Magma Fincorp Limited

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

Phone: 033-4401 7200/350 • Fax: 033-4402 7731

CIN: L51504WB1978PLC031813 • Website: www.magma.co.in

NOTICE

To all the Members of the Company

Notice is hereby given that the 34th Annual General Meeting (AGM) of the Shareholders of the Company shall be held at Kala Kunj Auditorium, 48, Shakespeare Sarani, Kolkata – 700 017, West Bengal at 3.00 P.M. on Thursday, 31st July, 2014 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, 2014, 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. Sanjay Chamria (holding DIN 00009894) who retires by rotation and being eligible, seeks reappointment.
4. To appoint M/s. B. S. R. & Co. LLP, Chartered Accountants (Firm Registration Number 101248W) as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the Annual General Meeting scheduled to be held in the year 2016 (subject to ratification of their appointment at every AGM) and to authorize the Board of Directors to fix their remuneration on yearly basis.

By Order of the Board of Directors
For **Magma Fincorp Limited**

Place : Kolkata — **Girish Bhatia**
Date : 7th May, 2014 — 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.

   Proxies submitted on behalf of limited companies, societies, etc., must be supported by appropriate resolutions / authority, as applicable. A person can act as proxy on behalf of Members not exceeding fifty (50) members and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from Friday, the 25th July, 2014 to 31st July, 2014 (both days inclusive).
3. 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.
4. 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 24th July, 2014. 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 24th July, 2014 as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited.
5. **(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 Section 124 and 125 of the Companies Act, 2013 (corresponding to Section 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, 2007 have to be transferred to the said fund by 10th October 2014. Shareholders are requested to encash the dividend before the due date of transfer i.e., before 10th October, 2014. Shareholders are advised to encash the unpaid Dividend Warrants for the year ended 31st March, 2007 or any subsequent year, before transfer to the above referred Fund by writing a request to the Company Secretary, Magma Fincorp Limited, Secretarial Department, "Magma House", 7th Floor, 24, Park Street, Kolkata - 700016. 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	Date of Declaration	Due for Transfer
2006-2007	04-09-2007	10-10-2014
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
2012-2013	18-07-2013	23-08-2020

(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 2013.

The Ministry of Corporate Affairs (MCA) on 10th May, 2012 notified the IEPF (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012 (IEPF Rules), which is applicable to the Company. The objective of the IEPF Rules is to help the shareholders ascertain status of the unclaimed amounts and overcome the problems due to misplacement of intimation thereof by post etc. In terms of the said IEPF Rules, the Company has uploaded the information in respect of the Unclaimed Dividends in respect of the financial years from 2006, as on the date of the 33rd Annual General Meeting (AGM) held on 18th July, 2013, on the website of the IEPF viz. www.iepf.gov.in and under "Investors Section" on the Website of the Company viz. www.magma.co.in.

6. The Shareholders of the Company at their 30th Annual General Meeting held on Thursday, July 15, 2010, approved the sub-division of the Equity Shares of the face value of ₹ 10/- each fully paid-up into 5 (five) Equity Shares of the face value of ₹ 2/- each fully paid-up. Accordingly, the Company had fixed Monday, August 16, 2010 as the Record Date to determine the shareholders eligible to receive the sub-divided Equity Shares and the holders of physical shares were advised vide our letters dated 17/08/2010, 06/02/2012, 28/08/2012 and 22/03/2013 to surrender the old share certificate of the face value of ₹ 10/- to receive the share certificate of the face value of ₹ 2/-. The shareholders who have not yet surrendered the old share certificate, are again requested to claim new sub-divided Equity Shares of the face value of ₹ 2/- each by surrendering the old shares of the face value of ₹ 10/- each immediately at Registered Office of the Company.

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 72 of the Companies Act, 2013 (corresponding to Section 109A of the Companies Act, 1956), may submit the prescribed particulars in Form No. SH-13 (Nomination Form), 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 dematerialize 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. Pursuant to the provisions of Section 101 and Section 136 of the Companies Act, 2013 and the rules made thereunder, Companies can serve Annual Report and other documents / communications to those shareholders who have 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. Shareholders of the Company, who have registered their email address, are entitled to receive such communication in physical form upon request.

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. In case of joint holders attending the meeting, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote.

17. Electronic copy of the Notice of the 34th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company / Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 34th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.

