subsidiary	2,025.55	N.A.	N.A.	N.A.

**Represents 100% shareholding which is held by MITL. MFL has indirect holding of 74% through MITL.*

***Represents 100% shareholding which is held by MASL. MFL has indirect holding of 100% through MASL.*

For and on behalf of the Board

Kolkata
8th May, 2013

Mayank Poddar
Chairman

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

1. Company's philosophy on the Code of Governance

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

2. Board of Directors

2.1 Composition and size

The Company has a judicious mix of Executive and Non-Executive Directors on its Board. At present, there are 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 12th July, 2012 and the number of Companies and Committees where each of them is a Director / Member as on 31st March, 2013 is given below:

Name of Director	Category	Materially significant, pecuniary or business relationship with the Company	Number of shares held in the Company	F.Y 2012-13 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 12th July, 2012			Chairman	Member
Mr. Mayank Poddar	Promoter, Executive	Executive Chairman	Nil	3/4	Yes	No	3	Nil	1
Mr. Sanjay Chamria	Promoter, Executive	Vice Chairman and Managing Director	Nil	4/4	Yes	No	5	2	2
Mr. Neil Graeme Brown	Independent, Non-executive	-	Nil	3/4	No	Yes	Nil	Nil	Nil
Mr. Narayan K Seshadri	Independent, Non-executive	-	Nil	4/4	Yes	Yes	7	3	4
Mr. Nabankur Gupta	Independent, Non-executive	-	Nil	4/4	Yes	Yes	9	2	4
Mr. Kailash Nath Bhandari	Independent, Non-executive	-	Nil	4/4	Yes	Yes	11	1	3
Mr. Satya Brata Ganguly	Independent, Non-executive	-	Nil	4/4	Yes	Yes	7	1	6
Mr. Sanjay Nayar	Non-Independent, Non-executive	Nominee-Zend Mauritius VC Investments, Limited	Nil	3/4	Yes	Yes	6	1	3

**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 of Public Companies.*

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 2012-13, Magma's Board met four times on 26th April, 2012, 12th July, 2012, 18th October, 2012 and 17th January, 2013. All the Agenda items were backed by necessary supporting information and documents to enable the Board to take informed decisions.

2.4 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 2012-13. The details of the remuneration paid to the Directors during the Financial Year ending 31st March, 2013:

(in Rs.)

Directors	Salary and allowances	Perquisites	Sitting fees	Commission	Performance Bonus	Total
Mr. Mayank Poddar	70,08,462	94,03,370	-	-	-	1,64,11,832
Mr. Sanjay Chamria	70,08,462	92,41,524	-	-	1,05,00,000	2,67,49,986
Mr. Neil Graeme Brown	-	-	1,60,000	30,00,000	-	31,60,000
Mr. Narayan K Seshadri	-	-	2,00,000	45,00,000	-	47,00,000
Mr. Nabankur Gupta	-	-	1,00,000	30,00,000	-	31,00,000
Mr. Kailash Nath Bhandari	-	-	80,000	15,00,000	-	15,80,000
Mr. Satya Brata Ganguly	-	-	4,70,000	15,00,000	-	19,70,000
Mr. Sanjay Nayar	-	-	1,20,000	-	-	1,20,000
Total	**1,40,16,924**	**1,86,44,894**	**11,30,000**	**1,35,00,000**	**1,05,00,000**	**5,77,91,818**

2.5 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.

2.6 Information supplied to the Board

The following information is regularly placed before the Board:

1. Annual operating plans and budgets and any updates thereof;

2. Capital budgets and any updates;

3. Quarterly results for the Company and its operating divisions or business segments;

4. Minutes of meetings of Audit Committee and other Committees of the Board;

5. The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary;

6. Show cause, demand, prosecution notices and penalty notices which are materially important;

7. Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business;

8. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend and delay in share transfer, among others;

9. Minutes and Financial Results of the Subsidiary Companies M/s. Magma ITL Finance Limited, M/s. Magma Advisory Services Limited, M/s. International Autotrac Finance Limited and M/s. Magma Housing Finance (A Public Company with Unlimited Liability);

10. Details of any joint venture or collaboration agreement.

3. Committees

Magma at present has six committees of the Board: -

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

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

3.1 Audit Committee

3.1.1 Terms of reference

The terms of reference of the Audit Committee are 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 utilized for the purposes other than those stated in the offer document/ prospectus/ notice and report submitted by monitoring agency, monitoring the utilization 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. Girish Bhatia, Company Secretary, acts as the Secretary to the said Committee.

3.1.3 Meeting and the attendance during the year

The Audit Committee of Directors met four times during the year under review on 25th April, 2012, 11th July, 2012, 18th October, 2012 and 16th January, 2013.

Name of the Directors	Number of meetings attended/held
Mr. Narayan K Seshadri	4/4
Mr. Neil Graeme Brown	3/4
Mr. Satya Brata Ganguly	4/4
Mr. Sanjay Nayar	3/4
Mr. Mayank Poddar	3/4

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 18 times during the year under review on 23rd April, 2012, 22nd May, 2012, 18th June, 2012, 28th June, 2012, 9th July, 2012, 7th August, 2012, 6th September, 2012, 19th September, 2012, 3rd October, 2012, 15th October, 2012, 17th October, 2012, 12th November, 2012, 12th December, 2012, 31st December, 2012, 2nd February, 2013, 22nd February, 2013, 11th March, 2013 and 19th March, 2013.

Name of the Directors	Number of meetings attended/held
Mr. Mayank Poddar	17/18
Mr. Sanjay Chamria	14/18
Mr. Satya Brata Ganguly	18/18

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 12 times during the Financial Year ended 31st March, 2013 on 18th May, 2012, 18th June, 2012, 12th July, 2012, 16th August, 2012, 19th September, 2012, 17th October, 2012, 12th November, 2012, 14th December, 2012, 31st December, 2012, 24th January, 2013, 14th February, 2013 and 11th March, 2013 to discharge its functions. The members attended the meetings as follows:

Name of the Directors	Number of meetings attended/held
Mr. Satya Brata Ganguly	11/12
Mr. Mayank Poddar	11/12
Mr. Sanjay Chamria	10/12

M/s. Niche Technologies Private Limited, D-511, Bagree Market, 5th Floor, 71, B. R. B. Basu 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, 2013.

Number of Complaints		
Received	Resolved	Pending
Nil	Nil	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 authorizing 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, 2013 on 25th April, 2012 and 16th January, 2013 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	2/2
Mr. Sanjay Chamria	2/2

3.5 Fair Practices Code Committee

3.5.1 Terms of reference

The Fair Practices Code Committee reviews the adoption of the Code of Fair Practice so as to comply with the circular issued by the Reserve Bank of India for Non Banking Financial Companies in this regard.

3.5.2 Composition

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

Mr. Satya Brata Ganguly, Independent Director, acts as the Chairman of the Committee.

3.5.3 Meeting and the attendance during the year

The Fair Practices Code Committee of Directors met 2 times during the year under review on 6th December, 2012 and 16th January, 2013.

Name of the Directors	Number of meetings attended/held
Mr. Mayank Poddar	1/2
Mr. Sanjay Chamria	2/2
Mr. Satya Brata Ganguly	2/2

3.6 Investment Committee

3.6.1 Terms of reference

The Investment Committee evaluates all Business Opportunities that may arise and recommend the same to the Board for its consideration.

3.6.2 Composition

Sl No.	Name of the Members	Category
1.	Mr. Sanjay Nayar	Non-Independent, Non-executive
2.	Mr. Narayan K. Seshadri	Independent, Non-executive
3.	Mr. Nabankur Gupta	Independent, Non-executive
4.	Mr. Sanjay Chamria	Promoter, Executive

Mr. Sanjay Nayar acts as the Chairman of the Committee.

3.6.3 Meeting and the attendance during the year

The Investment Committee of Directors met 4 times during the year under review on 11th July, 2012, 28th September, 2012, 9th November, 2012 and 4th March, 2013.

Name of the Directors	Number of meetings attended/held
Mr. Sanjay Nayar (Appointed as a member w.e.f. 18.10.2012)	2/2
Mr. Narayan K. Seshadri	4/4
Mr. Nabankur Gupta	4/4
Mr. Sanjay Chamria	4/4

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. 31 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, 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 2012–13, Analyst Conference Calls were conducted by Mr. Sanjay Chamria (Vice Chairman Cum Managing Director) on 13th July, 2012, 19th October, 2012 and 18th January, 2013 and Analyst Meet on 9th May, 2013.

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
2009-10	Gyan Manch, 11, Pretoria Street, Kolkata-700 071	Thursday 15th July, 2010	3.00 P.M.	-
2010-11	Kala Kunj Auditorium, 48, Shakespeare Sarani, Kolkata – 700 071	Tuesday 21st June, 2011	10.30 A.M.	4
2011-12	Kala Kunj Auditorium, 48, Shakespeare Sarani, Kolkata – 700 071	Thursday 12th July, 2012	3.00 P.M.	-

b) Postal Ballot

During the year, the Company had conducted 3 Postal Ballots on 3rd October, 2012, 22nd February, 2013 and 4th March, 2013 respectively under the Companies (Passing of the Resolutions by Postal Ballot) Rules, 2011. M/s. A.K.Labh & Co., Practising Company Secretaries, Kolkata, was appointed as the Scrutinizer for overseeing Postal Ballot process for the above Postal Ballots.

The following resolutions were 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
05.11.2012	Special Resolution	Issue of 11% Cumulative Redeemable Non Convertible Preference Shares upto a sum of Rs. 70 Crores in accordance with Sections 80 and 81(1A) of Companies Act, 1956.	99.99
29.03.2013	Special Resolution	Issue of Cumulative Redeemable Non Convertible Preference Shares upto a sum of Rs. 150 Crores in accordance with Sections 80 and 81(1A) of Companies Act, 1956.	99.96
13.04.2013	Ordinary Resolution	Reclassification of the Authorised Share Capital of the Company in accordance with Sections 16 and 94 of Companies Act, 1956.	99.99
	Special Resolution	Authorisation for raising finance through issue of securities upto a sum not exceeding Rs. 500 Crores in accordance with Sections 81 and 81(1A) of Companies Act, 1956.	99.98

8. Shareholders' information

The Shareholders are kept informed by way of mailing of Annual Reports, notices of Annual General Meetings, Extra Ordinary General Meetings, Postal Ballots 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 Limited, 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

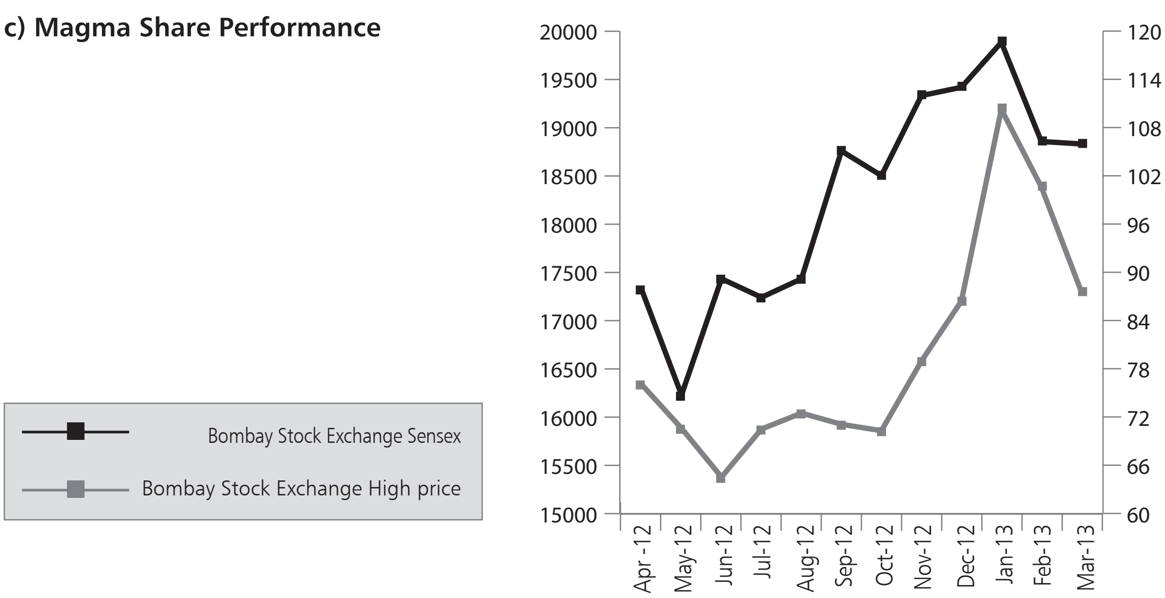
The Company has paid Annual Listing fee for the Financial Year 2013–14 for both NSE and BSE.

b) Market price data

Monthly high and low quotation during 1st April, 2012 to 31st March, 2013 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, 2012	76.00	67.00	76.00	66.80
May, 2012	70.50	54.25	71.00	56.00
June, 2012	64.40	55.00	62.00	55.65
July, 2012	70.40	58.80	72.00	58.55
August, 2012	72.40	61.00	70.00	61.60
September, 2012	71.00	61.00	71.20	58.95
October, 2012	70.20	62.00	69.50	61.05
November, 2012	78.90	62.00	79.35	62.00
December, 2012	86.40	71.00	84.80	71.10
January, 2013	110.40	80.00	110.50	80.00
February, 2013	100.70	78.50	101.00	78.25
March, 2013	87.60	79.00	88.00	79.00

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	:	Mr. Girish Bhatia Secretarial Department, "Magma House", 7th Floor, 24, Park Street, Kolkata – 700 016, Tel No.033- 44027714 / 7703
f)	Registrar and Share Transfer Agent	:	Niche Technologies Private Limited, D-511, Bagree Market, 5th Floor, 71, B.R.B. Basu Road, Kolkata - 700 001, Tel No.033- 22357270 / 7271, 033- 22343576, Fax No.033 - 22156823, Email Id : nichetechpl@nichetechpl.com
g)	AGM details		
	Date	:	As per the Notice calling the Annual General Meeting
	Venue	:	
	Time	:	
h)	Book Closure date	:	12th July, 2013 to 18th July, 2013 (both days inclusive).
i)	Financial calendar (tentative)		
	Financial reporting for the quarter ending		
	1st quarter ending 30th June, 2013	:	Last week of July, 2013
	2nd quarter ending 30th September, 2013	:	Last week of October, 2013
	3rd quarter ending 31st December, 2013	:	Last week of January, 2014
	4th quarter ending 31st March, 2014	:	Last week of April, 2014
	Annual General Meeting for the year ending 31st March, 2014	:	Last Week of September, 2014
j)	Dividend payment date and rate	:	The Board of Directors of the Company have proposed, subject to the approval of the Shareholders at the Annual General Meeting, dividend as under: 1. On Equity Shares @ 40% i.e Re. 0.80 per Equity Share of the face value of Rs. 2/- each; 2. On Preference Shares: a) 9.7% i.e. Rs. 9.70 pro-rata per share dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 60/- each for the period from 01.04.2012 to 17.02.2013 and 9.7% i.e. Rs. 9.70 pro-rata per share dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 40/- each (reduced to Rs.40/- upon redemption of 3rd instalment of Rs. 20/- each per share on 17th February, 2013) for the period from 18.02.2013 to 31.03.2013; b) 5% i.e. Rs. 5/- per share dividend on 30,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each; c) 3.76% i.e. Rs. 3.76 pro-rata per share dividend on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each for the period from 01.04.2012 to 03.04.2012 and 3.76% i.e. Rs. 3.76 pro-rata per share dividend on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 80/- each (reduced to Rs. 80/- upon redemption of 1st instalment of Rs. 20/- each on 1st April, 2012) for the period from 04.04.2012 to 31.03.2013. d) 12% i.e. Rs. 12/- per share dividend on 25,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each; e) 9.6% i.e. Rs. 9.60 per share dividend on 10,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each;

			f) 1% i.e. Re. 1/- pro-rata per share dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 80/- each for the period from 01.04.2011 to 17.02.2012 and 1% i.e. Re.1/- pro-rata per share dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 60/- each (reduced to Rs.60/- upon redemption of 2nd instalment of Rs.20/- each per share on 17th February, 2012) for the period from 18.02.2012 to 31.03.2012. g) 11% i.e. Rs. 11/- pro-rata per share dividend on 36,00,000 Cumulative Redeemable Non-Convertible Preference Shares of Rs. 100/- each for the period from 12.11.2012 to 31.03.2013. 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. Gaurav Parasrampuria, 24, Park Street, Kolkata - 700 016. Ph: 033 4401 7200 / 033 4402 7750 Email: gaurav.parasrampuria@magma.co.in

l) Distribution of shareholding as on 31st March, 2013

Particulars	Number of shareholders	Number of shares held	Percentage of shareholding
Up to 500	10329	10,47,592	0.5515
501 – 1,000	645	5,08,359	0.2676
1,001 – 5,000	618	13,34,219	0.7024
5,001 – 10,000	122	9,06,267	0.4771
10,001 – 50,000	160	38,72,007	2.0384
50,001 – 1,00,000	33	24,79,649	1.3054
1,00,001 – and above	44	17,98,08,682	94.6577
Total	**11951**	**18,99,56,775**	**100.0000**

Pattern of shareholding as on 31st March, 2013

Category	Number of shares	Percentage
Promoter and Promoter Group	6,39,31,963	33.66
Resident individuals	87,18,677	4.59
Foreign holdings	10,61,64,987	55.89
Public financial institutions and banks	1,42,154	0.07
Other Companies / Mutual Funds	94,46,114	4.97
Trusts	15,52,880	0.82
Total	**18,99,56,775**	**100.00**

m)	Demat facility	:	The Company's shares enjoy demat facility with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) having the following ISIN Nos. for Equity Shares and Preference Shares :- a. INE511C01022 for 18,99,56,775 Equity Shares of Rs. 2/- each available since 16th January, 2001 b. INE511C04018 for 9.70% 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each c. INE511C04026 for 3.25% LIBOR 6,500,999 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each d. INE511C04034 for 5% 30,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each

			e. INE511C04042 for 12% 25,00,000 Cumulative Redeemable Non-Convertible Preference Shares of Rs. 100/- each f. INE511C04059 for 11% 26,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each and g. INE511C04067 for 11% 10,00,000 Cumulative Non-Convertible Redeemable Preference Shares of Rs. 100/- each As on 31st March, 2013, 18,84,25,255 Equity Shares constituting 99.19% of the total holding and 1,77,10,198 Preference Shares constituting 94.66% of the total holding of the Company were held in demat mode.
n)	Transfer of shares	:	During the period, transfer of 10,955 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.
o)	Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity		As on 31st March, 2013, there are no Outstanding GDRs/ADRs/Warrants or any Convertible instruments
p)	E-mail ID of the (Grievance Redressal Division/Compliance Officer) exclusively for the purpose of registering complaints by investors		bhatia.g@magma.co.in
q)	Unclaimed Shares		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 reminders to the concerned shareholders on 6th February, 2012 and 28th August, 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

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

Since 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, these are not sent individually to the shareholders of the Company. 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, 2013.

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
8th May, 2013

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 31st March, 2013 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 the 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 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 on 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 BSR & Co.
Chartered Accountants
Firm's Registration No.: 101248W

Zubin Shekary
Partner
Membership No.: 048814

Kolkata
8th May, 2013

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

R.N Bardhan
Partner
Membership No.: 017270

Kolkata
8th May, 2013

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

6th May, 2013

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, 2013.

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.

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 have indicated to the Auditors and the Audit Committee:

(a) significant changes, if any, in the internal controls over financial reporting during the year.

(b) significant changes, if any, in the accounting policies made during the year and the same have been disclosed in the notes to the financial statements; and

(c) instances of significant fraud, if any, of which we have become aware and the involvement therein, of the management or an employee having a significant role in the company's internal control system over financial reporting.

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 30, 2013

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 31.03.2013.

Thanking You,

Yours sincerely,

For **Magma Fincorp Limited**

Sanjay Chamria
Vice Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A. Economic and Industry Overview

Economic Overview

After 2 successive years of robust growth at 8%+, GDP growth moderated to 6.2% in 2011-12 and has further decelerated to 5.0% in 2012-13 (as per Advance Estimates from Central Statistical Organisation). Slowdown as witnessed in all three sectors of the economy, has been precipitated by Domestic policy uncertainties, impact of inflation on real consumption and cyclical and structural factors affecting real investment as well as factors emanating from the rest of the world particularly advanced economies and India's major trading partners.

Sector wise key highlights:

- Growth in the Agriculture and Allied activities declined to 1.8% in 2012-13 versus 3.6% recorded in 2011-12 largely on account of a deficient south-west monsoon.
- Real GDP growth originating in Industry declined to 2.0% in 2012-13 as compared to 3.5% recorded last year largely on account of deceleration in mining, moderation in manufacturing and 'electricity, gas and water supply'. Growth was further constrained by policy uncertainties, infrastructure bottlenecks and slackening of external demand.
- Hitherto the mainstay of overall growth, growth in Services sector was subdued at 6.5% during 2012-13 versus 8.2% last year. The moderation was mostly due to lower growth in 'trade, hotels, transport, storage & communication' and 'financing, insurance, real estate and business services'.

(FY 2012-13 figures are basis the Advance Estimates from Central Statistical Organisation)

The average headline inflation as measured by WPI (Wholesale Price Index) was at 7.5% during the first 10 months of fiscal 2012-13 but has eased considerably since February 2013 due to weakening domestic demand and lower global commodity prices. Further, driven by softening prices of non-food manufactured products, WPI inflation declined sharply to 6.0% in March 2013 which is the lowest level recorded since January 2010. Nonetheless, price pressures remain on the wage-price spiral, with risks emanating from suppressed inflation, pressure of food prices and expectation for high inflation.

The anti-inflationary monetary policy stance adopted by the Reserve Bank of India (RBI) since early 2010 and continued for the better part of 2011 resulted in the increase of the Repo rates by 375 bps (basis points) in 13 tractions to reach a peak at 8.5% in October 2011. With some moderation in core inflation in 2012-13 and with a view to provide some impetus to growth, the RBI reduced the rates by 100 bps in 3 tranches to 7.5% by March 2013. Further as part of liquidity management measure and in a bid to improve credit flows, CRR (Cash Reserve Ratio) and SLR (Statutory Liquidity Ratio) was cut by 75 bps to 4.0% and by 100 bps to 23% respectively in 2012-13.

Industry Overview

Growth in sales of new Passenger Cars & MUVs (Multi Utility Vehicles) declined to 2.2% during 2012-13 against 4.7% growth in 2011-12 mainly on account of slowdown in the Passenger Car segment wherein sales weakened due to fuel prices remaining high and little respite on Interest rates.

All India sales of new Commercial Vehicles recorded a de-growth of 2.0% during 2012-13 as compared to 18.2% growth in 2011-12 due to below par performance in M&HCVs (Medium & Heavy Commercial Vehicles) and LCVs (Light Commercial Vehicles) segment in 2012-13.

Similarly, as per industry feedback, sales of Construction Equipment are believed to have witnessed a de- growth of 8% in 2012-13 against a growth of 10% in 2011-12.