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

Details of Director Seeking Re-Appointment at the Annual General Meeting

Name	Mr. Sanjay Chamria
Date of birth	23rd August, 1964
Date of appointment	28th September, 1993
Qualification	• Bachelor of Commerce
	• Fellow Chartered Accountant
Expertise in specific functional area	He has over 27 years experience in NBFC. He is a Fellow Chartered Accountant and is the Vice-Chairman & Managing Director of the Company. He anchors policy, strategy planning and execution. He leads the Management Team in the achievement of ambitious goals year after year.
List of outside *Directorships held excluding Alternate Directorship.	• Magma ITL Finance Limited • Magma HDI General Insurance Company Limited • Magma Advisory Services Limited • Magma Housing Finance (A Public Company with Unlimited Liability) • Fluence Advisory Services Limited
Membership/Chairmanship of **Committees of the Board of Directors of the Company	Member of the Shareholders'/Investors' Grievance Committee
Chairman/Member of the **Committee of the Board of Directors of other Companies in which he/she is a Director	**Chairman of the Audit Committee of:** 1. Magma Housing Finance (A Public Company with Unlimited Liability) 2. Magma Advisory Services Limited **Member of Audit Committee of:** 1. Magma ITL Finance Limited 2. Magma HDI General Insurance Company Limited
Number of shares held in the Company	Nil

* Excludes Directorships in Indian Private Limited Companies, Foreign Companies, Companies under Section 8 of the Companies Act, 2013 (corresponding to Section 25 of the Companies Act, 1956)

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

E-voting:

Process and Manner for Members Opting For E-Voting

In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members facility to exercise their right to vote by electronic means and the business may be transacted through e-voting Services provided by National Securities Depository Limited (NSDL) on all resolutions set forth in this Notice:

The instructions for e-voting are as under :

A. In case a Member receives an e-mail from NSDL (for Members whose e-mail addresses are registered with the Company/ Depositories):

   i. Open the e-mail and also open PDF file namely "Magma e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.

   ii. Open the internet browser and type the following URL: https://www.evoting.nsdl.com.

   iii. Click on Shareholder – Login.

   iv. If you are already registered with NSDL for e-voting then you can use your existing user ID and password.

   v. If you are logging in for the first time, please enter the user ID and password provided in the PDF file attached with the e-mail as initial password.

   vi. The Password Change Menu will appear on your screen. Change to a new password of your choice, making sure that it contains a minimum of 8 digits or characters or a combination of both. Please take utmost care to keep your password confidential.

   vii. Once the e-voting home page opens, click on e-voting> Active Voting Cycles.

   viii. Select "EVEN" (E-Voting Event Number) of Magma Fincorp Limited which is 100413. Now you are ready for e-voting as Cast Vote page opens.

   ix. Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.

   x. Upon confirmation, the message "Vote cast successfully" will be displayed.

   xi. Once the vote on the resolution is cast, the Member shall not be allowed to change it subsequently.

   xii. Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF / JPG format) of the relevant Board Resolution/Authority letter, etc., together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to aklabhcs@gmail.com with a copy marked to evoting@nsdl.co.in.

   xiii. In case of any queries, you may refer the Frequently Asked Questions (FAQs) - Shareholders and e-voting user manual - Shareholders, available at the downloads section of www.evoting.nsdl.com.

B. In case a Member receives physical copy of the Notice of AGM (for Members whose email addresses are not registered with the Company/Depositories):

   i. Initial password is provided in the enclosed attendance slip: EVEN (E-Voting Event Number), user ID and password.

   ii. Please follow all steps from Sl. No. (ii) to Sl. No. (xiii) above, to cast vote.

C. Other Instructions:

   i. The e-voting period commences on Friday, July 25, 2014 (9.00 A.M. IST) and ends on Sunday, July 27, 2014 (6.00 P.M. IST). During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on June 20, 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, he shall not be allowed to change it subsequently.

   ii. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on June 20, 2014.

   iii. Since the Company is required to provide members the facility to cast their vote by electronic means, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 20th June 2014 and not casting their vote electronically, may only cast their vote at the Annual General Meeting.

   iv. M/s. A. K. Labh & Co., Company Secretaries (CP No: 3238), has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

   v. The Scrutinizer shall, within a period not exceeding three working days from the conclusion of the e-voting period, unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.

   vi. The results declared along with the Scrutinizer's report shall be placed on the Company's website www.magma.co.in and on the website of NSDL www.evoting.nsdl.com within two days of the passing of the resolutions at the 34th AGM of the Company on July 31, 2014 and communicated to the BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.

By Order of the Board of Directors
For **Magma Fincorp Limited**

Place : Kolkata
Date : 7th May, 2014

Girish Bhatia
Company Secretary

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Magma Fincorp Limited

Registered office: "Magma House", 24, Park Street, Kolkata-700 016
CIN : L51504WB1978PLC031813

Form No. MGT-11

Proxy form

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the member (s) :..............................

Registered address :..............................

E-mail Id :..............................

Folio No. / DP ID/ Client Id* :..............................

I/We, being the member(s) of : ....shares of Magma Fincorp Limited, hereby appoint

1. Name : ....
   Address: ....
   E-mail Id: ....
   Signature: .... or failing him/her ....
2. Name : ....
   Address: ....
   E-mail Id: ....
   Signature: .... or failing him/her ....
3. Name : ....
   Address: ....
   E-mail Id: ....
   Signature: .... or failing him/her ....

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the Annual General Meeting of the Members of the Company, to be held on the Thursday, 31st July, 2014 at 3.00 P.M. at Kala Kunj Auditorium, 48, Shakespeare Sarani, Kolkata – 700 017, West Bengal and at any adjournment thereof in respect of such resolutions as are indicated below :

Resolution Number	Resolution	Vote (Please mention no. of shares)		
		For	Against	Abstain
Ordinary Business				
1.	To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2014, 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. Sanjay Chamria (holding DIN 00009894) who retires by rotation and being eligible, seeks reappointment.			
4.	To appoint M/s. B. S. R. & Co. LLP (ICAI Registration Number 101248W), Chartered Accountants, Bangalore as Statutory Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of 36th Annual General Meeting of the Company and fix their remuneration, subject to ratification by the shareholders at every AGM.			

Signed this .... day of 2014

Signature of shareholder ....

Signature of Proxy holder(s) ....

Affix
Revenue
Stamp

Note : This form of Proxy in order to be effective should be duly submitted and deposited at the Registered Office of the Company, not less than forty eight hours before the commencement of the meeting.

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

MAGMA FINCORP LIMITED

CIN:-L51504WB1978PLC031813, Registered Office: "MAGMA HOUSE", 24, Park Street,

Kolkata - 700 016, Website:- www.magma.co.in, Phone No. :- 91 33 4401 7350/7200

Dear Shareholders, ..., 2014

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.

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.

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An

eye for

OPPORTUNITY

2013-14 ANNUAL REPORT

Magma Fincorp Limited

Forward-looking statements

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

What's Inside?

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
(upto 14 May 2014)

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
- 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. LLP
Chartered Accountants
Maruthi Info-Tech Centre
11-12/1 Inner Ring Road, Koramangala
Bangalore - 560071

Registered Office

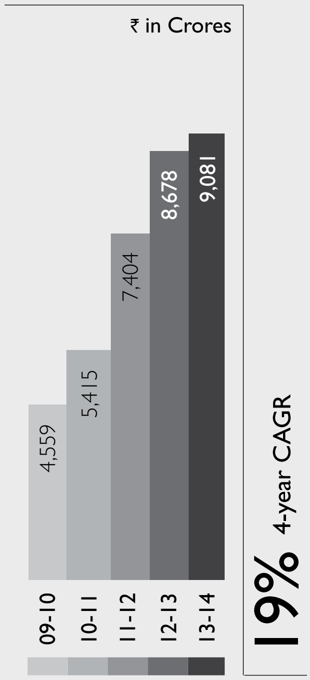
"MAGMA HOUSE"
24, Park Street, Kolkata - 700 016
CIN : L51504WB1978PLC031813
www.magma.co.in