Sales of Tractors suffered as well with a de-growth of 1.4% in 2012-13 versus 11.3% growth in 2011-12 due to combined impact of delayed/deficient monsoon and slowdown in infrastructure development and mining industry which resulted in moderation for usage of tractors in the non-agriculture sector.

As per estimates from SIAM (Society of Indian Automobile Manufacturers), growth in overall Passenger Vehicle segment is likely to improve slightly to 5-7% on the back of continued demand for the diesel vehicles which is expected to push Utility Vehicles (UVs) sales. However within the Passenger Vehicle segment, demand for Passenger cars is expected to remain muted due to depressed consumer sentiments, uncertain economic growth and rising ownership costs.

The Commercial Vehicle (CV) sales are expected to improve after a very slow year, especially for medium and heavy CVs. Latent demand in the market, growth in economic activity like mining is expected to boost total CV demand by 7-9% in 2013-14, with bus sales also getting a push on the back of the new purchases by States under the JNNURM II Scheme.

In the short term, Tractor market is expected to remain stagnant to low growth mode. However in the medium to long term, the growth story is expected to continue due to support from Government of India towards rural development and agri-mechanisation.

B. Magma in 2012-13

Fiscal 2012-13 has been an eventful year at Magma.

In-spite of lagging primary sales in the automobile industry across all product segments, the Company has performed commendably and has been able to increase its total disbursements by 18.7% from Rs. 7,404.34 Crores last year to Rs. 8,787.94 Crores in 2012-13 and has in the process gained market share across all its products.

Further, during 2012-13, the Company has expanded its bouquet of products through both organic and inorganic routes:

- With a view to provide access to organized finance to the under-banked strata in the society, Magma forayed into Loans against Gold in June 2012. Total disbursements of Rs. 110.01 Crores was made during the year under review.

- To optimize on cross sell opportunities, Magma had entered into a JV with HDI Gerling, part of the Talanx Group and the 3rd Largest Insurance Company in Germany. Post receipt of approval from the Regulator, IRDA, Magma has successfully operationalized its General Insurance Venture – Magma HDI General Insurance Company Limited (MHDI), the First Eastern India based General Insurance Company in October, 2012. In its six months of operation, Magma HDI has posted a commendable premium income of Rs. 95.1 Crores.

- Marking its entry into the Mortgage industry, Magma has successfully acquired and integrated the Mortgage finance businesses of GE Capital in India in February 2013. The total value of portfolio acquired was Rs. 1,343.18 Crores.

Due to the combined impact of healthy increase in disbursements and Acquisitions, the total Assets under Management increased from Rs. 13,292.82 Crores as on 31st March, 2012 to Rs. 18,377.65 Crores, as on 31st March, 2013 recording an impressive growth of 38.3%.

Inspite of the uncertain scenario prevailing in the economy and constrained cashflows, Company has registered a robust Collection Efficiency of 98.2%.

With a view to ensure that the organizational preparedness is impeccable, the Company, the first in the NBFC industry, has in fiscal 2012-13, implemented the RBI draft guidelines issued on the basis of the Usha Thorat Committee recommendations. From its previous policy of writing-off Non-performing assets at 180 DPD (Days Past Due), Magma now recognizes NPAs at 120 DPD and in addition has also increased the provisions on standard assets from 0.25% to 0.30%. The Company believes that early adoption of these apparently tough measures will eventually strengthen the Company as it grows in size and becomes more systemically important.

In fiscal 2012-13, Magma has further expanded its footprint to 275 branches from 200 branches at the beginning of the year. With 81% of Magma's branches (excluding dedicated gold loan branches) in the semi-rural and rural areas, the extensive branch network spread over 20 states and 1 union territory provides superior reach to serve customers in the under-served sectors by the conventional banking system.

Financial Performance

(All figures are on consolidated basis unless specifically mentioned otherwise)

Income

In 2011-12, the Company had made a significant change in its Accounting Policy towards securitization income and expenses whereby instead of recognizing the securitisation/assignment income and expense on upfront basis, the Company started amortizing them over the remaining tenure. As a result of this change in the business strategy, the share of earning assets have increased significantly quarter on quarter and now comprise 95.4% of total Loan Assets as compared to 47.6% in 31st March, 2011 when the Company implemented the policy change.

Owing to increase in share of earning assets and also better overall yields on fresh disbursements during the year 2012-13, the Income from Operations during the year increased by 55.8% on consolidated basis from Rs. 1,031.48 Crores last year to Rs. 1,606.89 Crores. The company's total Income grew by 57.5% from Rs. 1,080.00 Crores to Rs.1,701.47 Crores

Earning Assets increased by 57.7% to Rs. 15,488.48 Crores as on 31st March, 2013 from Rs. 9,823.49 Crores last year. Similarly, average lending rates on earning assets improved by 102 bps to 15.36% during FY13 versus 14.34% last year.

Expenses

Largely due to greater retention of assets on books, the Interest and Finance charges of Company increased from Rs. 625.43 Crores in fiscal 2011-12 to Rs. 926.25 Crores in 2012-13, an increase of 48.1% on consolidated basis. However, the Finance cost as a percentage of total income has decreased from 57.9% in fiscal 2011-12 to 54.4% in 2012-13 on account of efficient management of cost of funds through a judicious mix of workings capital and low cost debt instruments.

Better interest cost management and a prudent mix of products financed helped the Company to increase Net Interest Spread (NIS) by 151 bps from 3.40% to 4.91% for business done during the year 2012-13.

The Company has invested in the adequate manpower capacitisation and infrastructure built up over the year especially for the new businesses launched during the year. As a result, in value terms the Personnel costs have increased by 36.9% over 2011-12 and other Operative and Administrative expenses increased by 51.9% YoY. However, in terms of Operating efficiency, the Operating Expenses ratio (defined as Employee cost & other operative and administrative expenses including Brokerage & Commission expenses as percentage of Total Income) has decreased from 25.3% to 25.2% during 2012-13.

Depreciation has increased to Rs. 37.56 Crores during the year as against Rs. 29.58 Crores in fiscal 2012.

Profitability

Higher Earning assets, improved yields, effective management of finance costs and a healthy collection efficiency has helped Company in recording a considerable increase in Profit before tax (PBT) at Rs. 212.48 Crores which is 104.9% higher than Rs.103.71 Crores reported in previous year.

Similarly, Profit after tax (PAT) increased by 86.3% from Rs. 77.79 Crores in fiscal 2011-12 to Rs. 144.94 Crores in fiscal 2012-13 on consolidated basis.

Higher profitability, as detailed above resulted in RoA (Return on Average Assets) going up to 1.36% versus 1.09% in Financial Year 2012-13. RoE (Return on Average Equity) has increased from 7.38% to 9.97% in 2012-13.

On Standalone basis, Capital adequacy Ratio at the year-end was an adequate 16.8%, against the RBI stipulated norm of 15% for non-deposit taking asset financing companies like Magma.

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 Magma Employee Stock Options, Plan 2007 (MESOP) seeks to reward and retain leaders within the organization as well as to attract talent from a competitive marketplace. Magma formulated and implemented an MESOP scheme in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Pursuant to the Plan, 25,04,000 stock options have been granted to the eligible employees as on 31st March, 2013 out of which 12,62,100 Stock Options have been vested and 8,80,600 options have been exercised. This includes 5,00,000 Stock Options granted to the eligible employees of the Company during the year.

Human Resource Initiatives

Magma makes significant investments in the Learning & Development of its employees. This has become more important considering the pace at which things change in the financial services industry. Having Introduced E-Learning in 2011-12, Magma continued its focus & launched 20 new E-Learning Courses across all functions during 2012-13 .These courses were taken by 4645 employees. During the year, 173 instructor led programs aimed at capability / skill building were conducted, covering 5683 employees across all functions. Learning & Development plays a supporting role in organization initiatives aimed at improving employee engagement. Magma has drawn ambitious plans to provide focussed training through E-Learning and Instructor led programs in 2013-14.

Magma is also focussed on building the Talent pipeline. During the year, the Company has recruited talent from leading Business Schools and Engineering Colleges. Magma intends to pursue this strategy to build talent at entry levels during

2013-14 too. There is a structured plan to nurture fresh talent & groom them over next few years to take up leadership roles.

Information Technology

The critical IT intervention has accelerated organisational speed, integrated processes (origination of loan cycle and disbursement collection) and enhanced profitability. In a business where information is critical, Information Technology plays a vital role, facilitating informed decision-making to grow the business.

Over the years, the Company has invested extensively in infrastructure, people and processes with the objective to capture, protect and transmit information with speed and accuracy.

Magma's business runs on a customised ERP system, developed on Oracle platform. The Company invested significantly in maintaining and updating its technological platform over the years. Magma's branches are connected through extensive Secure Virtual Private Network to make it possible to capture and access information real-time and in a secured manner. Magma has a centralised Helpdesk & Facility Management System which helps run the business seamlessly. Magma has an enterprise-wide security policy to ensure better checks and controls.

IT now has become a critical business function with senior business people involved in IT projects and initiatives, thus transforming role of IT from being a support function to that of an enabler and driver of core business processes of the organisation.

New Initiatives undertaken in IT during F.Y. 2012-13

- The Company has initiated re-architecting the existing business functionalities of the Core Application on the latest state-of-the-art technology platform to provide more features, better security, enhanced business functionalities and reduction of manual work. This project will be completed in 2014.
- Process improvement and requirement analysis have been done along with work flow automation, content digitization and collaboration. This fully integrated system with high level of automation and operational management capability will improve Turnaround Time (TAT) by around 50% over three years. The system will capture each process flow and will generate who has to do what work and will give reminders for work which will improve the TAT.
- The Company will establish a new technical platform from old legacy, and will leverage the features of the latest technology to have an integrated operating environment using workflow / escalation / alerts / imaging / collaboration, among others.
- The Company developed the entire functionalities for its gold loan business which was launched in June, 2012.
- The Company has developed and enhanced functionalities of its existing ERP system, migrated the IT data and integrated the same in its existing processes for its acquired businesses of mortgage loans and car lease loans.
- The Company has set up a production and secondary data centre in Hyderabad (which is in another seismic zone) to de-risk any possible data loss due to any natural calamities.
- Over the last year, all the branches were MPLS networked against 150 branches in the previous year for better customer servicing. The new branches were networked on the new platform from the start.

Outlook

- The focus would be on implementing the new Magma Core Application on a new technology platform, aiming to automate IT processes as per global best practices for seamless IT services and enhance enterprise-wide IT security by deploying new technologies and tools to enhance information security. This development is being done with the help of external consultants.
- The Company is working on Lean Six Sigma as a methodology for improving its business processes and key metrics. In each of the functions, the Company has identified key areas for process transformation, which will employ Lean Six Sigma methodology. These projects will be covered across the organisation before the new platform comes into being.
- Along with implementation of core application, Magma aims to implement sales force automation, which will empower sales force with mobile devices for access to front-end field modules of the ERP system.
- A new project named as MDRDC (Magma Direct Relationship Development Centre) has been initiated. A high-end contact centre (using advanced voice technologies) with relationship managers, who on voice-based channels will address the entire customer lifecycle. This in-bound contact centre will address all the businesses across the country. It will be a complementary channel to the field force which gives a voice-based facility to the customers to interact with Magma.
- The Company will change the entire enterprise infrastructure and bolster its network and security structure to support the

new high-end application and to derive full benefits from it.

Corporate Image Building

In August 2012, the Company launched its first multimedia campaign in various national mainline television channels & newspapers targeting diverse group of Stakeholders, Consumers (both current & future), Employees (present & potential), Investors, Bankers, Media etc. The campaign was based on the theme of-"Magma-the propeller/ enabler of progress; making people achieve & realise their dreams."

The newspaper campaign featured front page advertisements in leading dailies like TOI, ET, Telegraph, Hindustan Times, Hindu etc. and magazines like Jet Wings, India Today, Air India In-flight Magazine, Business World etc. The Television campaign used a mix of leading National and Regional channels including south specific and cricket centric channels. This investment of close to Rs.5 Crores introduced brand Magma to the intended audience in an emphatic manner.

This media-led branding initiative was complemented with simultaneous office branding where the unique positioning of Magma along with its Core Values, Mission & Vision were highlighted in close to 150 offices. The context & extend of this branding building was effectively explained to over 6000 employees through regular e-mailers & internal mega engagement events like Rendezvous.

Gold Loan business was started in June 2012 in Mumbai & Kolkata. All the branches of Gold Loan were also branded with strategic communication & consistency trying to give good customer experience. Several catchment area branding & marketing activities created good visibility.

The Company enjoyed high editorial visibility in print & electronic mediums through effective public relation campaigns. Participation in various consumer & trade expos helped the Company to reach large audience & address them. Participation in IMME 2012 at Kolkata, one of the largest Construction Equipment Expo, helped Magma to attract attention of customers & manufacturers. Sponsorships in a series of conferences, organized by FICCI, CII & other chambers added to the Brand Recall. From its new business initiatives, Magma sponsored an insurance meet by CII in Kolkata where MHDI was the Gold Sponsor; Further, Housing team sponsored a Summit on Affordable Housing in Mumbai as the Principal Sponsor. Participation and Sponsorship of major Corporate Events, developing and maintaining strong Investor relations through planned IR Activities, Investors meet, Dealer and Channel meets are some of the other regular activities which Magma undertook during the year. Regular emphasis in Below the Line (BTL) activities helped Magma to reach out and speak to its target audience.

Corporate Social Responsibility

Magma has been extending support to the Society by way of various Corporate Social Responsibility activities and this year too was no exception. Magma took up the cause of conservation of environment by helping restore natural flora and fauna at South Bengal's biggest Oxbow lake created by the river Ganges, in Purbasthali, 120 km North of Kolkata. Every year the sprawling lake used to become a sojourn for thousands of migratory birds of different species. But the growth of water hyacinth and poaching in the recent past has robbed the natural habitat. The initiative helped several new species of birds come to the lake this year.

The Company organized 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 organized Painter's Workshop in six cities 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 among the economically weaker sections. Magma further patronized Akshay Patra Foundation - an NGO, for providing mid-day meals to students and Parivar – an NGO to build residential school for the deprived children. In an effort to reach out to street children, Magma celebrated Diwali with around 150 underprivileged kids in Mumbai and Kolkata under the 'Light a Smile' campaign. The Company also took a step forward in helping the destitute by supporting their medical treatment in Kolkata.

Customer Relationship Management

Magma's diverse product offerings include asset finance, loans for working capital expansion, General 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 Suvidha 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 significantly increased our presence in social networking sites like Facebook, Linkedin & Twitter. Our Facebook page for instance has attracted over 150,000 likes. We have also worked hard to improve customer experience on our corporate website, which has been recognized internationally via a Webby nomination, one of the most coveted nominations a website can receive. We are working hard on a number of digital initiatives in the coming year to make ourselves more customer centric which will translate into better customer experience, engagement and loyalty.

Magma continues to invest time and money in systems and technology in further refining sales processes and systematic measurement of process metrics, aimed at improving efficiency and customer satisfaction. Significant investments in branch network, CRM processes, mobile technology 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 and 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 backdrop of a sluggish economy, primary sales in all product segments have suffered during the year under review and automobile sector is one of the worst hit. In fact for the first time in more than a decade, passenger cars sales have recorded de-growth on annual basis. In spite of these headwinds, the long term growth story of India is intact. Reviving consumer demand, growth in core sectors and key Infrastructure segments such as roads, power etc. continue to remain a focus area for the policy makers and the government. Thus on a short to medium term basis the demand is sure to be revived which shall lead to better cashflows and more disposable income in the hands of the end consumer.

With regards to Automobile Industry, growth in primary sales in passenger vehicles & commercial vehicles segments are expected to be in single digit territory. Sales of tractors are also expected to remain muted in the coming year. To counter such cyclicalities, the Company has employed a three pronged approach:

- Launching of new products viz. Mortgage-Finance and Loans against Gold to diversify the product profile and insulate overall performance from vagaries in few sector/s
- Deepen penetration of its entire product bouquet in existing branch network and
- Build sustainable relationships with the channels

All of the above initiatives are expected to propel the Company towards a faster than industry growth as also witnessed by the Company's growth over the last many years.

Challenges

Weak economic scenario will keep growth in primary market subdued and in this condition, our strategy would be focused at improving our market share and increasing overall Net Interest Margins. To this end, we would continue to focus on underbanked customer segments, productivity improvement and increase in branch throughput through process changes.

The Asset Financing Industry continues to remain very competitive in various product segments and situation is not expected to change in near future. While overall market size is large enough for everyone to take a respectable share, maintaining competitive position and increasing market share without compromising asset quality or margins would be a challenging task for Magma 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

After recovering commendably during 2009-11 from the slowdown of 2008-09, the Indian economy witnessed significantly lower growth in 2012-13 due to slowdown in industrial growth, high credit cost, weak domestic business sentiment and uncertain global environment.

During 2013-14, Inflation is likely to ease on account of decline in food inflation due to high base and the assumption of a normal monsoon which will ensure a normal harvest. With the cooling in inflation, it is expected that the RBI shall lower the key rates further to provide an impetus to growth.

Forecasts suggest that the growth in 2013-14 would show some revival compared to 2012-13 and is projected at 5.9% - 6.0%.

With a vision to invest in the smallest dream, Magma has taken strides during the last few years and has built a platform to deliver credit to the under-banked and un-banked segments of the society. Through this process, Magma blends these customers into the organized credit network.

Magma remains confident of the future growth prospects & opportunities ahead of it in each of its businesses and chosen customer segments. Magma believes that it is uniquely positioned within the NBFC industry to capitalize on the opportunities provided and shall continue to seek growth in its target market segments of Rural and Semi-urban India.

Magma feels that its blend of business model, infrastructure, technology, management bandwidth and field force, would lead to a sustainable high growth trajectory in future years to come.

Risk Management

Magma has adopted Risk Management as a specific function with a dedicated team of professionals aided by latest statistical tools and software to help benchmark against the best competitive practices and also align credit policies for every customer category in accordance with the organization's own risk appetite and historical portfolio performance.

Whereas FY11 and FY12 saw Magma aligning its credit policies and service levels to compete with stiff market competition and customer demands in tune with the improved cash flows of the growing economy, the year FY13 saw major challenge, especially in the 2nd half of the year, in respect of credit underwriting amidst the slowing economy and industry at large. As national GDP slowed down to an estimated level of 5.0% from 6.2% last year, concerns about market cash flow and primary sales loomed large with the slackening demand on the consumer side. However, by proactively adjusting lending norms in line with prevailing market conditions and operational viability across various customer categories, Magma has maintained portfolio quality even with continued focus towards the most retail end of the market. Calculated risks taken on the back of strong portfolio analytics and risk forecasting helped build a balanced portfolio of retail and strategic customers with optimum risk-return profile on our assets.

Market risk

Magma's approach towards mitigation of market risk operate at two levels; namely -

(a) Identification of lead economic indicators relevant to Magma's lending business and

(b) Establishing and regular monitoring of delinquency parameters at the portfolio level

Lead indicators

Lead indicators that govern Magma's credit & risk policies are as follows:

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

The above indicators have direct impact on customer cash flows and operational viability of a number of commercial assets that Magma funds; these are tracked very closely throughout the year to ensure portfolio level corrective steps from time to time.

Regular portfolio reviews by Magma's Risk Management Committee (RMC) ensures assessment of evolving and changing market risks. The RMC meets at regular intervals to chalk out road-map in respect of building asset base as well as maintaining portfolio quality in the evolving market.

Operational risk management

Operational risk encompasses anything that is beyond a credit or a market risk and covers a wide range of the Company's activities. It involves alignment of all functions and verticals towards identifying key risks. Each functional vertical does transaction testing to evaluate internal compliance and thereby lay down processes for further improvement. Thus, the approach is "bottom-up" ensuring acceptance of findings and faster adoption of corrective actions, if any, to ensure mitigation of perceived risks.

Over the past few years, Magma has undertaken following steps to minimize operational risk

- All processes are standardized 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, internal metrics form the key of risk management in Magma. The entire credit process is metrics-driven to achieve the risk-return goals and ensure a healthy portfolio in the years to come.

Asset liability risk

Any mismatch in the tenures of borrowed and disbursed funds may result in liquidity crunch and thereby impact Company's ability to service its loans. Thus it is imperative that there exists nil or minimal mismatch between the tenures of borrowing and assets. At Magma, prudence and appropriate risk is the guiding principle for decision making in the treasury functions. 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 hedging to adequately cover up the said risks.

Liquidity risk management

Magma has over a period of 3 decades, worked meticulously in diversifying its borrowing profile and has repeatedly enhanced the set of institutions it borrows from. Such diversified and stable funding sources emanate from several segments of lenders like Banks, Insurance Companies, Mutual Funds and other institutions. As a consequence of its impeccable portfolio quality consistently maintained over the past several years coupled with the fact that more than 75% of its assets comply with the Priority Sector lending norms, the Company has established a formidable track record in its access to the securitization / assignment market. The Bankers to the Company have also increased their funding limits to the Company substantially during the year. As a matter of prudence and with a view to manage liquidity risk at optimum levels, Magma keeps suitable levels of unutilized bank limits effectively mitigate possible contingencies arising out therefrom.

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

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

Sanjay Chamria
Vice Chairman
and Managing Director

Kolkata,
8th May, 2013

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the members of
Magma Fincorp Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Magma Fincorp Limited ("the Company"), which comprise the balance sheet as at 31 March 2013, the statement of profit and loss of the Company for the year then ended, the cash flow statement of the Company for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

(i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2013;

(ii) in the case of the statement of profit and loss, of the profit for the year ended on that date; and

(iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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 Act, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

As required by section 227(3) of the Act, 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 cash flow statement dealt with by this Report are in agreement with the books of account; and

d) in our opinion, the balance sheet, statement of profit and loss and cash flow statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956.

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 on 31 March 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For B S R & Co.	**For S. S. Kothari & Co.**
Chartered Accountants	*Chartered Accountants*
Firm's Registration No.: 101248W	Firm's Registration No.: 302034E
Zubin Shekary	**R. N. Bardhan**
Partner	*Partner*
Membership No.: 048814	Membership No.: 017270
Kolkata	Kolkata
08 May 2013	08 May 2013

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 2013. 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) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, or other parties covered in the register maintained under Section 301 of the Act.

(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 Companies Act, 1956 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. 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 2013 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 and Wealth tax 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 the Dues	Amount (Rs. lakhs)	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 2006 – 2007	CESTAT, EZB, Kolkata
West Bengal Value Added Tax Act, 2003	VAT demanded	6.71	2006 – 2007	Joint 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
West Bengal Value Added Tax Act, 2003	VAT demanded	10.67	2008-2009	West Bengal Commercial Taxes Appealate and Revisional Board
West Bengal Value Added Tax Act, 2003	VAT demanded	12.60	2009-2010	Joint Commissioner of Sales Tax, Kolkata (South) Circle
Jharkhand, Value Added Tax Act, 2005	VAT demanded	19.42	2006 – 2007 to 2009 – 2010	Joint Commissioner of Commercial Taxes (Appeals), Jamshedpur
Madhya Pradesh Value Added Tax Act, 2002	VAT demanded	133.75	2008 – 2009 and 2009-2010	Madhya Pradesh High Court, Jabalpur
Orissa Value Added Tax Act, 2004	VAT demanded	64.30	1 April 2007 to 30 September 2012	Joint Commissioner of Commercial Taxes (Appeals), Cuttack

(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) The Company has not granted any 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/ 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 utilization 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) 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.