Registrar and Share Transfer Agent

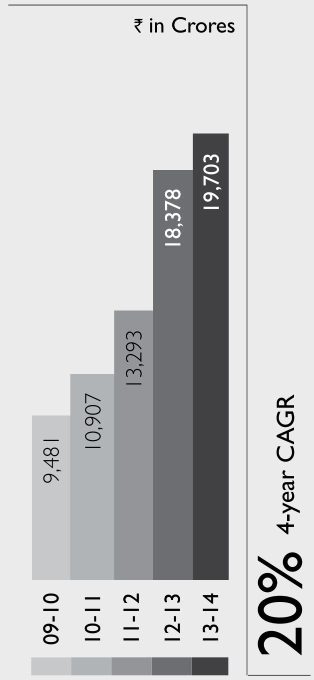
Niche Technologies Private Limited
D-511, Bagree Market, 5th Floor
71, B.R.B. Basu Road, Kolkata - 700 001
Tel No. 033-22357270/7271
Email Id: nichetechpl@nichetechpl.com

Driven by opportunity

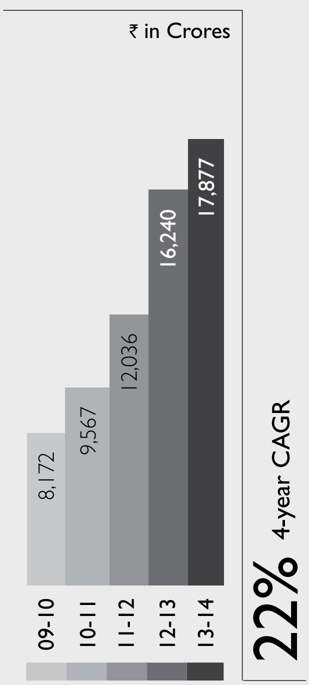
Disbursements



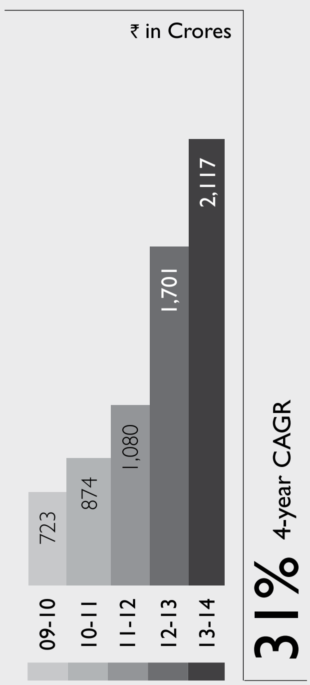
Assets under management



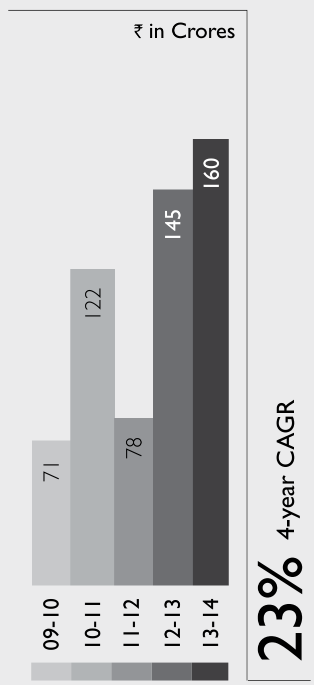
Total loan assets



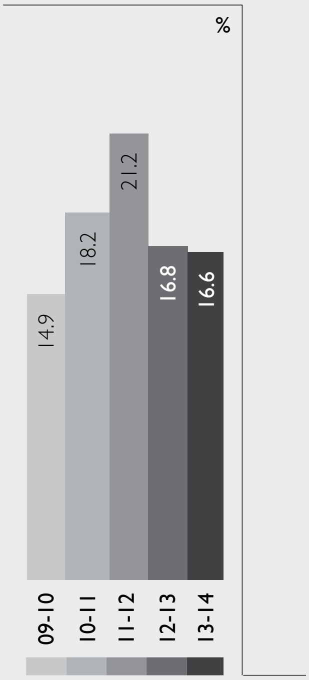
Revenue



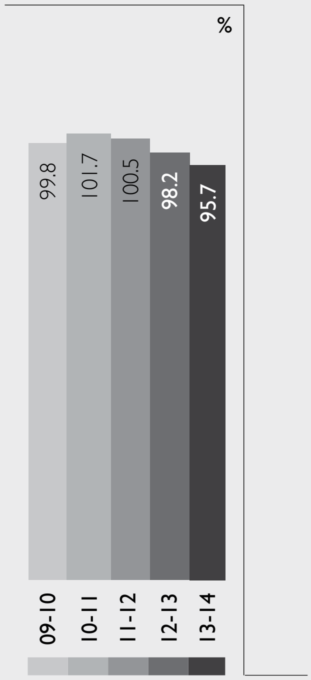
Profit after tax



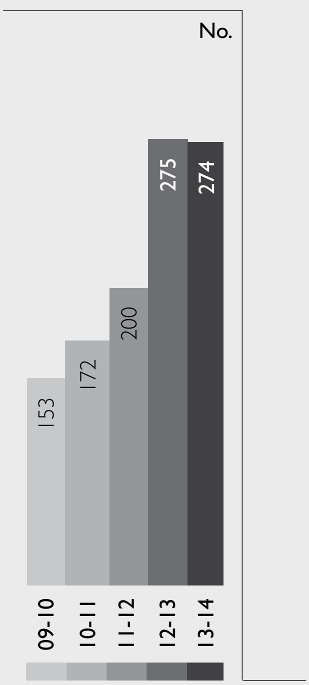
Capital adequacy ratio



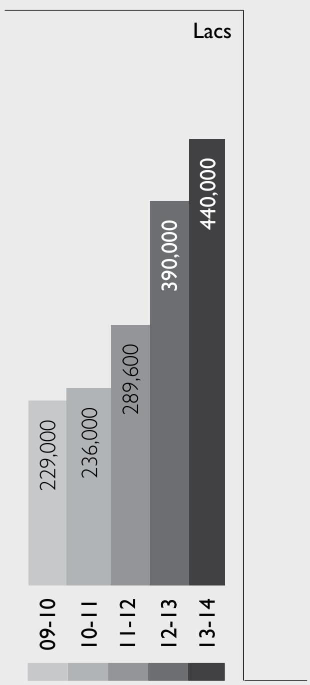
Collection efficiency



Branch network



Customer base



VISION

To become India's largest retail asset finance company

MISSION

To continue to provide service excellence in retail-financing to bring happiness and prosperity 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.

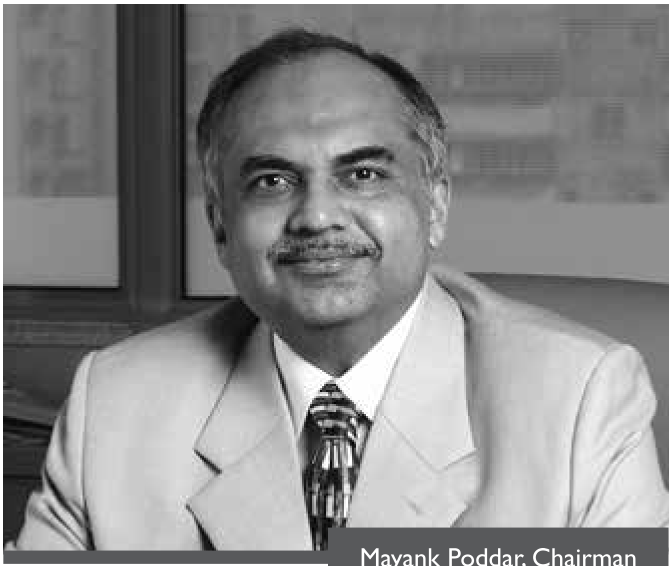
Trust and respect for people

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 34th Annual Report along with the Audited Accounts of the Company for the year ended 31 March 2014. A summary of the Financial Results is given herein:

Financial Results

(₹ in Lacs)

	Consolidated		Standalone	
	2013-14	**2012-13**	**2013-14**	**2012-13**
Total income	2,11,742.90	1,70,147.17	1,87,567.19	1,60,615.16
Profit before interest and depreciation	1,40,792.86	1,17,628.39	1,26,669.82	1,10,326.27
Less: Interest and finance charges	1,17,707.18	92,624.60	1,05,516.19	88,740.44
Less: Depreciation	3,317.50	3,755.83	3,314.00	3,670.12
Profit before tax	19,768.18	21,247.96	17,839.63	17,915.71
Tax Expense	3,805.00	6,753.76	4,282.31	5,635.74
Profit after tax (Before Minority Interest)	15,963.18	14,494.20	13,557.32	12,279.97
Minority Interest	780.31	669.91	--	--
Profit after tax (After Minority Interest)	15,182.87	13,824.29	13,557.32	12,279.97
Add: Surplus brought forward	25,729.60	19,507.41	23,483.66	18,037.29
Add: Impact of amalgamation of International Autotrac Finance Limited with Magma ITL Finance Limited	(51.85)	--	--	--
Balance available for appropriation	40,860.62	33,331.70	37,040.98	30,317.26
- Statutory reserves	3,441.09	3,228.44	2,751.85	2,460.00
- General reserve	1,365.50	1,230.00	1,365.50	1,230.00
Provision for dividend				
- On preference shares	1,084.21	1,167.47	1,083.85	1,167.42
- On equity shares	1,520.96	1,519.66	1,520.96	1,519.66
- Dividend tax	442.74	456.53	442.68	456.52
Balance carried forward	33,006.12	25,729.60	29,876.14	23,483.66