(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.

(xx) The Company has not raised any money by public issues during the year.

(xxi) According to the information and explanations given to us, there have been three instances of fraud on the Company exceeding an internal monetary threshold limit. These frauds relate to collusions between its employees, borrowers and vendors. The aggregate amount of such frauds is Rs 649 Lacs. The Company has taken suitable action against the parties involved and made appropriate provisions. The Company ultimately expects to significantly recover the amounts involved.

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

Zubin Shekary
Partner
Membership No.: 048814

Kolkata
08 May 2013

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

R. N. Bardhan
Partner
Membership No.: 017270

Kolkata
08 May 2013

BALANCE SHEET

(Rs. in Lacs)

	Note no.	As at 31 March 2013	As at 31 March 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	19,943.62	18,061.16
Reserves and surplus	4	113,560.97	104,334.75
		133,504.59	122,395.91
Non-current liabilities			
Long-term borrowings	5	328,646.84	206,517.16
Deferred tax liabilities (net)	6	5,614.95	2,358.87
Long-term provisions	7	6,743.06	1,505.04
		341,004.85	210,381.07
Current liabilities			
Short-term borrowings	8	543,571.97	348,531.55
Trade payables	9	24,588.77	22,170.85
Other current liabilities	10	127,203.43	88,417.30
Short-term provisions	11	4,316.56	3,254.51
		699,680.73	462,374.21
Total		**1,174,190.17**	**795,151.19**
ASSETS			
Non-current assets			
Fixed assets			
- Tangible assets	12	16,203.05	17,268.28
- Intangible assets	12	388.99	578.88
- Capital work-in-progress		849.53	33.03
		17,441.57	17,880.19
Non-current investments	13	22,052.42	3,332.44
Long-term loans and advances	14		
- Asset on finance		607,482.65	399,059.40
- Others		7,427.12	9,409.98
Other non-current assets	15	17,334.51	9,415.54
		671,738.27	**439,097.55**
Current assets			
Current investments	16	6,491.79	–
Trade receivables	17	680.60	860.64
Cash and bank balances	18	116,396.28	78,909.53
Short-term loans and advances	19		
- Asset on finance		361,565.48	266,145.37
- Others		8,613.05	5,392.23
Other current assets	20	8,704.70	4,745.87
		502,451.90	**356,053.64**
Total		**1,174,190.17**	**795,151.19**
Significant accounting policies	2		
The Notes referred to above form an integral part of these financial statements.			

As per our report of even date attached.

For and on behalf of the Board of Directors

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. 017270

Zubin Shekary
Partner
Membership No. 048814

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 08 May 2013

MAGMA
Investing in the smallest dream

STATEMENT OF PROFIT AND LOSS

(Rs. in Lacs)

	Note no.	Year ended 31 March 2013	Year ended 31 March 2012
REVENUE			
Revenue from operations	21	151,095.32	97,537.02
Other income	22	9,519.84	4,926.68
Total revenue		160,615.16	102,463.70
EXPENSE			
Employee benefits expense	23	20,283.36	14,901.55
Finance costs	24	88,740.44	59,851.64
Depreciation and amortisation expense	12	3,670.12	2,957.74
Provisions and bad debts written off	25	8,605.27	4,203.02
Other expenses	26	21,400.26	12,342.22
Total expense		142,699.45	94,256.17
Profit before tax		17,915.71	8,207.53
Tax expense:			
Current tax - current year		5,366.60	3,320.00
- earlier year		6.28	33.83
Deferred tax		262.86	(1,470.53)
Profit after tax		12,279.97	6,324.23
Earnings per equity share			
(Nominal value of Rs. 2 each fully paid up):	30		
Basic (in Rupees)		5.75	2.97
Diluted (in Rupees)		5.74	2.94
Significant accounting policies	2		
The Notes referred to above form an integral part of these financial statements.			

As per our report of even date attached.

For and on behalf of the Board of Directors

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
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Partner
Membership No. 048814

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 08 May 2013

CASH FLOW STATEMENT

(Rs. in Lacs)

	Year ended 31 March 2013		Year ended 31 March 2012	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax		17,915.71		8,207.53
Adjustments for :				
Depreciation and amortisation	3,670.12		2,957.74	
Provision for non performing assets	4,342.84		110.00	
(Profit) / loss on sale of investments	–		(108.52)	
(Profit) / loss on sale of fixed assets (net)	18.00		56.46	
Employee share based compensation expense	13.50		8.41	
Mark-to-market (profit) / losses on derivative contracts	(283.30)		522.68	
Contingent provision against standard assets	1,200.00		630.00	
Provision for diminution in value of investments	–	8,961.16	(7.52)	4,169.25
Operating cash flow before working capital changes		26,876.87		12,376.78
Adjustments for :				
Trade and other receivables	(5,881.67)		(13,191.07)	
Assets on finance	(302,333.71)		(218,614.40)	
Other bank balances	9,511.05		1,394.37	
Trade payables	4,611.62	(294,092.71)	3,808.12	(226,602.98)
Cash used in operations		(267,215.84)		(214,226.20)
Taxes paid (net)	(4,748.41)	(4,748.41)	(5,704.92)	(5,704.92)
Net cash used in operating activities (A)		(271,964.25)		(219,931.12)
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets (including CWIP)	(3,268.89)		(2,095.92)	
Proceeds from sale of fixed assets	19.39		53.20	
Investment in subsidiaries	(6,000.00)		(1,480.00)	
Investment in joint ventures	(2,602.20)		–	
Purchase of non current investments	(16,609.80)		–	
Proceeds from sale of non current investments	0.23		–	
Net cash used in investing activities (B)		(28,461.27)		(3,522.72)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Increase in borrowings (net)	351,720.68		162,106.46	
Increase in application money	1,000.00		–	
Proceeds from issue of optionally convertible equity warrants	–		3,750.00	
Proceeds from issue of non-convertible preference shares	3,600.00		–	
Payments for redemption of non-convertible preference shares	(1,722.04)		(421.84)	
Proceeds from issue of equity shares including securities premium (net)	80.85		43,070.59	
Dividend paid (including tax thereon)	(2,570.86)		(1,984.74)	
Net cash from financing activities (C)		352,108.63		206,520.47
Net increase / (decrease) in cash and cash equivalents (A+B+C)		51,683.11		(16,933.37)
Cash and cash equivalents as at the beginning of the year		32,202.92		49,136.29
Cash and cash equivalents as at the end of the year		83,886.03		32,202.92
CASH AND CASH EQUIVALENTS				
Cash in hand		5,441.73		3,167.28
Balances with banks				
In current and cash credit accounts		35,344.30		29,035.64
In deposit accounts with maturity of less than three months		43,100.00		–
		83,886.03		32,202.92

As per our report of even date attached.

For and on behalf of the Board of Directors

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. 017270

Zubin Shekary
Partner
Membership No. 048814

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 08 May 2013

NOTES TO THE FINANCIAL STATEMENTS

Note: 1 COMPANY OVERVIEW

Magma Fincorp Limited ('the Company'), incorporated and headquartered 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. Its shares are listed on National Stock Exchange and Bombay Stock Exchange.

Note: 2

A. SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of preparation

(a) The accounting policies set out below have been applied consistently to the periods presented in these financial statements, except as explained in note 2(B) on changes in accounting policies.

(b) The Company complies with the directions issued by the Reserve Bank of India (RBI) for Non-Banking Financial (Non-Deposit Accepting or Holding) Companies (NBFC-ND), relevant provisions of the Companies Act, 1956 and the applicable Accounting Standards prescribed by the Companies (Accounting Standard) Rules, 2006 issued by the Central Government of India and the guidelines issued by the Securities and Exchange Board of India (SEBI) to the extent applicable. 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 and their realization in cash or cash equivalents. Since in case of non-banking financial company normal operating cycle is not applicable, the operating cycle has been considered as 12 months.

(ii) Use of estimates and judgements

The preparation of financial statements in conformity with Generally Accepted Accounting Principles ('GAAP') requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognized 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.

(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. Interest income is recognised as it accrues on a time proportion basis taking into account the amount outstanding and the rate applicable, except in the case of non-performing assets (NPA) where it is recognised upon realisation.

(b) Income on securitisation / assignment :

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

The gain arising on transfer of financial assets by way of securitisation or bilateral assignments, 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 immediately at the time the sale is effected.

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

(d) Assets given by the Company under operating lease are included in fixed assets. Lease income from operating leases is recognised in the statement of profit and loss on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease income are recognised as expenses. Initial direct costs incurred specifically for an operating lease are deferred and

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 2 A. SIGNIFICANT ACCOUNTING POLICIES (contd...)

recognised in the statement of profit and loss over the lease term in proportion to the recognition of lease income.

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

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

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

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

(v) Provision for non performing assets ('NPA') and doubtful debts

Non performing assets ('NPA') including loans and advances, receivables are identified as bad / doubtful based on the duration of the delinquency. The duration is set at appropriate levels for each product. NPA provisions are made based on the management's assessment of the degree of impairment and the level of provisioning and meets the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended and prescribed by Reserve Bank of India from time to time. These provisioning norms are considered the minimum and additional provision is made based on perceived credit risk where necessary.

The Company classifies non-performing assets at 120 days and commences provisioning based on the draft RBI guidelines released on 12 December 2012. The provisioning norms adopted is summarised in the table below:

Asset Classification	Arrear Period	Provision as per current RBI norms for NBFCs		Provision / write-off-policy followed by the Company	
		Secured	Un-Secured	Secured	Un-Secured
Standard	Less than 120 days	0.25%	0.25%	0.30%	0.30%
	>120 days to 6 months	0.25%	0.25%	15.00%	25.00%
Sub-standard	> 6 months to 16 months	10.00%	10.00%	15.00%	25.00%
	> 16 months to 24 months	10.00%	10.00%	25.00%	100.00%
Doubtful	> 24 months to 28 months	20.00%	100.00%	25.00%	100.00%
	> 28 months to 36 months	20.00%	100.00%	40.00%	100.00%
	> 36 months to 52 months	30.00%	100.00%	40.00%	100.00%
	> 52 months to 60 months	30.00%	100.00%	100.00%	100.00%
	> 60 months	50.00%	100.00%	100.00%	100.00%
Loss		100.00%	100.00%	100.00%	100.00%

All contracts with overdues for more than 52 months as well as those which, as per the management are not likely to be recovered are considered as loss assets and written-off as bad debts.

(vi) 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.

(vii) 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.

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

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 amortized 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 2 A. SIGNIFICANT ACCOUNTING POLICIES (contd...)

(viii) Impairment

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 recognized in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

(ix) Investments

(a) Investments are classified as non current or current based on intention of management at the time of purchase.

(b) Non current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment.

(c) 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 investments.

(d) Any reduction in the carrying amount and any reversals of such reduction are charged or credited to the statement of profit and loss.

(x) Employee benefits

(a) Provident fund

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

(b) Gratuity

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Accrued Benefit Method (same as Projected Unit Credit Method), which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the balance sheet date.

Actuarial gains and losses are recognised immediately in the statement of profit and loss.

(c) Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

(xi) Employee stock option schemes

The excess of the market price of shares, at the date of grant of options under the Employee Stock Option Schemes of the Company, over the exercise price is regarded as employee compensation, and recognised on a straight-line basis over the period over which the employees would become unconditionally entitled to apply for the shares.

(xii) Taxes on income

Income-tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognised in profit or loss except that tax expense related to items recognised directly in reserves is also recognised in those reserves.

(a) Current tax

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 2 A. SIGNIFICANT ACCOUNTING POLICIES (contd...)

(b) Deferred tax

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively 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 carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

(c) Minimum alternative tax

Minimum alternative tax ('MAT') under the provisions of the Income-tax Act, 1961 is recognised as current tax in the statement of profit and loss. The credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

(xiii) Provision

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis.

(a) Onerous Contracts

A contract is considered as onerous when the expected economic benefits to be derived by the company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(b) Contingencies

Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognised when it is probable that a liability has been incurred, and the amount can be estimated reliably.

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.

(xiv) Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

(xv) Transactions in foreign currencies

Foreign currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 2 A. SIGNIFICANT ACCOUNTING POLICIES (contd...)

(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 recognized in the statement of profit and loss in the period in which they arise. Mark to market gains are not recognized keeping in view the principle of prudence as enunciated in AS 1.

(xvii) Borrowing cost

Interest on borrowing is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable on the borrowing. Discount on commercial paper is amortised over the tenor of the commercial paper.

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

(xviii) Operating leases

Lease payments for assets taken on an operating lease are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term.

(xix) Earnings per share

The basic earnings per share ('EPS') is computed by dividing the net profit after tax attributable to the equity shareholders 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 attributable to the equity shareholders 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 and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

(xxi) 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.

(B) CHANGE IN ACCOUNTING POLICIES / ESTIMATES

Change in provisioning norms

In view of the imminent regulatory changes in capital adequacy, income recognition, asset classification and provisioning norms proposed in the RBI draft guidelines released on 12 December 2012, and expected to become effective at a future date, the Company has proactively refined its method of recognising delinquencies and loan losses giving effect to such refinements from 1 April 2012.

Following the change, the Company recognises delinquencies and commences provisioning at 120 days, rather than recognising delinquencies at 180 days and writing off 100% of loan outstanding as done previously. These provisioning norms are considered the minimum and higher provision is made based on perceived credit risk where necessary.

The aforesaid revision in provisioning norms has resulted in reduction of interest income by Rs. 911.98 lacs, and a net lower provision/ write-off of Rs. 1,938.41 lacs for the year ended 31 March 2013. Recoveries made from loans previously written off are included in 'Other Income'.

Further, the Company has increased the standard provisioning by 0.05% to a total of 0.30% of the Standard Assets, from the existing 0.25% to progressively comply with the draft guidelines. This increase has resulted in an additional charge of Rs. 480.00 lacs for the year ended 31 March 2013.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 3 SHARE CAPITAL

(Rs. in Lacs)

		As at 31 March 2013	As at 31 March 2012
Authorised			
220,000,000	(2012: 220,000,000) Equity shares of Rs.2 each	4,400.00	4,400.00
55,200,000	(2012: 24,100,000) Preference shares of Rs.100 each	55,200.00	24,100.00
		59,600.00	**28,500.00**
Issued, subscribed and paid-up			
Equity share capital			
189,956,775	(2012: 189,732,175) Equity shares of Rs.2 each, fully paid up.	3,799.14	3,794.64
Preference share capital			
2,109,199	(2012: 2,109,199) 9.70% Cumulative non-convertible redeemable preference shares of Rs.100 each (paid-up value per share reduced to Rs.40 on redemption of three annual installments of Rs.20 each per share). 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.	843.68	1,265.52
3,000,000	(2012: 3,000,000) 5.00% Cumulative non-convertible redeemable preference shares (NCPS) of Rs.100 each fully paid up. 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	(2012: 6,500,999) 6 months US Dollar Libor plus 3.25% Cumulative non-convertible redeemable preference shares of Rs.100 each (paid-up value per share reduced to Rs.80 on redemption of first annual installments of Rs.20 each per share). 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.	5,200.80	6,501.00
1,000,000	(2012: 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	(2012: 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
3,600,000	(2012: Nil) 11.00% Cumulative non-convertible redeemable preference shares of Rs.100 each fully paid up. Allotted at par on 12 November 2012 and redeemable at par at the end of 3 years i.e. 11 November 2015.	3,600.00	–
		19,943.62	18,061.16

MAGMA
Investing in the smallest dream

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 3 SHARE CAPITAL *(contd...)*

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

(Rs. in Lacs)

	As at 31 March 2013		As at 31 March 2012	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
Opening balance	189,732,175	3,794.64	129,773,550	2,595.47
Equity shares issued during the year vide preferential issue	–	–	49,854,375	997.09
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	224,600	4.50	104,250	2.08
Closing balance	**189,956,775**	**3,799.14**	**189,732,175**	**3,794.64**
Preference shares (Cumulative non-convertible redeemable)				
Opening balance	15,110,198	14,266.52	15,110,198	14,688.36
6 months US Dollar Libor plus 3.25% preference shares redeemed during the year (20% annually)	–	(1,300.20)	–	–
11.00 %Preference shares issued during the year	3,600,000	3,600.00	–	–
9.70% Preference shares redeemed during the year (20% annually)	–	(421.84)	–	(421.84)
Closing balance	**18,710,198**	**16,144.48**	**15,110,198**	**14,266.52**

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 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 2012, 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 2012 amounted to Rs.1,323.07 lacs including corporate dividend tax of Rs.184.68 lacs.

Shares allotted as fully paid-up without payment being received in cash / by way of bonus shares (during 5 years preceding 31 March 2013) :

The Company has not alloted 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 preceeding 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 preceeding the balance sheet date is given below:

Particulars	31 March				
	2012	2011	2010	2009	2008
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.

On 17 August 2012 and 30 November 2012, the Company has allotted, 159,850 and 64,750 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 ESPS) Guidelines, 1999 to eligible employees of the Company.

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.

On 12 November 2012 the Company has issued 3,600,000 11.00% cumulative non-convertible redeemable preference shares of Rs.100/- each fully paid up which have been allotted for cash at par and are to be redeemed at par at the end of 3 years i.e. 11 November 2015.

The Company has redeemed Rs.1,300.20 lacs being first installment of Rs. 20/- per share in respect of 6,500,999 cumulative non-convertible redeemable preference shares of Rs.100/- per share during April 2012. The paid-up value as at 31 March 2013 of the above preference

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 3 **SHARE CAPITAL** *(contd...)*

shares stands reduced to Rs.80/- per share from Rs.100/- per share. The above preference shares were redeemed out of the proceeds of the issue of equity shares made for the purposes in the previous year which inter-alia include redemption of preference shares and accordingly, no transfer has been made to capital redemption reserve.

The Company has redeemed Rs.421.84 lacs being third installment of Rs. 20/- per share in respect of 2,109,199 cumulative non-convertible redeemable preference shares of Rs.100/- per share during February 2013. The paid-up value as at 31 March 2013 of the above preference shares stands reduced to Rs.40/- per share from Rs.100/- per share. The above preference shares were redeemed out of the proceeds of the issue of equity shares made for the purposes in the previous year 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 2012 in accounts based on the 6 months US Dollar Libor applicable as on 30 December 2011 and closing exchange rate applicable as on 31 March 2012 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. 22.97 lacs (2012: (Rs.0.13 lacs)) provided with respect to above preference shares for the previous financial year ended 31 March 2012 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% shares (Rs. in Lacs)

Name of the shareholder	As at 31 March 2013		As at 31 March 2012	
	%age	No. of shares	%age	No. of shares
Equity shares				
Microfirm Capital Private Limited *(formerly Microfirm Softwares Private Limited)*	17.91	34,015,928	17.93	34,015,928
Celica Developers Private Limited	15.50	29,434,455	15.51	29,434,455
Zend Mauritius VC Investments, Limited	14.14	26,854,375	14.15	26,854,375
International Finance Corporation	12.11	23,000,000	12.12	23,000,000
Lavender Investments Limited	7.73	14,678,928	–	–
India Capital Fund Limited	5.13	9,736,294	8.17	15,506,739
Preference shares (Cumulative non-convertible redeemable)				
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	46.02	8,610,198	56.98	8,610,198
Bank of India	8.02	1,500,000	9.93	1,500,000
Andhra Bank	8.02	1,500,000	9.93	1,500,000
United Bank of India	5.34	1,000,000	6.62	1,000,000
International Tractors Limited	5.34	1,000,000	–	–

Shares reserved for issue under options (Rs. in Lacs)

	No. of shares granted	Exercise Price	As at 31 March 2013		As at 31 March 2012	
			No. of shares	Amount	No. of shares	Amount
Under Magma Employee Stock Option Plan 2007:						
Tranche I	1,754,000	36.00	362,900	725,800	605,500	1,211,000
Tranche II	250,000	60.00	250,000	500,000	250,000	500,000
Tranche III	50,000	60.00	50,000	100,000	–	–
Tranche IV	300,000	60.00	300,000	600,000	–	–
Tranche V	150,000	60.00	150,000	300,000	–	–

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 3 **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

(in Nos.)

	Year ended 31 March 2013	Year ended 31 March 2012
Outstanding options at the beginning of the year	855,500	738,750
Granted during the year	500,000	250,000
Exercised during the year	224,600	104,250
Lapsed during the year	18,000	29,000
Forfeited during the year	–	–
Outstanding options at the end of the year	**1,112,900**	**855,500**
Options vested and exercisable at the end of the year	362,900	361,900

The weighted average fair value of each option of Magma Fincorp Limited was Rs.36.51 using the Black-Scholes model with the following assumptions:

	Unit	Values
Grant date share price	Rs.	50.33 - 97.90
Exercise price	Rs.	36.00 - 60.00
Dividend yield	%	0.61 - 3.03
Expected life	years	4.80 - 6.50
Risk free interest rate	%	7.76 - 8.45
Volatility	%	50.86 - 73.94

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 the Institute of Chartered Accountant of India ('ICAI'), the Company's net profit and basic and diluted earnings per share would have reduced to the proforma amounts as indicated.

	Unit	Year ended 31 March 2013	Year ended 31 March 2012
Net profit for equity shareholders	Rs. in Lacs	10,914.30	5,097.66
Add: Stock-based employee compensation expense (intrinsic value method)	Rs. in Lacs	13.50	8.41
Less: Stock-based employee compensation expense (fair value method)	Rs. in Lacs	28.26	17.79
Proforma net profit	Rs. in Lacs	10,899.54	5,088.28
Basic earnings per share (Face value: Rs. 2/-) as reported	Rs.	5.75	2.97
Proforma basic earnings per share (Face value: Rs. 2/-)	Rs.	5.74	2.96
Diluted earnings per share (Face value: Rs. 2/-) as reported	Rs.	5.74	2.94
Proforma diluted earnings per share (Face value: Rs. 2/-)	Rs.	5.73	2.93

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 4 RESERVES AND SURPLUS (Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Capital reserve	457.98	457.98
Capital redemption reserve	1,421.84	1,421.84
Securities premium reserve		
Opening balance	68,815.47	21,929.11
Add: On equity shares issued during the year vide preferential issue	–	42,874.76
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	108.54	50.38
Less: Share issue expenses	–	838.78
	68,924.01	68,815.47
Employee share option outstanding		
Gross employee share compensation cost for options granted in earlier years	83.04	89.57
Less: Transferred to securities premium reserve on allotment of shares	32.19	14.94
Add: Deferred employee compensation cost	13.50	8.41
	64.35	83.04
Amalgamation reserve account	106.48	106.48
Statutory reserve		
(created pursuant to Section 45-IC of the Reserve Bank of India Act, 1934)		
Opening balance	9,908.15	8,638.15
Add: Transfer from surplus in the statement of profit and loss	2,460.00	1,270.00
	12,368.15	9,908.15
General reserve		
Opening balance	5,504.50	4,864.50
Add: Transfer from surplus in the statement of profit and loss	1,230.00	640.00
	6,734.50	5,504.50
Surplus (balance in the statement of profit and loss)		
Opening balance	18,037.29	16,172.70
Profit for the year	12,279.97	6,324.23
Amount available for appropriations	30,317.26	22,496.93
Appropriations		
Proposed dividend on preference shares	1,167.42	1,055.36
Tax on proposed preference dividend as above	198.25	171.21
Proposed dividend on equity shares	1,519.66	1,138.39
Tax on proposed equity dividend as above	258.27	184.68
Transfer to statutory reserve	2,460.00	1,270.00
Transfer to general reserve	1,230.00	640.00
	23,483.66	18,037.29
	113,560.97	104,334.75

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 5 LONG-TERM BORROWINGS

(Rs. in Lacs)

	Security as per	As at 31 March 2013	As at 31 March 2012
Debentures			
Secured			
Redeemable non-convertible debentures	(a)	168,000.00	121,300.00
		168,000.00	121,300.00
Unsecured			
Subordinated non-convertible perpetual debentures (Tier I capital)		5,500.00	5,500.00
Subordinated redeemable non-convertible debentures (Tier II capital)		70,650.00	61,150.00
		76,150.00	66,650.00
Term loan			
Secured *			
from banks	(b) and (c)	32,491.64	15,639.06
from others (financial institutions)	(b) and (c)	52,005.20	2,928.10
		84,496.84	18,567.16
		328,646.84	206,517.16
* Aggregate of loans guaranteed by #			
Directors		8,639.22	20,983.74
#includes current maturities of long term borrowings			

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 Maharastra 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.