Business

Indian Economy during 2013-14

India is estimated to have grown at 4.9% during the year under review, i.e. Financial Year 2013-14, as compared to 4.5% during the previous year. Although commercial activity has stagnated in FY 2013-14, there has been a turnaround in investor sentiments in the latter half of the year. However the industry chose to adopt a cautious approach in the context of a tight monetary policy followed by the Reserve Bank of India (RBI) due to inflationary pressures and other prevailing economical and political uncertainties.

Company's Performance vis-à-vis Industry

Industry growth in sale of new vehicles was muted during the year under review with the exception of Tractor sales which saw robust growth on the back of strong monsoon witnessed in most parts of India. New cars sales dropped sharply by 6.1% during 2013-14 compared to a nominal growth of 1.3% during 2012-13. In a similar vein, construction equipment sales reported a de-growth of 18.7% in 2013-14 as against a decline of 8.2% in 2012-13. Commercial vehicles sales reported de-growth of 20.2% during 2013-14 against a decline of 2.0% in 2012-13. Only tractor sales demonstrated a growth of 20.13% in 2013-14 against a de-growth of 1.4% in 2012-13.

The Company made disbursements of ₹ 9,081 Crores on consolidated basis during FY 2013-14 as against ₹ 8,678 Crores in FY 2012-13, reporting a YoY growth of 4.6%. The total income increased to ₹ 2,117 Crores on consolidated basis, recording a YoY growth of 24.4%.

The Company successfully integrated the mortgage business of GE Money Housing Finance into its fold and has renamed the entity Magma Housing Finance (A Public Company with unlimited liability). The Company recommenced disbursing new mortgage finance since May 2013 and made disbursements of ₹ 767 Crores during its first year of operations. The Company currently offers Home Loans, Home Equity & Construction Finance under the umbrella of mortgage finance.

Insurance Joint Venture

The Company has a Joint Venture Agreement with HDI-Gerling Industrie Versicherung AG, for General Insurance Business in India in the name of Magma HDI General Insurance Company Limited (the "JV Company"). The JV Company had commenced commercial operations of General Insurance business in India from 01 October 2012. Financial year 2013-14 was the first full year of operation.

Magma HDI General Insurance Company Limited ('MHDI'), the general insurance JV between Magma and HDI Gerling, has registered a strong performance in its first full year of operations. MHDI reported Gross Written Premium (GWP) collections of ₹ 430 Crores in FY 2013-14, its first full year of operations.

Subsidiary

Magma ITL Finance Limited (MITL), a subsidiary of the Company and the Company's Joint Venture with International Tractors Limited, manufacturers of Sonalika Brand of Tractors is registered with the RBI as a Non-Deposit Taking NBFC. The subsidiary company made disbursement of ₹ 453.76 Crores against ₹ 408.14 Crores in previous year and has earned a PBT of ₹ 27.08 Crores for the year ended 31 March 2014.

International Autotrac Finance Limited ('IAFL'), step down subsidiary of the Company acquired by MITL during previous year stands amalgamated with MITL, the subsidiary of the Company w.e.f. 23 November 2013 consequent upon filing of certified true copies of the order of Hon'ble High Court at Calcutta and Hon'ble High Court for the States of Punjab and Haryana at Chandigarh on 9 November 2013 and 23 November 2013 respectively. The appointed date of the amalgamation was 01 August 2012.

Magma Advisory Services Limited is a subsidiary of the Company and which also holds Investment in Magma Housing Finance, has earned a PBT of ₹ 0.035 Crores for the year ended 31 March 2014.