(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.

Details of debentures

Secured redeemable non-convertible debentures

(Rs. in Lacs)

Number of Debentures	Face Value (Rs. in Lacs)	Rate of Interest	Redeemable at	Date of Allotment	Date of Redemption	As at 31 March 2013	As at 31 March 2012
2000	10	10.80%	Par	28 Jun 2012	27 Jun 2017	20,000.00	–
1000	10	11.50%	Par	01 Feb 2012	01 Feb 2017	10,000.00	10,000.00
1000	10	11.50%	Par	14 Dec 2011	14 Dec 2016	10,000.00	10,000.00
150	10	10.40%	Par	12 Dec 2012	11 Dec 2015	1,500.00	–
100	10	10.60%	Par	17 Oct 2012	16 Oct 2015	1,000.00	–
1300	10	11.00%	Par	07 Aug 2012	07 Aug 2015	13,000.00	–
500	10	11.00%	Par	18 Jun 2012	16 Jun 2015	5,000.00	–
1750	10	11.20%	Par	17 Feb 2012	02 Apr 2015	17,500.00	17,500.00
750	10	11.00%	Par	18 Jun 2012	16 Dec 2014	7,500.00	–
1000	10	11.00%	Par	25 Nov 2011	25 Nov 2014	10,000.00	10,000.00
1500	10	11.25%	Par	16 Nov 2011	14 Nov 2014	15,000.00	15,000.00
1000	10	10.60%	Par	17 Oct 2011	17 Oct 2014	10,000.00	10,000.00
250	10	10.40%	Par	17 Oct 2012	17 Oct 2014	2,500.00	–
1000	10	10.45%	Par	07 Sep 2011	07 Sep 2014	10,000.00	10,000.00
1000	10	10.75%	Par	07 Aug 2012	07 Aug 2014	10,000.00	–
1000	10	11.00%	Par	18 Jun 2012	16 Jun 2014	10,000.00	–
1500	10	11.25%	Par	16 Nov 2011	16 May 2014	15,000.00	15,000.00
125	10	10.75%	Par	02 Feb 2012	20 Jan 2014	–	1,250.00
2000	10	11.15%	Par	16 Nov 2011	13 Nov 2013	–	20,000.00
80	10	10.75%	Par	02 Feb 2012	31 Jul 2013	–	800.00
175	10	10.75%	Par	02 Feb 2012	23 Jul 2013	–	1,750.00
						168,000.00	121,300.00

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 5 LONG-TERM BORROWINGS *(contd...)*

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

(Rs. in Lacs)

Number of Debentures	Face Value (Rs. in Lacs)	Rate of Interest	Redeemable at	Date of Allotment	Earliest date of exercise *	As at 31 March 2013	As at 31 March 2012
150	10	12.50%	Par	07 Jan 2011	06 Jan 2021	1,500.00	1,500.00
100	10	12.50%	Par	09 Dec 2010	08 Dec 2020	1,000.00	1,000.00
200	10	13.75%	Par	29 Mar 2010	28 Mar 2020	2,000.00	2,000.00
100	10	13.50%	Par	24 Mar 2010	23 Mar 2020	1,000.00	1,000.00
						5,500.00	5,500.00
Percentage of Tier I Capital						4.67%	4.87%

* 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)

(Rs. in Lacs)

Number of Debentures	Face Value (Rs. in Lacs)	Rate of Interest	Redeemable at	Date of Allotment	Date of Redemption	As at 31 March 2013	As at 31 March 2012
100	10	11.00%	Par	17 Jan 2013	17 Jan 2023	1,000.00	–
250	10	11.50%	Par	06 Sep 2012	06 Sep 2022	2,500.00	–
600	10	11.00%	Par	19 Mar 2013	19 Mar 2020	6,000.00	–
550	10	11.00%	Par	11 Mar 2013	11 Mar 2020	5,500.00	–
150	10	11.00%	Par	17 Jan 2013	17 Jan 2020	1,500.00	–
253	10	11.75%	Par	30 Mar 2012	30 Mar 2019	2,530.00	2,530.00
1250	10	11.20%	Par	09 Dec 2011	09 Dec 2018	12,500.00	12,500.00
600	10	11.50%	Par	06 Sep 2012	06 Jun 2018	6,000.00	–
150	10	12.00%	Par	27 Mar 2012	27 Sep 2017	1,500.00	1,500.00
1200	1	11.75%	Par	07 Mar 2012	07 Sep 2017	1,200.00	1,200.00
1500	1	11.75%	Par	28 Dec 2011	28 Jun 2017	1,500.00	1,500.00
5000	1	11.75%	Par	14 Dec 2011	14 Jun 2017	5,000.00	5,000.00
1500	1	11.75%	Par	05 Dec 2011	05 Jun 2017	1,500.00	1,500.00
50	10	11.50%	Par	26 Mar 2011	26 Jun 2016	500.00	500.00
200	10	11.50%	Par	19 Oct 2010	19 Jan 2016	2,000.00	2,000.00
792	10	11.50%	Par	30 Sep 2010	30 Dec 2015	7,920.00	7,920.00
320	10	11.50%	Par	07 May 2010	07 Aug 2015	3,200.00	3,200.00
150	10	11.50%	Par	31 Mar 2010	30 Jun 2015	1,500.00	1,500.00
50	10	11.50%	Par	29 Mar 2010	29 Jun 2015	500.00	500.00
150	10	11.50%	Par	22 Mar 2010	22 Jun 2015	1,500.00	1,500.00
130	10	11.50%	Par	02 Mar 2010	02 Jun 2015	1,300.00	1,300.00
100	10	13.15%	Par	19 Mar 2009	18 Jun 2014	1,000.00	1,000.00
200	10	13.00%	Par	04 Mar 2009	03 Jun 2014	2,000.00	2,000.00
100	10	14.00%	Par	05 Feb 2009	04 May 2014	1,000.00	1,000.00
50	10	14.00%	Par	23 Dec 2008	15 Mar 2014	–	500.00
500	10	10.90%	Par	25 Apr 2008	19 Jul 2013	–	5,000.00
250	10	10.50%	Par	26 Mar 2008	25 Jun 2013	–	2,500.00
500	10	10.50%	Par	11 Feb 2008	11 May 2013	–	5,000.00
						70,650.00	61,150.00

Terms of repayment of term loans

(Rs. in Lacs)

Repayment Terms	Interest Terms	Repayable at		As at 31 March 2013	As at 31 March 2012
Monthly	Fixed	Par		21.07	–
Monthly	Floating	Par		20,999.96	1,500.00
Quarterly	Fixed	Par		2,395.20	2,928.10
Quarterly	Floating	Par		61,080.60	14,139.06
				84,496.83	18,567.16

The above term loans carry interest rates ranging from 10.60% to 12.25% p.a.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 6 DEFERRED TAX LIABILITIES (NET)

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Deferred tax liabilities		
Fixed assets	2,647.30	3,230.80
Unamortised expenses, (net)	5,633.46	–
Others	73.80	78.08
	8,354.56	3,308.88
Deferred tax assets		
Provision for standard assets	947.39	558.05
Provision for non-performing assets	1,444.72	35.69
Others	347.50	356.27
	2,739.61	950.01
	5,614.95	**2,358.87**

Note: 7 LONG-TERM PROVISIONS

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Provision for employee benefits		
Compensated absences	590.22	455.04
Other provisions		
Provision for non-performing assets	4,342.84	–
Contingent provision against standard assets (Tier II Capital)	1,810.00	1,050.00
	6,743.06	**1,505.04**

Note: 8 SHORT-TERM BORROWINGS

(Rs. in Lacs)

	Security as per	As at 31 March 2013	As at 31 March 2012
Commercial papers			
Unsecured			
Face value		117,500.00	14,770.00
Less: Unmatured discounting charges		2,689.19	531.96
		114,810.81	**14,238.04**
Loans from banks			
Secured			
Cash credit facilities	(a)	130,297.06	190,058.64
Working capital demand loans	(a)	298,464.10	144,234.87
		428,761.16	**334,293.51**
		543,571.97	**348,531.55**

Details of cash credit facilities and working capital demand loans

The cash credit facilities are repayable on demand and carries interest rates at 9.95% to 13.20% p.a. Working capital demand loans are repayable on demand and carries interest rates at 9.75% to 11.00% p.a. As per the prevalent practice, cash credit facilities and working capital demand loans are renewed on a year to year basis and therefore, are revolving in nature.

Nature of security

(a) 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 8 SHORT-TERM BORROWINGS *(contd...)*

Details of unsecured commercial paper (Rs. in Lacs)

Number of units	Face Value (Rs. in Lacs)	Interest Terms		As at 31 March 2013	As at 31 March 2012
23500	5	Fixed		114,810.81	14,238.04
				114,810.81	**14,238.04**

The above commercial papers carry interest rates ranging from 9.31 % to 10.65 % p.a.

Note: 9 TRADE PAYABLES (Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Due to micro and small enterprises *	–	–
Due to others	24,588.77	22,170.85
	24,588.77	**22,170.85**

* The Company has no dues to micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006, as at 31 March 2013 and 31 March 2012. This information is required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006, and has been determined to the extent such parties have been identified on the basis of information available with the Company.

Note: 10 OTHER CURRENT LIABILITIES (Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Current maturities of long-term borrowings (Refer Note 5)	70,944.90	42,964.39
Interest accrued but not due on borrowings	13,759.92	7,189.85
Unpaid dividend #	21.56	19.70
Application money received for allotment of debentures	1,000.00	–
Unclaimed matured deposits and interest accrued thereon *	7.11	9.88
Other payables		
Temporary book overdraft	5,469.88	6,402.43
Advances and deposits from customers	6,210.22	8,153.35
Statutory liabilities	543.12	497.01
Director's commission payable	135.00	75.00
Pending remittance on assignment	23,241.42	19,788.64
Other current liabilities	5,870.30	3,317.05
	127,203.43	**88,417.30**

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 (Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Provision for employee benefits		
Compensated absences	85.93	34.75
Other provisions		
Contingent provision against standard assets (Tier II Capital)	1,110.00	670.00
Proposed dividend (including tax thereon)	3,120.63	2,549.76
	4,316.56	**3,254.51**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 12 FIXED ASSETS

(Rs. in Lacs)

Description of assets	Gross block				Depreciation and amortisation				Net block	
	As at 1 April 2012	Additions	Deletions	As at 31 March 2013	As at 1 April 2012	For the year	Deletions	As at 31 March 2013	As at 31 March 2013	As at 31 March 2012
Tangible Assets										
Fixed assets for own use										
Land	30.26	–	–	30.26	–	–	–	–	30.26	30.26
Buildings *	3,424.74	–	–	3,424.74	993.47	52.83	–	1,046.30	2,378.44	2,431.27
Plant and equipment	3,281.67	811.15	190.51	3,902.31	1,661.10	551.25	184.91	2,027.44	1,874.87	1,620.57
Wind mills	9,701.29	–	–	9,701.29	2,332.02	512.23	–	2,844.25	6,857.04	7,369.27
Furniture and fixtures	1,614.78	512.51	25.40	2,101.89	655.70	201.17	18.16	838.71	1,263.18	959.08
Vehicles	354.61	13.48	0.77	367.32	188.59	26.82	0.68	214.73	152.59	166.02
Office equipment	1,263.24	239.49	29.36	1,473.37	384.71	91.24	20.58	455.37	1,018.00	878.53
Leasehold improvements	1,629.40	740.78	41.35	2,328.83	489.72	535.26	25.67	999.31	1,329.52	1,139.68
Sub-total	**21,299.99**	**2,317.41**	**287.39**	**23,330.01**	**6,705.31**	**1,970.80**	**250.00**	**8,426.11**	**14,903.90**	**14,594.68**
Fixed assets on operating lease										
Buildings	11.00	–	–	11.00	1.51	0.18	–	1.69	9.31	9.49
Vehicles	17,771.08	45.69	–	17,816.77	15,106.97	1,419.96	–	16,526.93	1,289.84	2,664.11
Sub-total	**17,782.08**	**45.69**	**–**	**17,827.77**	**15,108.48**	**1,420.14**	**–**	**16,528.62**	**1,299.15**	**2,673.60**
Total	**39,082.07**	**2,363.10**	**287.39**	**41,157.78**	**21,813.79**	**3,390.94**	**250.00**	**24,954.73**	**16,203.05**	**17,268.28**
Intangible assets										
Fixed assets for own use										
Computer softwares	807.97	89.29	–	897.26	442.42	119.18	–	561.60	335.66	365.55
Business and commercial rights	800.00	–	–	800.00	586.67	160.00	–	746.67	53.33	213.33
Total	**1,607.97**	**89.29**	**–**	**1,697.26**	**1,029.09**	**279.18**	**–**	**1,308.27**	**388.99**	**578.88**
Grand total	**40,690.04**	**2,452.39**	**287.39**	**42,855.04**	**22,842.88**	**3,670.12**	**250.00**	**26,263.00**	**16,592.04**	**17,847.16**
Previous year	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	

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

Note: 13 NON-CURRENT INVESTMENTS

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Other investment (at cost) (Note 42)		
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	9,329.94	3,329.94
In joint venture	2,602.20	–
In others	29.38	29.38
Investment in government securities		
Unquoted (Rs. 0.16 lac pledged with Sales tax authorities)	0.16	0.39
Others		
In Pass through certificates *	10,118.01	–
	22,088.00	**3,368.02**
Aggregate provision for diminution in value of investments	(35.58)	(35.58)
	22,052.42	**3,332.44**
Aggregate book value of quoted investments	8.31	8.31
Aggregate market value of quoted investments	4.10	4.30
Aggregate book value of unquoted investments	22,079.69	3,359.71

* The Company has invested in the Pass Through Certificates (PTCs) on the assets securitised by it, as Minimum Retention Ratio, as prescribed in the guidelines issued by Reserve Bank of India from time to time.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 14 LONG-TERM LOANS AND ADVANCES (Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Assets on finance *		
Secured, considered good	574,380.15	373,444.70
Secured, considered doubtful	1,430.18	–
Unsecured, considered good	31,638.66	25,614.70
Unsecured, considered doubtful	33.66	–
	607,482.65	399,059.40
Others		
Unsecured, considered good		
Capital advances	63.15	21.09
Loans	66.22	61.82
Loans and advances to related parties	2,804.65	6,343.10
Tax advances and deduction at source [Net of Provision for tax aggregating Rs.4,819.48 lacs (2012: Rs.3,416.50 lacs)]	2,580.94	623.55
Security deposits	752.92	577.18
Other loans and advances		
Margin with body corporate	1,159.24	1,783.24
	7,427.12	9,409.98
Unsecured, considered doubtful		
Other loans and advances		
Advances recoverable in cash or kind or for value to be received	110.00	110.00
Less: Provision against loans and advances	110.00	110.00
	–	–
	614,909.77	408,469.38

* Assets on finance includes sub-standard assets of Rs. 19,742.56 lacs (2012: Rs. Nil) and is net of amounts securitised / assigned aggregating to Rs. 504,328.85 lacs as at 31 March 2013 (2012: Rs. 493,634.51 lacs). Value of repossessed assets as at the year-end is Rs. 160.94 lacs (2012: Rs. 568.27 lacs).

Note: 15 OTHER NON-CURRENT ASSETS (Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Others		
Non-current bank balances *	7,875.64	3,190.33
Unamortised borrowings costs	2,024.82	1,843.13
Unamortised loan origination costs (net)	7,206.58	4,141.42
Gratuity (excess of plan assets over obligation)	227.47	240.66
	17,334.51	9,415.54

* Balances with banks held as security against borrowings, guarantees amounts to Rs.877.52 lacs (2012: Rs.1,002.91 lacs) and as cash collateral for securitisation amounts to Rs.6,998.12 lacs (2012: Rs.2,187.42 lacs).

Note: 16 CURRENT INVESTMENTS (Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Other investment		
Others (at cost)		
In Pass through certificates *	6,491.79	–
	6,491.79	–
Aggregate book value of unquoted investments	6,491.79	–

* The Company has invested in the Pass Through Certificates (PTCs) on the assets securitised by it, as Minimum Retention Ratio, as prescribed in the guidelines issued by Reserve Bank of India from time to time. Current portion of Pass through certificates as referred under Non-Current Investments (Note 13) has been included here and amounts to Rs.6,491.79 lacs (2012: Rs. Nil).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 17 TRADE RECEIVABLES (Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Unsecured, considered good		
Debts outstanding for a period exceeding six months from the date they became due for payment	–	–
Other debts	680.60	860.64
	680.60	**860.64**

Note: 18 CASH AND BANK BALANCES (Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Cash and cash equivalents		
Cash in hand	5,441.73	3,167.28
Balances with banks		
In current and cash credit accounts	35,344.30	29,035.64
In deposit accounts with original maturity of less than three months	43,100.00	–
	83,886.03	**32,202.92**
Other bank balances *		
In unpaid dividend account	21.55	19.70
In deposit accounts with original maturity of less than three months	7,039.97	14,481.87
In deposit accounts with original maturity of more than three months and less than twelve months	25,448.73	32,205.04
	32,510.25	**46,706.61**
	116,396.28	**78,909.53**

* Balances with banks held as security against borrowings, guarantees amounts to Rs.2,133.70 lacs (2012: Rs.2,606.39 lacs) and as cash collateral for bilateral assignment of receivables amounts to Rs.30,355.00 lacs (2012: Rs.44,080.52 lacs). Fixed deposits accounts with more than twelve months maturity amounting to Rs.7,875.64 lacs (2012: Rs.3,190.33 lacs) included under 'Non Current Assets' (Note 15).

Note: 19 SHORT-TERM LOANS AND ADVANCES (Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Asset on finance		
Secured, considered good	316,337.82	234,472.19
Unsecured, considered good	45,227.66	31,673.18
	361,565.48	**266,145.37**
Others		
Unsecured, considered good		
Loan and advances to related parties	1,251.98	258.52
Other loans and advances		
Loans	193.47	326.90
Advances recoverable in cash or kind or for value to be received	4,059.54	3,953.53
Prepaid expenses	386.72	500.68
Balances with Statutory / Government authorities	2,721.34	352.60
	8,613.05	**5,392.23**
	370,178.53	**271,537.60**

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 20 OTHER CURRENT ASSETS (Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Others		
Accrued interest / financial charges	506.45	489.57
Unamortised borrowings costs	2,030.99	1,611.41
Unamortised loan origination costs (net)	6,043.55	2,412.47
Others	123.71	232.42
	8,704.70	4,745.87

Note: 21 REVENUE FROM OPERATIONS (Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
Interest / finance income		
On assets on finance	133,390.03	89,245.69
On securitisation and assignment of loans	10,131.68	1,889.24
On fixed deposits	3,943.07	4,064.96
On loans and margins	1,856.08	971.50
	149,320.86	96,171.39
Other financial income		
Lease rentals	6.70	31.43
Others	1,767.76	1,334.20
	1,774.46	1,365.63
	151,095.32	97,537.02

Note: 22 OTHER INCOME (Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
Dividend income (non current, other than trade)	0.07	0.07
Interest on investments (non current, other than trade)	257.98	–
Collection / support services	5,474.67	2,712.58
Sale of power	1,181.78	1,138.01
Insurance commission	158.79	–
Net gain / (loss) on sale of investments (non current, other than trade)	–	108.52
Rental income	2.67	62.72
Net gain / (loss) on sale of fixed assets	(18.00)	(56.46)
Excess provision for directors' commission written back	–	95.00
Bad debt recovered	1,061.15	861.61
Market entry fee, (net) *	1,395.52	–
Miscellaneous income	5.21	4.63
	9,519.84	4,926.68

* During the year, the Company has received a one time market entry fee from HDI Gerling International Holding AG, now replaced with HDI-Gerling Industrie Verischerung AG ("HDI"), a part of the Talanx AG Group, Germany, per Market Entry Agreement for providing support and market entry assistance in relation to general insurance business in India. Expenses attributable towards earning this fee income have been deducted therefrom.

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NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

Note: 23 EMPLOYEE BENEFITS EXPENSE (Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
Salaries and wages	18,694.14	13,589.64
Contribution to provident and other funds	799.90	549.62
Employee share based compensation expense	13.50	8.41
Staff welfare expenses	775.82	753.88
	20,283.36	14,901.55

Note: 24 FINANCE COSTS (Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
Interest expense		
On debentures	27,834.70	11,026.14
On term loans	6,887.99	8,679.69
On cash credit and working capital facilities	50,426.32	36,397.27
On others	355.64	223.17
Other borrowing costs	3,519.09	3,002.69
Mark-to-market (profit) / losses on derivative contracts	(283.30)	522.68
	88,740.44	59,851.64

Note: 25 PROVISIONS AND BAD DEBTS WRITTEN OFF (Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
Bad debts written-off	3,062.43	3,573.02
Provision for non performing assets	4,342.84	–
Contingent provision against standard assets	1,200.00	630.00
	8,605.27	4,203.02

Note: 26 OTHER EXPENSES (Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
Rent	1,414.85	1,134.23
Brokerage and commission	9,154.00	3,777.28
Rates and taxes	24.81	33.81
Insurance	101.21	82.18
Advertisement and publicity	952.70	224.03
Travelling and conveyance	1,812.68	1,368.34
Repairs and maintenance		
- machinery	542.13	451.06
- others	131.38	143.33
Payment to Directors		
- fees	11.80	11.00
- commission	139.63	75.00
Professional fees	2,278.42	1,370.83
Legal charges	820.68	948.91
Printing and stationery	376.42	377.40
Communication	1,019.69	812.22
Electricity charges	547.97	426.32
Miscellaneous expenses	2,071.89	1,106.28
	21,400.26	12,342.22

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

27 **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 (Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
Opening defined benefit obligation	623.73	526.64
Current service cost	127.57	106.78
Interest cost	52.77	41.68
Actuarial losses /(gains)	99.76	21.23
Benefit paid	(41.21)	(72.60)
Closing defined benefit obligation	**862.62**	**623.73**

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

	Year ended 31 March 2013	Year ended 31 March 2012
Opening fair value of the plan assets	864.39	700.46
Actual return on plan assets	75.63	62.46
Contributions by employer	191.28	174.07
Benefit paid	(41.21)	(72.60)
Closing fair value of the plan assets	**1,090.09**	**864.39**

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

	Year ended 31 March 2013	Year ended 31 March 2012
Defined benefit obligation	(862.62)	(623.73)
Fair value of plan assets	1,090.09	864.39
Net asset / (liability)	**227.47**	**240.66**

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

	Year ended 31 March 2013	Year ended 31 March 2012
Current service cost	127.57	106.78
Interest on defined benefit obligation	52.77	41.68
Net actuarial losses / (gains) recognised	106.33	22.62
Expected return on plan assets	(82.20)	(63.85)
Net expense included in "Employee benefit expenses"	**204.47**	**107.23**

(e) Summary of actuarial assumptions (Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
Discount rate	8.30%	8.75%
Salary increase	5.00%	5.00%
Expected rate of return on plan assets	8.75%	8.50%

(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.

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NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

(i) Experience adjustments (Rs. in Lacs)

	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Present value of defined benefit obligation	(862.62)	(623.73)	(526.64)	(412.75)	(366.36)
Fair value of plan assets	1,090.09	864.39	700.46	539.96	380.41
Funded status [surplus/(deficit)]	227.47	240.66	173.82	127.21	14.05
Experience (gain)/loss adjustment on plan liabilities	56.36	40.78	–	(55.43)	58.35
Experience gain/(loss) adjustment on plan assets	(6.57)	(1.39)	–	0.64	(2.10)
Experience (gain)/loss adjustment on plan liabilities due to change in assumption	43.40	(19.55)	173.82	(0.59)	8.09

28 Lease transactions in the capacity of Lessee

Lease rental expense under non-cancellable operating lease during the year ended 31 March 2013 and 31 March 2012 amounted to Rs.244.07 lacs and Rs.399.64 lacs respectively. Future minimum lease payments under non cancellable operating lease is as below:

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Not later than one year	108.85	210.24
Later than one year but not later than five years	32.43	71.67
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 2013 and 31 March 2012 was Rs.1,170.78 lacs and Rs.734.59 lacs respectively.

29 Segment reporting

As per paragraph 4 of Accounting Standard (AS) 17, on "Segment Reporting" notified by the Companies (Accounting Standards) Rules 2006, where a single financial report contains both consolidated financial statements and the separate financial statements of the holding company, segment reporting needs to be presented only on the basis of consolidated financial statements. In view of this, segment information has been presented at Note no. 28 of the consolidated financial statements.

30 Earnings per share (EPS)

The computation of EPS is set out below:

	Unit	As at 31 March 2013	As at 31 March 2012
Basic & Diluted			
1 (i) Weighted average number of Equity Shares (Face Value of Rs. 2/- per share) for Basic EPS	Nos.	189,853,231	171,678,998
(ii) Weighted average number of Equity Shares for Diluted EPS [after considering 3.79 lacs shares (2012: 18.50 lacs) resulting from assumed exercise of employee stock options and equity warrants]	Nos.	190,232,710	173,529,271
2 Net Profit after tax	Rs.'Lacs	12,279.97	6,324.23
3 Less : Preference Dividend including Tax thereon	Rs.'Lacs	1,365.67	1,226.57
4 (i) Net Profit for Equity Shareholders for Basic EPS	Rs.'Lacs	10,914.30	5,097.66
(ii) Net Profit for Equity Shareholders for Diluted EPS	Rs.'Lacs	10,914.30	5,097.66
5 (i) Earning Per Share (Face Value of Rs. 2/- per share)– Basic	Rs.	5.75	2.97
(ii) Earning Per Share (Face Value of Rs. 2/- per share) – Diluted	Rs.	5.74	2.94

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 Related party disclosures

Aggregated Related Party disclosures as at and for the year ended 31 March 2013

Subsidiaries

Magma Advisory Services Limited * and Magma ITL Finance Limited (a joint venture with International Tractors Limited).

Step down subsidiaries

Magma Housing Finance (A Public Company with Unlimited Liability) ** and International Autotrac Finance Limited ***.

Joint venture

Magma HDI General Insurance Co. Limited and Jaguar Advisory Services Private Limited.

Enterprises having significant influence

Fluence Advisory Services Limited ****, Pragati Sales Private Limited, Microfirm Capital Private Limited *(formerly Microfirm Softwares Private Limited)*, Magma Consumer Finance Private Limited, Celica Developers Private Limited, Camaro Infrastructure Private Limited, CLP Business LLP, Solvex Estates LLP, Mask Corp, USA, Finprop Estates Private Limited.

Key management personnel

Mayank Poddar and Sanjay Chamria

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.

* w.e.f. 21 May 2012
** w.e.f. 11 February 2013
*** w.e.f. 11 June 2012
**** w.e.f. 25 September 2012

(Rs. in Lacs)

Balance as at 31 March 2013	Subsidiary (including step down subsidiary)	Joint venture	Enterprises having significant influence	Key management personnel
Investments	9,329.94	2,602.20	–	–
	(3,329.94)	(–)	(–)	(–)
Long-term loans and advances	2,600.00	–	204.65	–
	(4,800.00)	(–)	(1,543.10)	(–)
Short-term loans and advances	–	174.76	1,251.98	–
	(–)	(258.52)	(–)	(–)
Trade receivable	66.88	51.25	1.12	–
	(123.29)	(–)	(–)	(–)
Corporate guarantees given	1,000.00	–	–	–
	(2,000.00)	(–)	(–)	(–)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

(Rs. in Lacs)

Transactions during the year ended 31 March 2013	Subsidiary (including step down subsidiary)	Joint venture	Enterprises having significant influence	Key management personnel
Amount received for optionally convertible equity warrants	– (–)	– (–)	– (3,750.00)	– (–)
Equity Share issued against optionally convertible equity warrants including premium	– (–)	– (–)	– (5,000.00)	– (–)
Purchase of investments	6,000.00 (1,480.00)	2,601.20 (–)	– (–)	1.00 (–)
Sale of investment	– (–)	– (–)	– (1,251.98)	– (–)
Long-term loans and advances given	13,500.00 (18,300.00)	– (–)	3.53 (23.52)	– (–)
Short-term loans and advances given	15,600.00 (–)	6,128.47 (107.58)	– (–)	– (–)
Refund of long-term loans and advances given	15,700.00 (13,500.00)	– (–)	90.00 (–)	– (–)
Refund of short-term loans and advances given	15,600.00 (–)	6,212.23 (–)	– (154.55)	– (–)
Refund of deposit taken	– (–)	– (–)	– (6.50)	– (–)
Corporate guarantees released	1,000.00 (2,344.35)	– (–)	– (–)	– (–)
Amount received against support services / insurance commission	1,849.40 (979.69)	531.41 (–)	– (–)	– (–)
Support service income	1,595.75 (948.60)	377.24 (–)	1.00 (–)	– (–)
Insurance commission income	– (–)	158.79 (–)	– (–)	– (–)
Interest receipts	1,303.17 (542.38)	– (–)	– (–)	– (–)
Interest payment	– (–)	– (–)	– (3.15)	– (–)
Rent paid	– (–)	– (–)	324.39 (307.60)	1.77 (1.77)
Directors' remuneration	– (–)	– (–)	– (–)	431.62 (135.32)

Previous year's figures are stated in brackets.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

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

(a) Contingent liabilities

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
(a) Claims against the Company not acknowledged as debt		
(i) Income tax matters under dispute	15.67	15.67
(ii) VAT matters under dispute	254.53	165.50
(iii) Service tax matters under dispute	115.00	115.00
(iv) Legal cases against the company *	322.33	53.29
(b) Guarantees		
(i) Recourse obligation in respect of securitised assets [net of cash collaterals of Rs.1,746.00 lacs (2012: Rs.10,247.24 lacs)]	2,617.33	7,085.22
(ii) Unexpired bank guarantee	39,413.59	40,544.05
(iii) Corporate Guarantee given for a Subsidiary Company	1,000.00	2,000.00

* 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

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	1,151.83	154.18
(b) Redemption of preference shares (including premium)	17,984.48	16,106.52
(c) Proposed investment in joint venture, subsidiary and associate companies	–	3,605.00

33 Payments to auditors (included in Professional fees)

(Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
Joint audit fees	30.00	30.00
Tax audit fees	3.00	3.00
Limited review of quarterly results	19.10	7.20
Other services	5.35	21.31
Reimbursement of expenses	8.19	9.59
Total	**65.64**	**71.10**

34 Loans and advances to subsidiary / step down subsidiary company

(Rs. in Lacs)

Name of the Subsidiary / Step down Subsidiary	Maximum Outstanding	Year ended 31 March 2013
Magma ITL Finance Limited [a joint venture with International Tractors Limited]	15,300.00 (18,388.84)	2,600.00 (4,800.00)
Magma Housing Finance [a step down subsidiary]	15,600.00 (–)	– (–)

Previous year's figures are stated in brackets.

35 Additional notes

(a) C.I.F. value of imports of goods acquired for asset financing arrangements Rs. Nil (2012: Rs.641.33 lacs).

(b) Earnings in Foreign Currency on account of Market entry fee Rs.2,796.00 lacs (2012: Nil).

(c) Expenditure in Foreign Currency on account of Travelling and Others Rs.37.25 lacs (2012: Rs.44.51 lacs).

(d) Expenditure in Foreign Currency on account of Professional fees during the year amounting to Rs.22.83 lacs (2012: Rs.81.55 lacs).

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NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

35 **Additional notes** *(contd...)*

(e) Dividend remitted in foreign currency (Rs. in Lacs)

	Paid in 31 March 2013	Paid in 31 March 2012
Preference shares		
Year to which the dividend relates	2011-12	2010-11
Number of shareholders	2	2
Number of shares held	8,610,198	8,610,198
Amount remitted	529.23	478.38

36 (a) Commissioner of service tax had issued a Show Cause Notice in respect of the financial years 2002-03 to 2006-07 on 16 October 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 financial year 2011-12 which had 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. Further the Company has filed a writ petition before the Hon'ble High Court of Calcutta against the impugned order of CESTAT. The Hon'ble High Court of Calcutta has admitted our writ and set aside and quashed the impugned order. The Hon'ble High Court vide it's order has mentioned that Tribunal shall decide the Appeal afresh in accordance with law expeditiously. Now the matter is pending before CESTAT, Kolkata.

(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 Shrachi 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 4 April 2008 in respect of the financial years 2002-03 to 2005-06 in the matter of erstwhile Shrachi 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 financial year 2011-12 which had 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 *(Continued)*

37 Disclosure required by NBFC-ND-SI in terms of the notification issued by Reserve Bank of India on 1 August 2008

(a) Capital to Risk Assets Ratio (CRAR)

Items	As at 31 March 2013	As at 31 March 2012
(i) CRAR (%)	16.8	21.2
(ii) CRAR -Tier I Capital (%)	10.6	14.1
(iii) CRAR -Tier II Capital (%)	6.2	7.1

(b) Exposure to real estate sector, both direct and indirect (Rs. in Lacs)

Category	As at 31 March 2013	As at 31 March 2012
(i) Direct exposure		
A. Residential Mortgages		
Individual housing loans up to Rs. 15 lacs.	15,993.89	–
Individual housing loans more than Rs. 15 lacs.	26,819.23	–
B. Commercial Real Estate	1,015.62	–
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 (Rs. in Lacs)

	1day to 30/31days (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	23,348.71	20,188.51	20,267.70	44,016.97	85,327.28	250,360.39	65,749.46	47,966.20	557,225.22
Market Borrowings	24,866.93	19,756.73	55,919.13	10,333.23	41,707.29	154,705.84	67,435.84	11,213.50	385,938.49
Assets									
Advances	51,154.84	39,507.08	30,234.83	89,415.05	169,252.03	479,574.08	109,572.31	35,222.25	1,003,932.47
Investments	447.80	531.05	570.32	1,671.53	3,271.09	9,168.16	949.85	11,934.41	28,544.21
Cash & Bank	84,963.24	4,452.37	1,531.94	8,402.20	17,046.53	7,798.68	0.50	76.46	124,271.92

38 (a) Disclosures relating to Securitisation in terms of the notification issued by Reserve Bank of India on 21 August 2012

(Rs. in Lacs)

	As at 31 March 2013
1 No. of SPVs sponsored by the NBFC for securitisation transactions *	12
2 Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	253,678.81
3 Total amount of the exposures retained by the NBFC to comply with MRR as on the date of balance sheet	
a) Off-balance sheet exposures	
First Loss	–
Others	–
b) On-balance sheet exposures	
First Loss	9,423.68
Others	–

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

38 **(a) Disclosures relating to Securitisation in terms of the notification issued by Reserve Bank of India on 21 August 2012** *(contd...)*

(Rs. in Lacs)

	As at 31 March 2013
4 Amount of exposures to securitisation transactions other than MRR	
a) Off-balance sheet exposures	
(i) Exposure to own securitisation	
First Loss	–
Others	9,537.35
(ii) Exposure to third party securitisations	
First Loss	–
Others	–
b) On-balance sheet exposures	
(i) Exposure to own securitisation	
First Loss	–
Others	23,143.63
(ii) Exposure to third party securitisations	
First Loss	–
Others	–

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

(b) During the year, the Company has undertaken one direct assignment transaction in terms of guidelines on securitisation transaction issued by Reserve Bank of India on 21 August 2012, for a value of Rs.10,434.52 lacs.

39 **Disclosures relating to Fraud in terms of the notification issued by Reserve Bank of India on 2 July 2012**

The total frauds detected and reported during the year ended 31 March 2013 aggregated to Rs.649.04 lacs. The Company has subsequently recovered an amount of Rs.62.14 lacs till the balance sheet date. The un-recovered amounts have been fully provided for.

40 **Disclosures in terms of the notification issued by the Reserve Bank of India on 21 March 2012**

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Total Gold loan portfolio	5,944.19	–
Total Assets	1,174,190.17	–
Gold loan portfolio as a %age of total assets	0.51%	–

41 **Disclosures in respect of Company's Joint Ventures pursuant to Accounting Standard - 27**

The company's interests in its joint ventures is as follows:

(Rs. in Lacs)

Name of Venture	Country of Incorporation	Proportion of Ownership Interest	Assets	Liabilities	Income	Expenses	Contingent Liabilities & Commitments
1 Jaguar Advisory Services Private Limited	India	48.89%	2,374.66	0.70	12.48	11.04	–
2 Magma HDI General Insurance Company Limited	India	26.00%	7,961.28	2,797.75	(306.40)	44.43	30.54

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

42 Details of investments

(Rs. in Lacs)

Sl. No.	Name of the Company	As at 31 March 2013 Qty.	As at 31 March 2013 Book Value	As at March 2012 Qty.	As at March 2012 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 Advisory Services Limited *	21,111,112	6,000.00	–	–
2	Magma ITL Finance Limited	33,299,400	3,329.94	33,299,400	3,329.94
	Total	**54,410,512**	**9,329.94**	**33,299,400**	**3,329.94**
	Unquoted (in joint venture Company)				
1	Magma HDI General Insurance Company Limited **	26,000,000	2,600.00	–	–
2	Jaguar Advisory Services Private Limited ***	11,000	2.20	–	–
	Total	**26,011,000**	**2,602.20**	–	–
	Unquoted				
1	Fund Point Finance Limited	120,000	12.00	120,000	12.00
2	Multi-Mode Multi-Media Training Services Private Limited	160,000	16.00	160,000	16.00
3	MF Process & Solution Private Limited	1,900	0.99	1,900	0.99
4	Panchawati Holiday Resorts Limited	4,000	0.39	4,000	0.39
	Total	**285,900**	**29.38**	**285,900**	**29.38**
B	**GOVERNMENT SECURITIES**				
	Unquoted				
1	7-Years National Savings Certificate	–	0.16	–	0.39
	Total	–	**0.16**	–	**0.39**
C	**OTHERS**				
	Unquoted				
1	In Pass Through Certificate - Bharat Securitisation Trust - I	16,566	1,401.25	–	–
2	In Pass Through Certificate - MFL Securitisation Trust - I	1	1,084.21	–	–
3	In Pass Through Certificate - MFL Securitisation Trust - II	1	1,712.21	–	–
4	In Pass Through Certificate - MFL Securitisation Trust - III	1	2,066.43	–	–
5	In Pass Through Certificate - MFL Securitisation Trust - IV	1	775.01	–	–
6	In Pass Through Certificate - MFL Securitisation Trust - V	1	838.67	–	–
7	In Pass Through Certificate - MFL Securitisation Trust - VI	1	1,990.01	–	–
8	In Pass Through Certificate - MFL Securitisation Trust - VII	1	733.47	–	–
9	In Pass Through Certificate - MFL Securitisation Trust - VIII	1	2,654.32	–	–
10	In Pass Through Certificate - MFL Securitisation Trust - IX	1	1,532.24	–	–
11	In Pass Through Certificate - MFL Securitisation Trust - X	1	1,339.12	–	–
12	In Pass Through Certificate - MFL Securitisation Trust - XI	1	482.86	–	–
	Total	**16,577**	**16,609.80**	–	–
	Grand Total	**80,798,189**	**28,579.79**	**33,659,500**	**3,368.02**
	Aggregate provision for diminution in value of investments	–	(35.58)	–	(35.58)
	Net Total	**80,798,189**	**28,544.21**	**33,659,500**	**3,332.44**

* The Company has invested Rs 6,000.00 lacs towards 21,111,112 equity shares of face value Rs. 10/- per equity share representing 100.00% of the outstanding share capital of Magma Advisory Services Limited, a manpower and advisory services providing company, headquartered in Kolkata.

** The Company has invested Rs 2,600.00 lacs towards 26,000,000 equity shares of face value Rs. 10/- per equity share representing 26.00% of the outstanding share capital of Magma HDI General Insurance Company Limited, a general insurance company, headquartered in Kolkata.

*** The Company has invested Rs 2.20 lacs towards 11,000 equity shares of face value Rs. 10/- per equity share representing 48.89% of the outstanding share capital of Jaguar Advisory Services Private Limited, headquartered in Kolkata.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

43 Transfer Pricing

The Company has developed a system of maintaining of information and documents as required by the transfer pricing legislation under the Income-tax Act, 1961. Management is of the opinion that its domestic transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

44 Derivative transaction

The Company has recognized profit of Rs.283.30 lacs for the year ended 31 March 2013 (2012: loss of Rs.522.68 lacs) relating to derivative financial instrument.

The Company does not have any unhedged foreign currency exposure.

45 Previous year's figure

Previous year's figure including those in brackets have been regrouped and / or rearranged wherever necessary.

As per our report of even date attached.

For and on behalf of the Board of Directors

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. 017270

Zubin Shekary
Partner
Membership No. 048814

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 08 May 2013

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 as at 31 March 2013	Amount overdue as at 31 March 2013
	Liabilities		
1	**Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid**		
(a)	Debentures		
	- Secured	191,800.00	–
	- Unsecured	90,150.00	–
(b)	Deferred Credits	–	–
(c)	Term Loans	118,641.74	–
(d)	Inter-Corporate Loans and Borrowing	–	–
(e)	Commercial Paper	114,810.81	–
(f)	Public Deposits *	7.11	–
(g)	Cash Credit / Working Capital Demand Loans from Banks	428,761.16	–

(Rs. in Lacs)

Sl. No.	Particulars	Amount outstanding as at 31 March 2013
	Assets	
2	**Break-up of Loans and Advances, including Bills Receivables (other than those included in (4) below)**	
(a)	Secured	–
(b)	Unsecured	16,040.17
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	1,299.15
(ii)	Stock on Hire including Hire Charges under Sundry Debtors	–
(iii)	Other loans counting towards AFC activities	
	(a) Loans where assets have been repossessed	160.94
	(b) Loans other than (a) above	968,887.19
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.

SCHEDULE ANNEXED TO THE BALANCE SHEET

(Rs. in Lacs)

Sl. No.	Particulars	Amount outstanding as at 31 March 2013
	Long Term Investments	
1	Quoted	
	(i) Shares (a) Equity	1.16
	(b) Preference	–
	(ii) Debentures and Bonds	–
	(iii) Units of Mutual Funds	–
	(iv) Government Securities	–
	(v) Others (please specify)	–
2	Unquoted	
	(i) Shares (a) Equity	12,004.25
	(b) Preference	–
	(ii) Debentures and Bonds	–
	(iii) Units of Mutual Funds	–
	(iv) Government Securities	–
	(v) Others	
	- National Savings Certificate	0.16
	- Pass Through Certificate	16,609.80

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

(Rs. in Lacs)

Sl. No.	Category	Secured	Unsecured	Total as at 31 March 2013
1	Related Parties			
	(a) Subsidiaries	–	2,600.00	2,600.00
	(b) Companies in the same group	–	–	–
	(c) Other related parties		1,456.63	1,456.63
2	Other than Related Parties	893,447.30	88,883.52	982,330.82
	Total	**893,447.30**	**92,940.15**	**986,387.45**

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

(Rs. in Lacs)

Sl. No.	Category	Market Value/Break up or Fair Value or NAV as at 31 March 2013	Book Value (Net of Provisions) as at 31 March 2013
1	Related Parties		
	(a) Subsidiaries	25,604.29	9,329.94
	(b) Companies in the same group	–	–
	(c) Other related parties	7,537.42	2,602.20
2	Other than Related Parties	16,645.92	16,683.23
	Total	**49,787.63**	**28,615.37**

SCHEDULE ANNEXED TO THE BALANCE SHEET

7 Other information

(Rs. in Lacs)

Sl. No.	Particulars	Total as at 31 March 2013
(i)	Gross Non-Performing Assets	
	(a) Related parties	–
	(b) Other than Related parties	21,206.40
(ii)	Net Non-Performing Assets	
	(a) Related parties	–
	(b) Other than Related parties	16,863.56
(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, 08 May 2013

MAGMA
Investing in the smallest dream

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Magma Fincorp Limited

We have audited the accompanying consolidated financial statements of Magma Fincorp Limited ("the Company") its subsidiaries and its joint ventures, which comprise the consolidated balance sheet as at 31 March 2013, the consolidated statement of profit and loss and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

We did not audit the financial statements and other financial information of certain subsidiaries and joint venture. The financial statements of these subsidiaries and joint ventures for the year ended 31 March 2013 have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of subsidiaries, is based solely on these reports which have been relied upon by us. The attached consolidated financial statements include total assets of Rs 65,649 Lacs as at 31 March 2013, total revenue of Rs 10,859 Lacs and net cash inflows amounting to Rs 175 Lacs in respect of the aforementioned subsidiaries and joint ventures for the year then ended.

We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard 21 – Consolidated Financial Statements and Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures prescribed in the Companies (Accounting Standards) Rules, 2006.