Magma Housing Finance (A Public Company with Unlimited Liability) step down subsidiary of the Company has earned a PBT of ₹ 4.46 Crores for the year ended 31 March 2014.

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 8 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 2013-14 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 ₹ 0.80 per Equity Share of the face value of ₹ 2/- each;
2. On Preference Shares:
    a) 9.7% i.e. ₹ 9.70 pro-rata per share dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 40/- each for the period from 01.04.2013 to 17.02.2014 and 9.7% i.e. ₹ 9.70 pro-rata per share dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 20/- each (reduced to ₹ 20/- upon

redemption of 4th instalment of ₹ 20/- each per share on 17 February 2014) for the period from 18.02.2014 to 31.03.2014;

b) 5% i.e. ₹ 5/- per share dividend on 30,00,000 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 100/- each for the period from 01.04.2013 to 03.08.2013 (The shares were redeemed on 03.08.2013);

c) 3.60% i.e. ₹ 3.60 pro-rata per share dividend on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 80/- each for a day i.e., 01.04.2013 and 3.60% i.e. ₹ 3.60 pro-rata per share dividend on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 60/- each (reduced to ₹ 60/- upon redemption of 2nd instalment of ₹ 20/- each on 1 April 2013) for the period from 02.04.2013 to 31.03.2014.

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

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

f) 1% i.e. ₹ 1/- pro-rata per share dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 60/- each for the period from 01.04.2012 to 17.02.2013 and 1% i.e. ₹ 1/- pro-rata per share dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 40/- each (reduced to ₹ 40/- upon redemption of 3rd instalment of ₹ 20/- each per share on 17 February 2013) for the period from 18.02.2013 to 31.03.2013.

g) 11% i.e. ₹ 11/- per share dividend on 36,00,000 Cumulative Redeemable Non-Convertible Preference Shares of ₹ 100/- each.

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 4,00,000 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
08.04.2013	Tranche-6	50,000
07.05.2013	Tranche-7	50,000
30.10.2013	Tranche-8	1,75,000
30.01.2014	Tranche-9	1,25,000
TOTAL		**4,00,000**

The details of options granted and outstanding as on 31 March 2014 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 1,63,200 Equity Shares of the face value of ₹ 2/- each were allotted to the eligible employees at a price of ₹ 36/- per Equity Share (including a premium of ₹ 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 ₹ 3,802 Lacs divided into 19,01,19,975 Equity Shares of ₹ 2/- each.

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

Preference Shares

Redemption of Preference Shares

(i) As per the terms of issue of 9.7% Cumulative Non-Convertible Redeemable Preference Shares of face value of ₹ 100/- each, the fourth instalment of 20% (₹ 20/- each) on 21,09,199 Preference shares aggregating to ₹ 4,21,83,980/- was redeemed on 18 February 2014. The paid up value per share consequent to the fourth redemption stands reduced to ₹ 20/-.

(ii) As per the terms of issue of 65,00,999 Nos. Cumulative Non-Convertible Redeemable Preference Shares of ₹ 100/- each (carrying dividend rate fixed at 6 months US Dollar Libor plus 3.25%), the third instalment aggregating US$ 3 Million was redeemed after the close of the Financial Year on 2 April 2014 out of the proceeds which was raised by the Company through issue of Equity Shares to Zend Mauritius VC Investments, Limited.

(iii) 30,00,000 numbers 5.00% Cumulative Non-Convertible Redeemable Preference Shares of face value of ₹ 100/- each, allotted at par on 4 August 2006 and redeemable at the end of 7 years along with the redemption premium were redeemed on due date. As per the terms and conditions of the issue a sum of ₹ 4,590/- Lacs was paid towards redemption amount comprising of Principal amount of ₹ 3,000/- Lacs and premium of ₹ 1,590/- Lacs.

Consequently, the issued, subscribed and paid up Preference Share Capital of your Company stands revised to ₹ 10,122.24 Lacs as on date.

Debt

Secured Debt

During the year, the Company issued 4,511 Nos. Secured Redeemable Non-Convertible Debt Instruments of ₹ 10,00,000/- each, aggregating to ₹ 45,110 Lacs. Such instruments are in the nature of Debentures.

Subordinated Debt

During the year, the Company issued 770 Nos. Unsecured Redeemable Non-Convertible Subordinated Debt Instruments in the nature of Debentures of the face value of ₹ 10,00,000/- each, aggregating to ₹ 7,700 Lacs.