Opinion

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

(a) in the case of the consolidated balance sheet, of the state of affairs of the Company as at 31 March 2013;

(b) in the case of the statement of consolidated profit and loss, of the profit for the year ended on that date; and

(c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For B S R & Co.	**For S. S. Kothari & Co.**
Chartered Accountants	*Chartered Accountants*
Firm's Registration No.: 101248W	Firm's Registration No.: 302034E
Zubin Shekary	**R. N. Bardhan**
Partner	*Partner*
Membership No.: 048814	Membership No.: 017270
Kolkata	Kolkata
08 May 2013	08 May 2013

CONSOLIDATED BALANCE SHEET

(Rs. in Lacs)

	Note no.	As at 31 March 2013	As at 31 March 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	23,499.18	18,061.16
Reserves and surplus	4	135,941.14	106,360.26
		159,440.32	124,421.42
Minority Interest		2,551.71	1,881.80
Non-current liabilities			
Long-term borrowings	5	386,927.37	212,452.03
Deferred tax liabilities (net)	6	5,447.62	2,336.48
Long-term provisions	7	8,297.95	1,551.04
		400,672.94	216,339.55
Current liabilities			
Short-term borrowings	8	576,710.52	352,422.62
Trade payables	9	26,529.39	23,263.92
Other current liabilities	10	137,365.30	93,683.84
Short-term provisions	11	8,110.79	3,367.10
		748,716.00	472,737.48
Total		1,311,380.97	815,380.25
ASSETS			
Non-current assets			
Fixed assets			
- Tangible assets	12	16,270.06	17,268.28
- Intangible assets	12	433.17	578.88
- Goodwill on consolidation		1,470.35	–
- Capital work-in-progress		849.53	33.03
		19,023.11	17,880.19
Non-current investments	13	19,960.29	2.50
Long-term loans and advances	14		
- Asset on finance		717,424.23	417,403.48
- Others		4,952.03	4,609.98
Other non-current assets	15	20,814.83	10,148.04
		782,174.49	450,044.19
Current assets			
Current investments	16	6,732.40	–
Trade receivables	17	619.26	772.41
Cash and bank balances	18	121,784.70	81,005.04
Short-term loans and advances	19		
- Asset on finance		378,884.86	273,070.60
- Others		11,159.37	5,731.51
Other current assets	20	10,025.89	4,756.50
		529,206.48	365,336.06
Total		1,311,380.97	815,380.25
Significant accounting policies	2		

The Notes referred to above form an integral part of these financial statements.

As per our report of even date attached.

For and on behalf of the Board of Directors

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. 017270

Zubin Shekary
Partner
Membership No. 048814

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 08 May 2013

MAGMA
Investing in the smallest dream

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Rs. in Lacs)

	Note no.	Year ended 31 March 2013	Year ended 31 March 2012
REVENUE			
Revenue from operations	21	161,529.20	103,147.59
Operating result from general insurance business	22	(839.90)	–
Other income	23	9,457.87	4,852.83
Total revenue		**170,147.17**	**108,000.42**
EXPENSE			
Employee benefits expense	24	20,401.77	14,901.55
Finance costs	25	92,624.60	62,542.85
Depreciation and amortisation expense	12	3,755.83	2,957.74
Provisions and bad debts written off	26	9,659.38	4,778.58
Other expenses	27	22,457.63	12,448.39
Total expense		**148,899.21**	**97,629.11**
Profit before tax		**21,247.96**	**10,371.31**
Tax expense:			
Current tax - current year		6,469.31	4,030.84
- earlier year		6.28	33.83
Share of current tax of joint venture		141.05	–
MAT credit entitlement		(123.61)	–
Net current tax		6,493.03	4,064.67
Deferred tax		553.51	(1,472.48)
Share of deferred tax of joint venture		(292.78)	–
Profit after tax		**14,494.20**	**7,779.12**
Minority Interest		669.91	378.29
Profit after tax and minority interest		**13,824.29**	**7,400.83**
Earnings per equity share			
(Nominal value of Rs. 2 each fully paid up):	30		
Basic (in Rupees)		6.56	3.60
Diluted (in Rupees)		6.55	3.56
Significant accounting policies	2		
The Notes referred to above form an integral part of these financial statements.			

As per our report of even date attached.

For and on behalf of the Board of Directors

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. 017270

Zubin Shekary
Partner
Membership No. 048814

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 08 May 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note: 1 COMPANY OVERVIEW

Magma Fincorp Limited ('the Company' or 'the Group'), incorporated and headquartered in Kolkata, India is a publicly held non-banking finance company and 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. Its shares are listed on National Stock Exchange and Bombay Stock Exchange. The Company along with its subsidiaries and joint ventures, is engaged in providing asset finance, housing finance and general insurance business through its pan India branch network.

Note: 2 SIGNIFICANT ACCOUNTING POLICIES

(i) Principles of consolidation

(a) Consolidated financial statements include result of Magma Fincorp Limited, the parent company, its subsidiaries and joint venture (collectively referred to as 'the Group'). Consolidated financial statements are prepared as set out below:

Name of the company	Country of incorporation	Consolidated as
Magma Advisory Services Limited	India	Subsidiary
Magma Housing Finance (Housing finance company)	India	Step down subsidiary
Magma ITL Finance Limited	India	Subsidiary
International Autotrac Finance Limited	India	Step down subsidiary
Jaguar Advisory Services Private Limited	India	Joint venture
Magma HDI General Insurance Company Limited (General insurance company)	India	Joint venture

(b) The consolidated financial statements are in conformity with the Accounting Standard (AS) 21 "Consolidated Financial Statements" and Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India and notified by the Central Government of India under section 211 (3C) of the Companies Act, 1956.

(c) As required by Revised Schedule VI, the Company has classified assets and liabilities into current and non-current based on the operating cycle as per the criteria set out in Revised Schedule VI to the Companies Act, 1956.

(d) The financial statements of the parent company have been combined with its subsidiaries on a line by line basis by adding together book values of like items of assets, liabilities, income and expenses, Joint ventures have been consolidated using proportionate consolidation method whereby the venturer's share of each of the assets, liabilities, income and expenses of the joint ventures is reported as separate line items in the financial statements. Adjustments / eliminations of inter-company balances, transactions including unrealised profits have been made.

(e) The consolidated financial statements have been prepared by using 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 Company's standalone financial statements unless otherwise stated.

(f) Considering that the accounts of the Housing finance company and General insurance company have been prepared in accordance with and in the manner prescribed by the regulations of the National Housing Board and the Insurance Regulatory & Development Authority respectively and the lack of homogeneity of the business, the financial statements of the Housing Company and the Insurance Company have been consolidated, to the extent possible in the format as adopted by the parent, as required by Accounting Standard (AS) 21 "Consolidated Financial Statements" and Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India and notified by Central Government of India u/s 211 (3C) of Companies Act, 1956.

(g) The excess of cost to the parent company of its investment in the subsidiaries and joint ventures over the parent's portion of equity of the subsidiaries and joint ventures or vice versa is recognized in the consolidated financial statements as Goodwill or Capital reserve as the case may be.

(h) Minority interest's share of net profit of the consolidated subsidiaries for the year is identified and adjusted against the income of the Group in order to arrive at the net income attributable to the shareholders of the Company.

Minority interest's share of net assets of the consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.

(i) The Financial Statements of the Subsidiaries and Joint Ventures used in the Consolidation are drawn up to the same reporting date as that of the Company i.e. 31 March 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 2 **SIGNIFICANT ACCOUNTING POLICIES** (contd...)

Note: 2 (A)

(i) Basis of Preparation of Financial Statements

(a) The consolidated financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956 to the extent applicable. In case of Magma HDI General Insurance Company Limited, the financial statement are drawn up in accordance with the Insurance Regulatory and Development Authority Act, 1999, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations, 2002 and order and direction issued by IRDA in this behalf and the regulations framed there under read with relevant provisions of the Insurance Act, 1938 to the extent possible.

(b) No adjustments have been made to the financial statements of the insurance joint venture on account of diverse accounting policies as the same, being insurance companies, have been prepared under a regulated environment in contrast to those of the Company and hence not practicable to do so. Also differences in accounting policies followed by the other entities consolidated have been reviewed and no adjustments have been made, since the impact of these differences is not significant.

(c) The accounting policies set out below have been applied consistently to the periods presented in these financial statements, except as explained in note 2(B) on changes in accounting policies.

(d) The Company complies with the directions issued by the Reserve Bank of India (RBI) for Non-Banking Financial (Non-Deposit Accepting or Holding) Companies (NBFC-ND), relevant provisions of the Companies Act, 1956 and the applicable Accounting Standards prescribed by the Companies (Accounting Standard) Rules, 2006 issued by the Central Government of India and the guidelines issued by the Securities and Exchange Board of India (SEBI) to the extent applicable. The financial statements are presented in Indian rupees rounded off to the nearest lac upto two decimal places.

(e) As required by revised Schedule VI of the Companies Act, 1956, 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 and their realization in cash or cash equivalents. Since in case of non-banking financial company normal operating cycle is not applicable, the operating cycle has been considered as 12 months.

(ii) Use of estimates and judgements

The preparation of financial statements in conformity with Generally Accepted Accounting Principles ('GAAP') requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognized 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.

(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. Interest income is recognised as it accrues on a time proportion basis taking into accountthe amount outstanding and the rate applicable, except in the case of non-performing assets (NPA) where it is recognised upon realisation.

(b) Income on securitisation / assignment

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

The gain arising on transfer of financial assets by way of securitisation or bilateral assignments, 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 immediately at the time the sale is effected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 2 **SIGNIFICANT ACCOUNTING POLICIES** (contd...)

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

(d) Assets given by the Company under operating lease are included in fixed assets. Lease income from operating leases is recognised in the statement of profit and loss on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease income are recognised as expenses. Initial direct costs incurred specifically for an operating lease are deferred and recognised in the statement of profit and loss over the lease term in proportion to the recognition of lease income.

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

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

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

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

(v) Provisions for non performing assets (NPA) and doubtful debts

(a) Asset financing companies

Non performing assets ('NPA') including loans and advances, receivables are identified as bad / doubtful based on the duration of the delinquency. The duration is set at appropriate levels for each product. NPA provisions are made based on the management's assessment of the degree of impairment and the level of provisioning and meets the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended and prescribed by Reserve Bank of India from time to time. These provisioning norms are considered the minimum and additional provision is made based on perceived credit risk where necessary.

The Company classifies non-performing assets at 120 days and commences provisioning based on the draft RBI guidelines released on 12 December 2012. The provisioning norms adopted is summarised in the table below:

Asset Classification	Arrear Period	Provision as per current RBI norms for NBFCs		Provision / write-off-policy followed by the Company	
		Secured	Un-Secured	Secured	Un-Secured
Standard	Less than 120 days	0.25%	0.25%	0.30%	0.30%
	>120 days to 6 months	0.25%	0.25%	15.00%	25.00%
Sub-standard	> 6 months to 16 months	10.00%	10.00%	15.00%	25.00%
	> 16 months to 24 months	10.00%	10.00%	25.00%	100.00%
Doubtful	> 24 months to 28 months	20.00%	100.00%	25.00%	100.00%
	> 28 months to 36 months	20.00%	100.00%	40.00%	100.00%
	> 36 months to 52 months	30.00%	100.00%	40.00%	100.00%
	> 52 months to 60 months	30.00%	100.00%	100.00%	100.00%
	> 60 months	50.00%	100.00%	100.00%	100.00%
Loss		100.00%	100.00%	100.00%	100.00%

All contracts with overdues for more than 52 months as well as those which, as per the management are not likely to be recovered are considered as loss assets and written-off as bad debts.

(b) Housing finance companies

Loans are classified as per the Housing Finance Companies (NHB) Directions, 2010 into standard and non-performing assets. Further, non-performing assets are classified into sub-standard, doubtful and loss assets based on criteria stipulated by NHB. Provisions and write offs are carried out in accordance with the requirements of NHB guidelines and recognises non-performing assets and commences provisioning at 90 days. These provisioning norms are considered minimum and higher provision is made based on the perceived credit risk wherever necessary.

(vi) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 2 SIGNIFICANT ACCOUNTING POLICIES (contd...)

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.

(vii) 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.

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

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 amortized 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.

(viii) Impairment

Goodwill, intangible assets which are amortised over a period exceeding ten years and intangible assets which are not yet available for use are tested for impairment annually. Other fixed assets (tangible and intangible) are reviewed at each reporting date to determine if there is any indication of impairment. For assets in respect of which any such indication exists and for intangible asset mandatorily tested annually for impairment, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets (cash generating unit or CGU) that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill is allocated to CGUs only when the allocation can be done on a reasonable and consistent basis. If this requirement is not met for a specific CGU under review, the smallest CGU to which the carrying amount of goodwill can be allocated on a reasonable and consistent basis is identified and the impairment testing carried out at that level.

The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in profit or loss. However, an impairment loss on a revalued asset is recognised directly against any revaluation surplus to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that same asset. Impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists or has decreased, the assets or CGU's recoverable amount is estimated. For assets other than goodwill, the impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such a reversal is recognised in the statement of profit and loss; however, in the case of revalued assets, the reversal is credited directly to revaluation surplus except to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the statement of profit and loss. Impairment loss recognised for goodwill is not reversed in a subsequent period unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur, and subsequent external events have occurred that reverse the effect of that event.

(ix) Investments

(a) Investments are classified as non current or current based on intention of management at the time of purchase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 2 SIGNIFICANT ACCOUNTING POLICIES (contd...)

(b) Non current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment.

(c) 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 investments.

(d) Any reduction in the carrying amount and any reversals of such reduction are charged or credited to the statement of profit and loss.

(x) Employee benefits

(a) Provident fund

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

(b) Gratuity

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Accrued Benefit Method (same as Projected Unit Credit Method), which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the balance sheet date.

Actuarial gains and losses are recognised immediately in the statement of profit and loss.

(c) Compensated absences

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation based on the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

(xi) Employee stock option schemes

The excess of the market price of shares, at the date of grant of options under the Employee Stock Option Schemes of the Company, over the exercise price is regarded as employee compensation, and recognised on a straight-line basis over the period over which the employees would become unconditionally entitled to apply for the shares.

(xii) Taxes on income

Income-tax expense comprises of current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income-tax expense is recognised in profit or loss except that tax expense related to items recognised directly in reserves is also recognised in those reserves.

(a) Current tax

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws.

(b) Deferred tax

Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 2 SIGNIFICANT ACCOUNTING POLICIES (contd...)

that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

(c) Minimum alternative tax

Minimum alternative tax ('MAT') under the provisions of the Income-tax Act, 1961 is recognised as current tax in the statement of profit and loss. The credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

(xiii) Provision

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis.

(a) Onerous Contracts

A contract is considered as onerous when the expected economic benefits to be derived by the company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(b) Contingencies

Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognised when it is probable that a liability has been incurred, and the amount can be estimated reliably.

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.

(xiv) Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

(xv) Transactions in foreign currencies

Foreign currency denominated monetary assets and liabilities are translated at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Revenue, expense and cash-flow items denominated in foreign currencies are translated using the exchange rate in effect on the date of the transaction. Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled.

(xvi) Derivative transactions

Fair value of derivative contracts is determined based on the appropriate valuation techniques considering the terms of the contract

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 2 SIGNIFICANT ACCOUNTING POLICIES (contd...)

as at the balance sheet date. Mark to market losses in option contracts are recognized in the statement of profit and loss in the period in which they arise. Mark to market gains are not recognized keeping in view the principle of prudence as enunciated in AS 1.

(xvii) Borrowing cost

Interest on borrowing is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable on the borrowing. Discount on commercial paper is amortised over the tenor of the commercial paper.

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

(xviii) Operating leases

Lease payments for assets taken on an operating lease are recognised as an expense in the statement of profit and loss on a straight line basis over the lease term.

(xix) Earnings per share

The basic earnings per share ('EPS') is computed by dividing the net profit after tax attributable to the equity shareholders 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 attributable to the equity shareholders 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 and cash equivalents

Cash and cash equivalents comprise cash and cash on deposit with banks and corporations. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

(xxi) 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.

Note: 2 (B)

CHANGE IN ACCOUNTING POLICIES / ESTIMATES

Change in provisioning norms

In view of the imminent regulatory changes in capital adequacy, income recognition, asset classification and provisioning norms proposed in the RBI draft guidelines released on 12 December 2012, and expected to become effective at a future date, the Company has proactively refined its method of recognising delinquencies and loan losses giving effect to such refinements from 1 April 2012.

Following the change, the Company recognises delinquencies and commences provisioning at 120 days, rather than recognising delinquencies at 180 days and writing off 100% of loan outstanding as done previously. These provisioning norms are considered the minimum and higher provision is made based on perceived credit risk where necessary.

The aforesaid revision in provisioning norms has resulted in reduction of interest income by Rs. 1,073.01 lacs, and a net lower provision / write-off of Rs. 1,359.61 lacs for the year ended 31 March 2013. Recoveries made from loans previously written off are included in 'Other Income'.

Further, the Company has increased the standard provisioning by 0.05% to a total of 0.30% of the Standard Assets, from the existing 0.25% to progressively comply with the draft guidelines. This increase has resulted in an additional charge of Rs. 503.00 lacs for the year ended 31 March 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 2 SIGNIFICANT ACCOUNTING POLICIES (contd...)

Note: 2 (C)

SIGNIFICANT ACCOUNTING POLICIES - INSURANCE COMPANIES (TO THE EXTENT, DIFFERENT AND UNIQUE FROM THE PARENT)

(i) Basis of preparation

The accompanying financial statements are drawn up in accordance with the Insurance Regulatory and Development Authority Act, 1999, The Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002 , and orders and directions issued by IRDA in this behalf and the Regulations framed there under read with relevant provisions of The Insurance Act, 1938 and The Companies Act, 1956 to the extent applicable. The financial statements have been prepared under historical cost convention and on accrual basis in accordance with the generally accepted accounting principles, in compliance with the Accounting Standard (AS) as prescribed in the Companies (Accounting Standard) Rules 2006 to the extent applicable and confirm to the statutory provisions in regard to general insurance operations in India.

(ii) Revenue recognition

(a) Premium

Premium net of service tax is recognized as income over the contract period or the period of risk, as appropriate, after adjusting for unearned premium (unexpired risk). Any subsequent revisions to or cancellations of premium are accounted for in the year in which they occur.

(b) Premium / discount on purchase of investments

Accretion of discount and amortization of premium relating to fixed income / debt securities is recognized over the holding / maturity period on a straight-line basis. Cost of investments is determined on weighted average cost basis.

(c) Profit / loss on sale of securities

Profit or loss on sale / redemption of securities is recognized on trade date basis and includes effects of accumulated fair value changes, previously recognized for specific investments sold / redeemed during the year.

(d) Commission on reinsurance ceded

Commission income on reinsurance cessions is recognized as income in the period in which reinsurance premium is ceded.

Profit commission under reinsurance treaties wherever applicable, is recognized on accrual. Any subsequent revisions of profit commission are recognized for in the year in which final determination of the profits are intimated by reinsurers

(iii) Reinsurance ceded

Reinsurance premium ceded is accounted in the year in which the risk commences and over the period of risk in accordance with the treaty agreements with the reinsurers. Any subsequent revision to or cancellations of premiums are accounted for in the year in which they occur.

Premium on excess of loss reinsurance cover is accounted as per the terms of the reinsurance agreements.

(iv) Acquisition costs

Acquisition costs are costs that vary with and are primarily related to acquisition of insurance contracts are expensed in the period in which they are incurred

(v) Premium received in advance

Premium received in advance represents premium received in respect of policies issued during the year, where the risk commences subsequent to the balance sheet date.

(vi) Reserve for unexpired risk

Reserve for unexpired risk is made on the amount representing that part of the net premium written which is attributable to, and to be allocated to the succeeding accounting periods, subject to the provisions of requirements under Section 64V (1) (ii) (b) of the Insurance Act, 1938. Reserve for unexpired risk is made at 100% of net premium for marine hull business and 50% of net premium for other class of business

(vii) Premium deficiency

Premium deficiency is recognized if the ultimate amount of expected net claim costs, related expenses and maintenance costs exceeds the sum of related premium carried forward to the subsequent accounting period as the reserve for unexpired risk. Premium

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 2 **SIGNIFICANT ACCOUNTING POLICIES** (contd...)

deficiency is calculated by line of business as per IRDA circular F&A/CIR/017/May 04 dated 18/05/2004. The Company considers maintenance as relevant direct costs incurred for ensuring claim handling operations.

(viii) **Claims incurred**

Claims incurred comprise claims paid, estimated liability for outstanding claims made following a loss occurrence reported and estimated liability for claims Incurred But Not Reported ('IBNR') and claims Incurred But Not Enough Reported ('IBNER'). Further, claims incurred also include specific claim settlement costs such as survey / legal fees and other directly attributable costs.

Claims (net of amounts receivable from reinsurers/coinsurers) are recognised on the date of intimation based on estimates from surveyors/insured in the respective revenue accounts.

Estimated liability for outstanding claims at Balance Sheet date is recorded net of claims recoverable from/payable to co-insurers/ reinsurers and salvage to the extent there is certainty of realisation.

Estimated liability for outstanding claims is determined by management on the basis of ultimate amounts likely to be paid on each claim based on the past experience. These estimates are progressively revalidated on availability of further information.

IBNR represents that amount of claims that may have been incurred during the accounting period but have not been reported or claimed. The IBNR provision also includes provision, if any, required for claims IBNER. Estimated liability for claims Incurred But Not Reported ('IBNR') and claims Incurred But Not Enough Reported ('IBNER') is based on actuarial estimate duly certified by the appointed actuary of the Company.

(ix) **Investments**

Investments are recorded on trade date at cost. Cost includes brokerage, transfer charges, transaction taxes as applicable, etc., and excludes pre-acquisition interest, if any.

(a) Classification

Investments maturing within twelve months from balance sheet date and investments made with the specific intention to dispose off within twelve months from balance sheet date are classified as short-term investments. Investments other than short term investments are classified as long-term investments.

(b) Valuation

Debt Securities

All debt securities are considered at historical cost adjusted for amortization of premium or accretion of discount on straight line basis in the revenue accounts and profit and loss account over the period held to maturity holding.

The realized gain or loss on the securities is the difference between the sale consideration and the amortized cost in the books of the Company as on the date of sale determined on weighted average cost basis.

Mutual Fund

Mutual fund units are stated at their Net Asset Value ('NAV') at the balance sheet date. Unrealized gains or losses are credited / debited to the fair value change account.

Fair Value Change Account

Fair value change account represents unrealized gains or losses in respect of investments in equity securities, derivative instruments and mutual fund units outstanding at the close of the year. The balance in the account is considered as a component of shareholders' funds and not available for distribution as dividend.

Impairment of Investment

The Company assesses at each Balance Sheet date whether there is any indication that any investment in equity or units of mutual funds is impaired. If any such indication exists, the carrying value of such investment is reduced to its recoverable amount and the impairment loss is recognized in the revenue(s)/profit and loss account. If at the Balance Sheet date there is any indication that a previously assessed impairment loss no longer exists, then such loss is reversed and investment is restated to that extent.

MAGMA
Investing in the smallest dream

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 3 SHARE CAPITAL

(Rs. in Lacs)

		As at 31 March 2013	As at 31 March 2012
Authorised			
220,000,000	(2012: 220,000,000) Equity shares of Rs.2 each	4,400.00	4,400.00
55,200,000	(2012: 24,100,000) Preference shares of Rs.100 each	55,200.00	24,100.00
40,000,000	(2012: Nil) Preference shares of Rs.10 each	4,000.00	–
		63,600.00	28,500.00
Issued, subscribed and paid-up			
Equity share capital			
189,956,775	(2012: 189,732,175) Equity shares of Rs.2 each, fully paid up.	3,799.14	3,794.64
Preference share capital			
2,109,199	(2012: 2,109,199) 9.70% Cumulative non-convertible redeemable preference shares of Rs.100 each (paid-up value per share reduced to Rs.40 on redemption of three annual installments of Rs.20 each per share). 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.	843.68	1,265.52
3,000,000	(2012: 3,000,000) 5.00% Cumulative non-convertible redeemable preference shares (NCPS) of Rs.100 each fully paid up. 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	(2012: 6,500,999) 6 months US Dollar Libor plus 3.25% Cumulative non-convertible redeemable preference shares of Rs.100 each (paid-up value per share reduced to Rs.80 on redemption of first annual installments of Rs.20 each per share). 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.	5,200.80	6,501.00
1,000,000	(2012: 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	(2012: 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
3,600,000	(2012: Nil) 11.00% Cumulative non-convertible redeemable preference shares of Rs.100 each fully paid up. Allotted at par on 12 November 2012 and redeemable at par at the end of 3 years i.e. 11 November 2015.	3,600.00	–
35,555,556	(2012: Nil) 0.01% Non-redeemable non-cumulative non-participating compulsorily convertible preference shares of Rs. 10 each fully paid up. Allotted at a premium of Rs.35 each on 5 February 2013 and compulsorily convertible after 10 years i.e. 4 February 2023. The resultant equity shares to be issued and allotted upon exercise of right attached to these preference shares shall rank pari passu in all respects with the then existing equity shares of the Company.	3,555.56	–
		23,499.18	18,061.16

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 3 **SHARE CAPITAL** *(contd...)*

Reconciliation of the number of shares outstanding and the amount of share capital (Rs. in Lacs)

	As at 31 March 2013		As at 31 March 2012	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
Opening balance	189,732,175	3,794.64	129,773,550	2,595.47
Equity shares issued during the year vide preferential issue	–	–	49,854,375	997.09
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	224,600	4.50	104,250	2.09
Closing balance	**189,956,775**	**3,799.14**	**189,732,175**	**3,794.64**
Preference shares				
Opening balance	15,110,198	14,266.52	15,110,198	14,688.36
6 months US Dollar Libor plus 3.25% preference shares redeemed during the year (20% annually)	–	(1,300.20)	–	–
11.00 %Preference shares issued during the year	3,600,000	3,600.00	–	–
9.70% Preference shares redeemed during the year (20% annually)	–	(421.84)	–	(421.84)
0.01% Preference shares issued during the year	35,555,556	3,555.56	–	–
Closing balance	**54,265,754**	**19,700.03**	**15,110,198**	**14,266.52**

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 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 2012, 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 2012 amounted to Rs.1,323.07 lacs including corporate dividend tax of Rs.184.68 lacs.

Shares allotted as fully paid-up without payment being received in cash / by way of bonus shares (during 5 years preceding 31 March 2013):

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 preceeding 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 preceeding the balance sheet date is given below:

Particulars	31 March				
	2012	2011	2010	2009	2008
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.

On 17 August 2012 and 30 November 2012, the Company has allotted, 159,850 and 64,750 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 ESPS) Guidelines, 1999 to eligible employees of the Company.

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.

On 12 November 2012 the Company has issued 3,600,000 11.00% cumulative non-convertible redeemable preference shares of Rs.100/- each fully paid up which have been allotted for cash at par and are to be redeemed at par at the end of 3 years i.e. 11 November 2015.

On 5 February 2013, the Company has issued 35,555,556 0.01% non-redeemable non-cumulative non-participating compulsorily convertible preference shares of Rs.10/- each at a premium of Rs.35/- per share to Celica Developers Private Limited.

The Company has redeemed Rs.1,300.20 lacs being first installment of Rs. 20/- per share in respect of 6,500,999 cumulative non-convertible redeemable preference shares of Rs.100/- per share during April 2012. The paid-up value as at 31 March 2013 of the above preference

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 3 **SHARE CAPITAL** *(contd...)*

shares stands reduced to Rs.80/- per share from Rs.100/- per share. The above preference shares were redeemed out of the proceeds of the issue of equity shares made for the purposes in the previous year which inter-alia include redemption of preference shares and accordingly, no transfer has been made to capital redemption reserve.

The Company has redeemed Rs.421.84 lacs being third installment of Rs. 20/- per share in respect of 2,109,199 cumulative non-convertible redeemable preference shares of Rs.100/- per share during February 2013. The paid-up value as at 31 March 2013 of the above preference shares stands reduced to Rs.40/- per share from Rs.100/- per share. The above preference shares were redeemed out of the proceeds of the issue of equity shares made for the purposes in the previous year 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 2012 in accounts based on the 6 months US Dollar Libor applicable as on 30 December 2011 and closing exchange rate applicable as on 31 March 2012 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. 22.97 lacs (2012: (Rs.0.13 lacs)) provided with respect to above preference shares for the previous financial year ended 31 March 2012 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% shares

(Rs. in Lacs)

	As at 31 March 2013		As at 31 March 2012	
Name of the shareholder	%age	No. of shares	%age	No. of shares
Equity shares				
Microfirm Capital Private Limited *(formerly Microfirm Softwares Private Limited)*	17.91	34,015,928	17.93	34,015,928
Celica Developers Private Limited	15.50	29,434,455	15.51	29,434,455
Zend Mauritius VC Investments, Limited	14.14	26,854,375	14.15	26,854,375
International Finance Corporation	12.11	23,000,000	12.12	23,000,000
Lavender Investments Limited	7.73	14,678,928	–	–
India Capital Fund Limited	5.13	9,736,294	8.17	15,506,739
Preference shares				
Celica Developers Private Limited	65.52	35,555,556	–	–
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	15.87	8,610,198	56.98	8,610,198
Bank of India	2.76	1,500,000	9.93	1,500,000
Andhra Bank	2.76	1,500,000	9.93	1,500,000
United Bank of India	1.84	1,000,000	6.62	1,000,000
International Tractors Limited	1.84	1,000,000	–	–

Shares reserved for issue under options

(Rs. in Lacs)

	No. of shares granted	Exercise Price	As at 31 March 2013		As at 31 March 2012	
			No. of shares	Amount	No. of shares	Amount
Under Magma Employee Stock Option Plan 2007:						
Tranche I	1,754,000	36.00	362,900	725,800	605,500	1,211,000
Tranche II	250,000	60.00	250,000	500,000	250,000	500,000
Tranche III	50,000	60.00	50,000	100,000	–	–
Tranche IV	300,000	60.00	300,000	600,000	–	–
Tranche V	150,000	60.00	150,000	300,000	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 3 **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 (in Nos.)

	Year ended 31 March 2013	Year ended 31 March 2012
Outstanding options at the beginning of the year	855,500	738,750
Granted during the year	500,000	250,000
Exercised during the year	224,600	104,250
Lapsed during the year	18,000	29,000
Forfeited during the year	–	–
Outstanding options at the end of the year	**1,112,900**	**855,500**
Options vested and exercisable at the end of the year	362,900	361,900

The weighted average fair value of each option of Magma Fincorp Limited was Rs.36.51 using the Black-Scholes model with the following assumptions:

	Unit	Values
Grant date share price	Rs.	50.33 - 97.90
Exercise price	Rs.	36.00 - 60.00
Dividend yield	%	0.61 - 3.03
Expected life	years	4.80 - 6.50
Risk free interest rate	%	7.76 - 8.45
Volatility	%	50.86 - 73.94

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 the Institute of Chartered Accountant of India ('ICAI'), the Company's net profit and basic and diluted earnings per share would have reduced to the proforma amounts as indicated.

	Unit	Year ended 31 March 2013	Year ended 31 March 2012
Net profit for equity shareholders	Rs. in Lacs	12,458.56	6,174.26
Add: Stock-based employee compensation expense (intrinsic value method)	Rs. in Lacs	13.50	8.41
Less: Stock-based employee compensation expense (fair value method)	Rs. in Lacs	28.26	17.79
Proforma net profit	Rs. in Lacs	12,443.80	6,164.88
Basic earnings per share (Face value: Rs. 2/-) as reported	Rs.	6.56	3.60
Proforma basic earnings per share (Face value: Rs. 2/-)	Rs.	6.55	3.59
Diluted earnings per share (Face value: Rs. 2/-) as reported	Rs.	6.55	3.56
Proforma diluted earnings per share (Face value: Rs. 2/-)	Rs.	6.54	3.55

MAGMA
Investing in the smallest dream

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 4 RESERVES AND SURPLUS

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Capital reserve	457.98	457.98
Capital reserve on consolidation	6,365.96	–
Capital redemption reserve	1,421.84	1,421.84
Securities premium reserve		
Opening balance	68,815.47	21,929.11
Add: On equity shares issued during the year vide preferential issue	–	42,874.76
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	108.54	50.38
Add: On preference shares issued during the year vide preferential issue	12,444.44	–
Less: Share issue expenses	–	838.78
	81,368.45	68,815.47
Employee share option outstanding		
Gross employee share compensation cost for options granted in earlier years	83.04	89.57
Less: Transferred to securities premium reserve on allotment of shares	32.19	14.94
Add: Deferred employee compensation cost	13.50	8.41
	64.35	83.04
Amalgamation reserve account	106.48	106.48
Statutory reserve		
(created pursuant to Section 45-IC of the Reserve Bank of India Act, 1934)		
Opening balance	10,463.54	8,902.54
Add: Transfer from surplus in the statement of profit and loss	2,975.44	1,561.00
	13,438.98	10,463.54
Statutory reserve		
(created pursuant to Section 29C of the National Housing Bank Act, 1987)		
Opening balance	–	–
Add: Transfer from surplus in the statement of profit and loss	253.00	–
	253.00	–
General reserve		
Opening balance	5,504.50	4,864.50
Add: Transfer from surplus in the statement of profit and loss	1,230.00	640.00
	6,734.50	5,504.50
Surplus (balance in the statement of profit and loss)		
Opening balance	19,507.41	16,857.21
Profit for the year	13,824.29	7,400.83
Amount available for appropriations	33,331.70	24,258.04
Appropriations		
Proposed dividend on preference shares	1,167.47	1,055.36
Tax on proposed preference dividend as above	198.26	171.21
Proposed dividend on equity shares	1,519.66	1,138.39
Tax on proposed equity dividend as above	258.27	184.67
Transfer to statutory reserve (as per Reserve Bank of India)	2,975.44	1,561.00
Transfer to statutory reserve (as per National Housing Bank)	253.00	–
Transfer to general reserve	1,230.00	640.00
	25,729.60	19,507.41
	135,941.14	106,360.26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 5 LONG-TERM BORROWINGS (Rs. in Lacs)

	Security as per	As at 31 March 2013	As at 31 March 2012
Debentures			
Secured			
Redeemable non-convertible debentures	(a)	187,000.00	121,300.00
		187,000.00	121,300.00
Unsecured			
Subordinated non-convertible perpetual debentures (Tier I capital)		5,500.00	5,500.00
Subordinated redeemable non-convertible debentures (Tier II capital)		70,650.00	61,150.00
		76,150.00	66,650.00
Term loan			
Secured *			
from banks	(b) and (c)	71,672.27	21,068.06
from others (financial institutions)	(b) and (c)	52,005.20	2,928.10
		123,677.47	23,996.16
Unsecured			
from others		99.90	505.87
		99.90	505.87
		386,927.37	212,452.03
* Aggregate of loans guaranteed by #			
Directors		8,739.12	20,983.74
#includes current maturities of long term borrowings			

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 Maharastra 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.

(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.

Details of debentures

Secured redeemable non-convertible debentures (Rs. in Lacs)

Number of Debentures	Face Value (Rs. in Lacs)	Rate of Interest	Redeemable at	Date of Allotment	Date of Redemption	As at 31 March 2013	As at 31 March 2012
2000	10	10.80%	Par	28 Jun 2012	27 Jun 2017	20,000.00	–
1000	10	11.50%	Par	01 Feb 2012	01 Feb 2017	10,000.00	10,000.00
1000	10	11.50%	Par	14 Dec 2011	14 Dec 2016	10,000.00	10,000.00
1900	10	11.05%	Par	13 Mar 2013	13 Sep 2016	19,000.00	–
150	10	10.40%	Par	12 Dec 2012	11 Dec 2015	1,500.00	–
100	10	10.60%	Par	17 Oct 2012	16 Oct 2015	1,000.00	–
1300	10	11.00%	Par	07 Aug 2012	07 Aug 2015	13,000.00	–
500	10	11.00%	Par	18 Jun 2012	16 Jun 2015	5,000.00	–
1750	10	11.20%	Par	17 Feb 2012	02 Apr 2015	17,500.00	17,500.00
750	10	11.00%	Par	18 Jun 2012	16 Dec 2014	7,500.00	–
1000	10	11.00%	Par	25 Nov 2011	25 Nov 2014	10,000.00	10,000.00
1500	10	11.25%	Par	16 Nov 2011	14 Nov 2014	15,000.00	15,000.00
1000	10	10.60%	Par	17 Oct 2011	17 Oct 2014	10,000.00	10,000.00
250	10	10.40%	Par	17 Oct 2012	17 Oct 2014	2,500.00	–
1000	10	10.45%	Par	07 Sep 2011	07 Sep 2014	10,000.00	10,000.00
1000	10	10.75%	Par	07 Aug 2012	07 Aug 2014	10,000.00	–
1000	10	11.00%	Par	18 Jun 2012	16 Jun 2014	10,000.00	–
1500	10	11.25%	Par	16 Nov 2011	16 May 2014	15,000.00	15,000.00
125	10	10.75%	Par	02 Feb 2012	20 Jan 2014	–	1,250.00
2000	10	11.15%	Par	16 Nov 2011	13 Nov 2013	–	20,000.00
80	10	10.75%	Par	02 Feb 2012	31 Jul 2013	–	800.00
175	10	10.75%	Par	02 Feb 2012	23 Jul 2013	–	1,750.00
						187,000.00	121,300.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 5 **LONG-TERM BORROWINGS** *(contd...)*

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

(Rs. in Lacs)

Number of Debentures	Face Value (Rs. in Lacs)	Rate of Interest	Redeemable at	Date of Allotment	Earliest date of exercise *	As at 31 March 2013	As at 31 March 2012
150	10	12.50%	Par	07 Jan 2011	07 Jan 2021	1,500.00	1,500.00
100	10	12.50%	Par	09 Dec 2010	09 Dec 2020	1,000.00	1,000.00
200	10	13.75%	Par	29 Mar 2010	29 Mar 2020	2,000.00	2,000.00
100	10	13.50%	Par	24 Mar 2010	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)

(Rs. in Lacs)

Number of Debentures	Face Value (Rs. in Lacs)	Rate of Interest	Redeemable at	Date of Allotment	Date of Redemption	As at 31 March 2013	As at 31 March 2012
100	10	11.00%	Par	17 Jan 2013	17 Jan 2023	1,000.00	–
250	10	11.50%	Par	06 Sep 2012	06 Sep 2022	2,500.00	–
600	10	11.00%	Par	19 Mar 2013	19 Mar 2020	6,000.00	–
550	10	11.00%	Par	11 Mar 2013	11 Mar 2020	5,500.00	–
150	10	11.00%	Par	17 Jan 2013	17 Jan 2020	1,500.00	–
253	10	11.75%	Par	30 Mar 2012	30 Mar 2019	2,530.00	2,530.00
1250	10	11.20%	Par	09 Dec 2011	09 Dec 2018	12,500.00	12,500.00
600	10	11.50%	Par	06 Sep 2012	06 Jun 2018	6,000.00	–
150	10	12.00%	Par	27 Mar 2012	27 Sep 2017	1,500.00	1,500.00
1200	1	11.75%	Par	07 Mar 2012	07 Sep 2017	1,200.00	1,200.00
1500	1	11.75%	Par	28 Dec 2011	28 Jun 2017	1,500.00	1,500.00
5000	1	11.75%	Par	14 Dec 2011	14 Jun 2017	5,000.00	5,000.00
1500	1	11.75%	Par	05 Dec 2011	05 Jun 2017	1,500.00	1,500.00
50	10	11.50%	Par	26 Mar 2011	26 Jun 2016	500.00	500.00
200	10	11.50%	Par	19 Oct 2010	19 Jan 2016	2,000.00	2,000.00
792	10	11.50%	Par	30 Sep 2010	30 Dec 2015	7,920.00	7,920.00
320	10	11.50%	Par	07 May 2010	07 Aug 2015	3,200.00	3,200.00
150	10	11.50%	Par	31 Mar 2010	30 Jun 2015	1,500.00	1,500.00
50	10	11.50%	Par	29 Mar 2010	29 Jun 2015	500.00	500.00
150	10	11.50%	Par	22 Mar 2010	22 Jun 2015	1,500.00	1,500.00
130	10	11.50%	Par	02 Mar 2010	02 Jun 2015	1,300.00	1,300.00
100	10	13.15%	Par	19 Mar 2009	18 Jun 2014	1,000.00	1,000.00
200	10	13.00%	Par	04 Mar 2009	03 Jun 2014	2,000.00	2,000.00
100	10	14.00%	Par	05 Feb 2009	04 May 2014	1,000.00	1,000.00
50	10	14.00%	Par	23 Dec 2008	15 Mar 2014	–	500.00
500	10	10.90%	Par	25 Apr 2008	19 Jul 2013	–	5,000.00
250	10	10.50%	Par	26 Mar 2008	25 Jun 2013	–	2,500.00
500	10	10.50%	Par	11 Feb 2008	11 May 2013	–	5,000.00
						70,650.00	61,150.00

Terms of repayment of term loans

(Rs. in Lacs)

Repayment Terms	Interest Terms	Repayable at		As at 31 March 2013	As at 31 March 2012
Secured					
Monthly	Fixed	Par		21.07	–
Monthly	Floating	Par		22,513.93	5,929.00
Quarterly	Fixed	Par		2,395.20	2,928.10
Quarterly	Floating	Par		98,747.27	15,139.06
				123,677.47	23,996.16

The above term loans carry interest rates ranging from 10.60% to 12.25% p.a.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 6 DEFERRED TAX LIABILITIES (NET)

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Deferred tax liabilities		
Fixed assets	2,647.30	3,230.80
Unamortised expenses, (net)	6,043.89	–
Others	377.17	78.08
	9,068.36	**3,308.88**
Deferred tax assets		
Provision for standard assets	1,098.26	580.44
Provision for non-performing assets	1,818.08	–
Others	411.63	391.96
	3,327.97	**972.40**
Share of deferred tax assets of joint venture	**292.77**	–
	5,447.62	**2,336.48**

Note: 7 LONG-TERM PROVISIONS

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Provision for employee benefits		
Compensated absences	590.22	455.04
Other provisions		
Provision for non-performing assets	5,503.73	–
Contingent provision against standard assets (Tier II Capital)	2,204.00	1,096.00
	8,297.95	**1,551.04**

Note: 8 SHORT–TERM BORROWINGS

(Rs. in Lacs)

	Security as per	As at 31 March 2013	As at 31 March 2012
Term loan			
Secured			
from banks	(a)	12,500.00	–
		12,500.00	–
Unsecured			
from others		1,448.22	1,204.42
		1,448.22	**1,204.42**
Commercial papers			
Unsecured			
Face value		117,500.00	14,770.00
Less: Unmatured discounting charges		2,689.19	531.96
		114,810.81	**14,238.04**
Loans from banks			
Secured			
Cash credit facilities	(b)	149,487.39	192,745.29
Working capital demand loans	(b)	298,464.10	144,234.87
		447,951.49	**336,980.16**
		576,710.52	**352,422.62**

Details of cash credit facilities and working capital demand loans

The cash credit facilities are repayable on demand and carries interest rates at 9.95% to 14.75% p.a. Working capital demand loans are repayable on demand and carries interest rates at 9.75% to 11.00% p.a As per the prevalent practice, cash credit facilities and working capital demand loans are renewed on a year to year basis and therefore, are revolving in nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 8 SHORT-TERM BORROWINGS *(contd...)*

Nature of security

(a) Term loans from Banks are secured by way of hypothecation on the Company's book debts and loan installments receivable therefrom.

(b) 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.

Terms of repayment of term loans

(Rs. in Lacs)

Repayment Terms	Interest Terms	Repayable at		As at 31 March 2013	As at 31 March 2012
Secured					
Quarterly	Floating	Par		12,500.00	–
				12,500.00	–
Unsecured					
Monthly	Fixed	Par		1,448.22	1,204.42
				1,448.22	1,204.42

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

Details of unsecured commercial paper

(Rs. in Lacs)

Number of units	Face Value (Rs. in Lacs)	Interest Terms		As at 31 March 2013	As at 31 March 2012
23500	5	Fixed		114,810.81	14,238.04
				114,810.81	14,238.04

The above commercial papers carry interest rates ranging from 9.31% to 10.65% p.a.

Note: 9 TRADE PAYABLES

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Due to micro and small enterprises *	–	–
Due to others	26,529.39	23,263.92
	26,259.39	23,263.92

* The Company has no dues to micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006, as at 31 March 2013 and 31 March 2012. This information is required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006, and has been determined to the extent such parties have been identified on the basis of information available with the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 10 OTHER CURRENT LIABILITIES

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Current maturities of long-term borrowings (Refer Note 5)	76,533.11	46,784.48
Interest accrued but not due on borrowings	14,020.23	7,213.28
Unpaid dividend#	21.56	19.70
Application money received for allotment of debentures	1,000.00	–
Unclaimed matured deposits and interest accrued thereon *	7.11	9.88
Other payables		
Temporary book overdraft	6,066.90	6,742.87
Advances and deposits from customers	7,821.68	8,821.16
Statutory liabilities	668.40	524.17
Director's commission payable	135.00	75.00
Pending remittance on assignment	23,647.34	20,166.18
Other current liabilities	5,988.31	3,327.12
	135,909.64	**93,683.84**
Share of joint venture	1,455.66	–
	137,365.30	**93,683.84**

#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

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Provision for employee benefits		
Compensated absences	86.07	34.75
Gratuity	0.11	–
Other provisions		
Contingent provision against standard assets (Tier II Capital)	1,182.00	693.00
Proposed dividend (including tax thereon)	3,120.69	2,549.76
Provision for taxation	1,139.94	89.59
Provision for contingent expenses	55.50	–
	5,584.31	**3,367.10**
Share of joint venture	2,526.48	–
	8,110.79	**3,367.10**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 12 FIXED ASSETS (Rs. in Lacs)

Description of assets	Gross block				Depreciation and amortisation				Net block	
	As at 1 April 2012	Additions	Deletions	As at 31 March 2013	As at 1 April 2012	For the year	Deletions	As at 31 March 2013	As at 31 March 2013	As at 31 March 2012
Tangible Assets										
Fixed assets for own use										
Land	30.26	–	–	30.26	–	–	–	–	30.26	30.26
Buildings *	3,424.74	–	–	3,424.74	993.47	52.83	–	1,046.30	2,378.44	2,431.27
Plant and equipment	3,281.67	826.96	191.99	3,916.64	1,661.10	560.93	185.78	2,036.25	1,880.39	1,620.57
Wind mills	9,701.29	–	–	9,701.29	2,332.02	512.23	–	2,844.25	6,857.04	7,369.27
Furniture and fixtures	1,614.78	513.66	25.40	2,103.04	655.70	202.32	18.16	839.86	1,263.18	959.08
Vehicles	354.61	35.25	4.02	385.84	188.59	36.21	1.05	223.75	162.09	166.02
Office equipment	1,263.24	239.49	29.36	1,473.37	384.71	91.24	20.58	455.37	1,018.00	878.53
Leasehold improvements	1,629.40	740.78	41.35	2,328.83	489.72	535.26	25.67	999.31	1,329.52	1,139.68
Sub-total	**21,299.99**	**2,356.14**	**292.12**	**23,364.01**	**6,705.31**	**1,991.02**	**251.24**	**8,445.09**	**14,918.92**	**14,594.68**
Share of joint venture	–	**56.92**	**0.19**	**56.73**	–	**4.74**	–	**4.74**	**51.99**	–
Fixed assets on operating lease										
Buildings	11.00	–	–	11.00	1.51	0.18	–	1.69	9.31	9.49
Vehicles	17,771.08	45.69	–	17,816.77	15,106.97	1,419.96	–	16,526.93	1,289.84	2,664.11
Sub-total	**17,782.08**	**45.69**	–	**17,827.77**	**15,108.48**	**1,420.14**	–	**16,528.62**	**1,299.15**	**2,673.60**
Total	**39,082.07**	**2,458.75**	**292.31**	**41,248.51**	**21,813.79**	**3,415.90**	**251.24**	**24,978.45**	**16,270.06**	**17,268.28**
Intangible assets										
Fixed assets for own use										
Computer softwares	807.97	353.07	–	1,161.04	442.42	382.96	–	825.38	335.66	365.55
Business and commercial rights	800.00	–	–	800.00	586.67	160.00	–	746.67	53.33	213.33
Sub-total	**1,607.97**	**353.07**	–	**1,961.04**	**1,029.09**	**542.96**	–	**1,572.05**	**388.99**	**578.88**
Share of joint venture	–	**46.53**	–	**46.53**	–	**2.35**	–	**2.35**	**44.18**	–
Total	**1,607.97**	**399.60**	–	**2,007.57**	**1,029.09**	**545.31**	–	**1,574.40**	**433.17**	**578.88**
Grand total	**40,690.04**	**2,858.35**	**292.31**	**43,256.08**	**22,842.88**	**3,961.21**	**251.24**	**26,552.85**	**16,703.23**	**17,847.16**
Previous year	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	

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

Note: 13 NON-CURRENT INVESTMENTS (Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
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 others	29.38	29.38
Investment in government securities		
Unquoted (Rs. 0.16 lac pledged with Sales tax authorities)	0.16	0.39
Others		
In Pass through certificates *	10,706.79	–
	10,744.64	**38.08**
Aggregate provision for diminution in value of investments	(35.58)	(35.58)
	10,709.06	**2.50**
Share of joint venture	9,251.23	–
	19,960.29	**2.50**
Aggregate book value of quoted investments	8.31	8.31
Aggregate market value of quoted investments	4.10	4.30
Aggregate book value of unquoted investments	10,736.33	29.77

* The Company has invested in the Pass Through Certificates (PTCs) on the assets securitised by it, as Minimum Retention Ratio, as prescribed in the guidelines issued by Reserve Bank of India from time to time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 14 LONG-TERM LOANS AND ADVANCES

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Assets on finance *		
Secured, considered good	683,047.33	391,788.78
Secured, considered doubtful	2,704.58	–
Unsecured, considered good	31,638.66	25,614.70
Unsecured, considered doubtful	33.66	–
	717,424.23	417,403.48
Others		
Unsecured, considered good		
Capital advances	63.15	21.09
Loans	66.22	61.82
Loans and advances to related parties	204.65	1,543.10
Tax advances and deduction at source	2,704.55	623.55
Security deposits	754.22	577.18
Other loans and advances		
Margin with body corporate	1,159.24	1,783.24
	4,952.03	4,609.98
Unsecured, considered doubtful		
Other loans and advances		
Advances recoverable in cash or kind or for value to be received	110.00	110.00
Less: Provision against loans and advances	110.00	110.00
	–	–
	722,376.26	422,013.46

* Assets on finance is net of amounts securitised/assigned aggregating to Rs. 526,390.28 lacs as at 31 March 2013 (2012: Rs. 510,485.64 lacs). Value of repossessed assets as at the year-end is Rs. 255.72 lacs (2012: Rs. 674.81 lacs).

Note: 15 OTHER NON-CURRENT ASSETS

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Others		
Non-current bank balances *	9,136.14	3,922.83
Unamortised borrowings costs	2,431.63	1,843.13
Unamortised loan origination costs (net)	7,206.58	4,141.42
Gratuity (excess of plan assets over obligation)	227.47	240.66
	19,001.82	10,148.04
Share of joint venture	1,813.01	–
	20,814.83	10,148.04

* Balances with banks held as security against borrowings, guarantees amounts to Rs.877.52 lacs (2012: Rs.1,002.91 lacs) and as cash collateral for securitisation amounts to Rs.8,258.62 lacs (2012: Rs.2,919.92 lacs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 16 CURRENT INVESTMENTS

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Other investment		
Investment in mutual funds (valued at lower of cost and fair value)		
Quoted	11.99	–
Others (at cost)		
In Pass through certificates *	6,720.41	–
	6,732.40	–
Aggregate book value of quoted investments	11.99	–
Aggregate market value of quoted investments	12.11	–
Aggregate book value of unquoted investments	6,720.41	–

* The Company has invested in the Pass Through Certificates (PTCs) on the assets securitised by it, as Minimum Retention Ratio, as prescribed in the guidelines issued by Reserve Bank of India from time to time. Current portion of Pass through certificates as referred under Non-Current Investments (Note 13) has been included here and amounts to Rs.6,720.41 lacs (2012: Rs. Nil).

Note: 17 TRADE RECEIVABLES

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Unsecured, considered good		
Debts outstanding for a period exceeding six months from the date they became due for payment	–	–
Other debts	619.26	772.41
	619.26	772.41

Note: 18 CASH AND BANK BALANCES

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Cash and cash equivalents		
Cash in hand	5,442.07	3,167.31
Balances with banks		
In current and cash credit accounts	37,880.92	29,668.12
In deposit accounts with original maturity of less than three months	44,100.00	–
Share of joint venture of cash and cash equivalents	239.60	–
	87,662.59	32,835.43
Other bank balances *		
In unpaid dividend account	21.55	19.70
In deposit accounts with original maturity of less than three months	7,974.97	14,481.87
In deposit accounts with original maturity of more than three months and less than twelve months	25,821.45	33,668.04
Share of joint venture of other bank balances	304.14	–
	34,122.11	48,169.61
	121,784.70	81,005.04

* Balances with banks held as security against borrowings, guarantees amounts to Rs.2,217.32 lacs (2012: Rs.2,606.39 lacs) and as cash collateral for bilateral assignment of receivables amounts to Rs.31,579.10 lacs (2012: Rs.45,543.52 lacs). Fixed deposits accounts with more than twelve months maturity amounting to Rs.9,136.14 lacs (2012: Rs.3,922.83 lacs) included under 'Non Current Assets' (Note 15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 19 SHORT-TERM LOANS AND ADVANCES (Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Asset on finance		
Secured, considered good	333,657.20	241,397.42
Unsecured, considered good	45,227.66	31,673.18
	378,884.86	273,070.60
Others		
Unsecured, considered good		
Loan and advances to related parties	1,326.52	333.27
Other loans and advances		
Loans	193.47	326.90
Advances recoverable in cash or kind or for value to be received	5,023.67	4,172.59
Prepaid expenses	386.72	500.68
Balances with Statutory / Government authorities	3,641.73	398.07
	10,572.11	5,731.51
Share of joint venture	587.26	–
	390,044.23	278,802.11

Note: 20 OTHER CURRENT ASSETS (Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Others		
Accrued interest / financial charges	1,215.18	500.20
Unamortised borrowings costs	2,616.73	1,611.41
Unamortised loan origination costs (net)	6,043.55	2,412.47
Others	130.40	232.42
	10,005.86	4,756.50
Share of joint venture	20.03	–
	10,025.89	4,756.50

Note: 21 REVENUE FROM OPERATIONS (Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
Interest / finance income		
On assets on finance	142,865.01	95,141.59
On securitisation and assignment of loans	11,392.06	1,982.74
On fixed deposits	4,213.29	4,076.77
On loans and margins	604.82	444.87
	159,075.18	101,645.97
Other financial income		
Lease rentals	6.70	31.43
Others	2,042.77	1,470.19
	2,049.47	1,501.62
Share of joint venture	404.55	–
	161,529.20	103,147.59

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 22 OPERATING RESULT FROM GENERAL INSURANCE BUSINESS

(Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
Premium income		
Premiums earned (net)	528.06	–
Profit / (loss) on sale / redemption of investments (net)	2.93	–
Interest, dividend and rent (gross)	110.42	–
	641.41	–
Operating expense		
Claims incurred (net)	464.30	–
Commission and brokerage (net)	119.94	–
Contribution to solatium fund	1.29	–
Operating expenses related to insurance business	895.78	–
	1,481.31	–
	(839.90)	–

Note: 23 OTHER INCOME

(Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
Dividend income (non current, other than trade)	0.07	0.07
Interest on investments (non current, other than trade)	258.42	–
Collection and support services	4,014.75	1,795.77
Sale of power	1,181.78	1,138.01
Insurance commission	100.04	–
Net gain / (loss) on sale of investments (non current, other than trade)	19.10	108.52
Rental income	2.67	62.72
Net gain / (loss) on sale of fixed assets	(20.31)	(56.46)
Excess provision for directors' commission written back	–	95.00
Bad debt recoveries	2,010.18	1,704.57
Market entry fee (net) *	1,395.52	–
Miscellaneous income	285.52	4.63
	9,247.74	4,852.83
Share of joint venture	210.13	–
	9,457.87	4,852.83

* During the year, the Company has received a one time market entry fee from HDI Gerling International Holding AG, now replaced with HDI-Gerling Industrie Verischerung AG ("HDI"), a part of the Talanx AG Group, Germany, per Market Entry Agreement for providing support and market entry assistance in relation to general insurance business in India. Expenses attributable towards earning this fee income have been deducted therefrom.

Note: 24 EMPLOYEE BENEFITS EXPENSE

(Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
Salaries and wages	18,766.30	13,589.64
Contribution to provident and other funds	805.76	549.62
Employee share based compensation expense	13.50	8.41
Staff welfare expenses	775.87	753.88
	20,361.43	14,901.55
Share of joint venture	40.34	–
	20,401.77	14,901.55

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Note: 25 FINANCE COSTS (Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
Interest expense		
On debentures	27,946.71	11,026.14
On term loans	8,359.58	9,961.13
On cash credit and working capital facilities	52,686.71	37,707.78
On others	228.55	223.17
Other borrowing costs	3,686.35	3,101.95
Mark-to-market (profit) / losses on derivative contracts	(283.30)	522.68
	92,624.60	**62,542.85**

Note: 26 PROVISIONS AND BAD DEBTS WRITTEN OFF (Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
Bad debts written-off	4,077.05	4,137.58
Provision for non performing assets	4,180.01	–
Contingent provision against standard assets	1,402.32	641.00
	9,659.38	**4,778.58**

Note: 27 OTHER EXPENSES (Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
Rent	1,416.21	1,134.23
Brokerage and commission	9,293.50	3,783.49
Rates and taxes	25.02	33.92
Insurance	109.65	82.18
Advertisement and publicity	952.70	224.03
Travelling and conveyance	1,825.74	1,368.34
Repairs and maintenance		
- machinery	542.13	451.06
- others	131.38	143.33
Payment to Directors		
- fees	11.80	11.00
- commission	139.63	75.00
Professional fees	2,361.33	1,393.89
Legal charges	870.25	959.90
Printing and stationery	376.51	383.32
Communication	1,023.29	812.22
Electricity charges	547.97	426.32
Miscellaneous expenses	2,796.59	1,166.16
	22,423.70	**12,448.39**
Share of joint venture	33.93	–
	22,457.63	**12,448.39**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

28 **Segment reporting**

The Group is organised into following reportable segments referred to in Accounting Standard (AS - 17) "Segment Reporting":

(a) Primary segment: Business segment (Rs. in Lacs)

	Finance and mortgages	General insurance	Others	Total
Revenue				
(a) External and other income	169,285.46	(436.03)	1,297.74	170,147.17
	(106,647.93)	(–)	(1,352.49)	(108,000.42)
(b) Inter-segment	(198.33)	198.33	–	–
	(–)	(–)	(–)	(–)
Total revenue	**169,087.13**	**(237.70)**	**1,297.74**	**170,147.17**
	(106,647.93)	**(–)**	**(1,352.49)**	**(108,000.42)**
Result - Profit / (loss) before tax	**21,692.81**	**(499.26)**	**54.41**	**21,247.96**
	(10,427.02)	**(–)**	**(–55.71)**	**(10,371.31)**
Other information				
Segment assets	1,291,913.34	11,036.81	8,430.82	1,311,380.97
	(807,714.35)	(–)	(7,665.90)	(815,380.25)
Segment liabilities	1,142,754.44	3,688.67	2,945.83	1,149,388.94
	(685,511.53)	(–)	(3,565.50)	(689,077.03)
Capital expenditure	2,754.90	103.45	–	2,858.35
	(2,201.59)	(–)	(–)	(2,201.59)
Depreciation and amortisation	3,243.60	–	512.23	3,755.83
	(2,444.11)	(–)	(513.63)	(2,957.74)
Non-cash expenses	5,299.03	–	–	5,299.03
(other than depreciation)	(1,163.68)	(–)	(–)	(1,163.68)

Previous year's figures are stated in brackets.

(i) The segment information is based on the consolidated financial statements.

(ii) The reportable segment of the Group are further described as below:

(a) Finance and mortgages - this includes asset finance, housing finance.

(b) General insurance - this includes general insurance business.

(c) Others - includes windmill and other allied activities.

(b) All the companies included in above reporting operate within India. Hence Geographic segment is not applicable.

29 **Lease transactions in the capacity of Lessee**

Lease rental expense under non-cancellable operating lease during the year ended 31 March 2013 and 31 March 2012 amounted to Rs.244.07 lacs and Rs.399.64 lacs respectively. Future minimum lease payments under non cancellable operating lease is as below:

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
Not later than one year	114.53	210.24
Later than one year but not later than five years	54.39	71.67
Greater than five years	12.91	–

Additionally, the Company uses the office facilities under cancellable operating leases. The rental expense under cancellable operating lease during the year ended 31 March 2013 and 31 March 2012 was Rs.1,172.14 lacs and Rs.734.59 lacs respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

30 Earnings per share (EPS)

The computation of EPS is set out below:

	Unit	As at 31 March 2013	As at 31 March 2012
Basic & Diluted			
1 (i) Weighted average number of Equity Shares (Face Value of Rs. 2/- per share) for Basic EPS	Nos.	189,853,231	171,678,998
(ii) Weighted average number of Equity Shares for Diluted EPS [after considering 3.79 lacs shares (2012: 18.50 lacs) resulting from assumed exercise of employee stock options and equity warrants]	Nos.	190,232,710	173,529,271
2 Net Profit after tax	Rs.'Lacs	13,824.29	7,400.83
3 Less : Preference Dividend including Tax on Dividend	Rs.'Lacs	1,365.73	1,226.57
4 (i) Net Profit for Equity Shareholders for Basic EPS	Rs.'Lacs	12,458.56	6,174.26
(ii) Net Profit for Equity Shareholders for Diluted EPS	Rs.'Lacs	12,458.56	6,174.26
5 (i) Earning Per Share (Face Value of Rs. 2/- per share)– Basic	Rs.	6.56	3.60
(ii) Earning Per Share (Face Value of Rs. 2/- per share) – Diluted	Rs.	6.55	3.56

31 Related party disclosures

Aggregated Related Party disclosures as at and for the year ended 31 March 2013

Enterprises having significant influence

Fluence Advisory Services Limited*, Pragati Sales Private Limited, Microfirm Capital Private Limited (formerly: Microfirm Softwares Private Limited), Magma Consumer Finance Private Limited, Celica Developers Private Limited, Camaro Infrastructure Private Limited, CLP Business LLP, Solvex Estates LLP, Mask Corp, USA, Finprop Estates Private Limited.

Key management personnel

Mayank Poddar and Sanjay Chamria

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.

* w.e.f. 25 September 2012

(Rs. in Lacs)

Balance as at 31 March 2013	Enterprises having significant influence	Key management personnel
Long-term loans and advances	204.65	–
	(1,543.10)	(–)
Short-term loans and advances	1,251.98	–
	(–)	(–)
Trade receivable	1.12	–
	(–)	(–)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

31 **Related party disclosures** *(contd...)*

(Rs. in Lacs)

Transactions during the year ended 31 March 2013	Enterprises having significant influence	Key management personnel
Amount received for optionally convertible equity warrants	–	–
	(3,750.00)	(–)
Equity Share issued against optionally convertible equity warrants including premium	–	–
	(5,000.00)	(–)
Purchase of investments	–	1.00
	(–)	(–)
Sale of investment	–	–
	(1,251.98)	(–)
Long-term loans and advances given	3.53	–
	(23.52)	(–)
Refund of long-term loans and advances given	90.00	–
	(–)	(–)
Refund of short-term loans and advances given	–	–
	(154.55)	(–)
Refund of deposit taken	–	–
	(6.50)	(–)
Support service income	1.00	–
	(–)	(–)
Interest payment	–	–
	(3.15)	(–)
Rent paid	324.39	1.77
	(307.60)	(1.77)
Directors' remuneration	–	431.62
	(–)	(135.32)

Previous year's figures are stated in brackets.

32 **Cash flow statement**

Due to the different methods of computing cash flows adopted by one of the joint venture carrying on the business of Insurance, which is mandated by the Insurance Regulatory and Development Authority, consolidated cash flows for the year could be better viewed when summarised as follows:

(Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
From operating activities	(289,345.00)	(216,867.25)
From investing activities	(53,505.64)	(2,042.72)
From financing activities	397,677.80	202,283.58
Net increase / (decrease) in cash and cash equivalents	54,827.16	(16,626.39)
Cash and cash equivalents as at the beginning of the year	32,835.43	49,461.82
Cash and cash equivalents as at the end of the year	87,662.59	32,835.43

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

33 **Statement of additional financial information, directed to be disclosed as a conditions put forth by the Ministry of Corporate Affairs for grant of exemption from the applicability of section 212(1) of the Companies Act, 1956, is given below:**

Financial information of subsidiaries for the year ended 31 March 2013: (Rs. in Lacs)

	Magma Advisory Services Limited	Magma Housing Finance	Magma ITL Finance Limited	International Autotrac Finance Limited
Issued and subscribed share capital	2,111.11	14,810.25	4,500.00	10,714.00
Reserves	16,334.23	5,713.25	5,174.45	(10,464.75)
Long-term borrowings	–	50,000.00	11,022.13	99.90
Short-term borrowings	–	12,500.00	20,638.55	–
Total assets	22,017.93	85,846.99	52,174.87	414.29
Total liabilities	22,017.93	85,846.99	52,174.87	414.29
Revenue	105.54	8,530.56	10,892.16	518.58
Profit/ (loss) before taxation	14.42	1,917.10	3,620.36	173.96
Provision for taxation	13.46	652.90	1,183.16	34.70
Profit/ (loss) after taxation	0.96	1,264.20	2,437.20	139.26
Proposed dividend (including tax thereon)	0.06	–	–	–

34 **Share in joint venture**

The Company's share of each of the assets, liabilities, income, expenses, etc. (each without elimination of the effect of transactions between the Company and the Joint Venture) related to its interest in this joint venture, based on the audited financial statements are as follows: (Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	3,701.13	–
Reserves and surplus	6,020.97	–
Current liabilities		
Other current liabilities	1,455.66	–
Short-term provisions	2,526.48	–
ASSETS		
Non-current assets		
Fixed assets	96.17	–
Deferred tax assets (net)	292.77	–
Non-current investment	10,351.26	–
Other non-current assets	1,813.01	–
Current assets		
Cash and bank balances	543.74	–
Short-term loans and advances	587.26	–
Other current assets	20.03	–
REVENUE		
Revenue from operations	404.55	–
Operating result from general insurance business	(1,038.23)	–
Other income	210.13	–
EXPENSE		
Employee benefits expense	40.34	–
Other expenses	33.93	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

(a) Contingent liabilities

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
(a) Claims against the Company not acknowledged as debt		
(i) Income tax matters under dispute	106.80	15.67
(ii) VAT matters under dispute	254.53	165.50
(iii) Service tax matters under dispute	115.00	115.00
(iv) Legal cases against the company*	407.87	53.29
(b) Guarantees		
(i) Recourse obligation in respect of securitised assets [net of cash collaterals of Rs.1,746.00 lacs (2012: Rs.10,247.24 lacs)]	2,617.33	7,085.22
(ii) Unexpired bank guarantee	40,249.85	40,544.05

* 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

(Rs. in Lacs)

	As at 31 March 2013	As at 31 March 2012
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for [share of joint venture Rs.43.46 lacs (2012: Nil)]	1,195.29	154.18
(b) Redemption of preference shares (including premium)	17,984.48	16,106.52
(c) Proposed investment in joint venture, subsidiary and associate companies	–	3,605.00

36 Insurance disclosure

The liability for IBNR claims including IBNER (excluding Declined Risk Pool) for the year ending 31st March 2013 has been estimated by the appointed actuary in compliance with guidelines issued by IRDA vide Circular No. 11/IRDA/ACTL/IBNR/2005-06. The appointed actuary has adopted the Ultimate Claim Ratio Method.

37 Payments to auditors (included in Professional fees)

(Rs. in Lacs)

	Year ended 31 March 2013	Year ended 31 March 2012
Joint audit fees	30.00	30.00
Tax audit fees	3.00	3.00
Limited review of quarterly results	19.10	7.20
Other services	5.35	21.31
Reimbursement of expenses	8.19	9.59
Total	**65.64**	**71.10**

38 Previous year's figure

Previous year's figure including those in brackets have been regrouped and / or rearranged wherever necessary.

As per our report of even date attached.

For and on behalf of the Board of Directors

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. 017270

Zubin Shekary
Partner
Membership No. 048814

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 08 May 2013

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FORM A

Format of covering letter of the Annual Audit Report to be filed with the Stock Exchanges

1.	Name of the Company:	Magma Fincorp Limited
2.	Annual financial statements for the year ended	31st March, 2013
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Not Applicable

For Magma Fincorp Limited

For BSR & Co.
Chartered Accountants

Zubin Shekary
Partner

Narayan K Seshadri
Chairman of Audit Committee

Sanjay Chamria
Vice Chairman & Managing Director

For S.S.Kothari & Co.
Chartered Accountants

R N Bardhan
Partner

V. Lakshmi Narasimhan
Chief Financial Officer

Certified To Be True Copy
For MAGMA FINCORP LIMITED

GIRISH BHATIA
Company Secretary