Perpetual Debt Instrument

During the year, the Company issued 1,010 Nos. Unsecured Redeemable Non-Convertible Perpetual Debt Instruments in the nature of Debentures of the face value of ₹ 5,00,000/- each, aggregating to ₹ 5,050 Lacs.

Credit Rating

During the Financial Year 2013-14, Credit Analysis & Research Limited ("CARE") reaffirmed 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 reaffirmed at 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 reaffirmed at 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 reaffirmed rating of Perpetual Debt instruments at AA- .

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 31 March 2014 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 and net NPA as at 31 March 2014 and 31 March 2013 is given below:

(₹ in Crores)

	Consolidated		Standalone	
NPA classification	As at 31 March 2014	As at 31 March 2013	As at 31 March 2014	As at 31 March 2013
Policy followed by the Company				
Gross NPAs	642.12	264.63	559.15	212.05
Net NPAs	514.41	209.59	450.77	168.63
Current RBI Norms for NBFCs				
Gross NPAs	477.39	107.68	412.74	76.37
Net NPAs	349.68	52.64	304.36	32.94

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 01 August 2008 issued by the RBI in Note 37.

Directors

In accordance with the provisions of the Companies Act, 2013, Mr. Sanjay Chamria retire at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

The brief resume of Mr. Chamria who is to be reappointed, as stipulated under Clause 49 of the Listing Agreement is furnished in the Notice of the ensuing Annual General Meeting (AGM). The Board of Directors of your Company recommends the reappointment of Mr. Chamria at the ensuing AGM.

Mr. Chamria is not disqualified from being appointed as a Director as specified in terms of Section 164 of the Companies Act, 2013.

The Company has received declarations from all the Independent Directors of the Company viz., Mr. Satya Brata Ganguly, Mr. Nabankur Gupta, Mr. Kailash Nath Bhandari, Mr. Narayan K Seshadri and Mr. Neil Graeme Brown confirming that they meet the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

The Nomination and Remuneration Committee of the Board (NRC) at its meeting perused their declarations and other requirements under the Companies Act 2013 and the rules made thereunder, as applicable, and found all of them to the meeting with the criteria for Independent Director. The Board of Directors as their meeting held on 7 May 2014 has, as recommended by NRC, taken the same on record.

Auditors

Section 139 of the Companies Act, 2013 (the Act) read with the Rules made thereunder which has become effective from 01 April 2014, provides for appointment of Statutory Auditors for a period of 2 terms of 5 consecutive years subject to ratification by the shareholders at every Annual General Meeting (AGM). The Act also provides that while considering the reappointment, the tenure of holding of the office as Auditors prior to the commencement of the Act shall also be taken into account. The Company proposes to utilise the transition period allowed under Section 139 of the Act.

M/s. B S R & Co. LLP, Chartered Accountants, Bangalore, bearing Registration No. 101248W, retire at the conclusion of the forthcoming Annual General Meeting.

M/s. B S R & Co. LLP, Chartered Accountants, have expressed their willingness to be reappointed. They have confirmed that their reappointment for a period of 2 years from the conclusion of the 34th AGM (for FY 2013-14) till the conclusion of the 36th AGM (for FY 2015-16), if made, would be covered within the ceiling specified under Section 141 of the Act (corresponding to Section 224(1B) of the Companies Act, 1956) and shall be subject to ratification by the shareholders at every AGM thereafter.

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 ₹ 7.81 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. 35.
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

Mayank Poddar
Chairman

Kolkata
7 May 2014

STATUTORY REPORTS

Annexure to Directors' Report

Statement as at 31 March 2014, 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 respect 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 12 April 2022.

Sl. No.	**Description**	**Details** (1st Tranche)	**Details** (2nd Tranche)	**Details** (3rd Tranche)	**Details** (4th Tranche)	**Details** (5th Tranche)	**Details** (6th Tranche)	**Details** (7th Tranche)	**Details** (8th Tranche)	**Details** (9th Tranche)
1	Date of grant of options	12 October 2007	1 February 2012	25 April 2012	16 January 2013	16 January 2013	08 April 2013	7 May 2013	30 October 2013	30 January 2014
2	Number of options granted	17,54,000 Each option is equivalent to one Equity Share of face value of ₹ 2/- each of the Company	2,50,000 Each option is equivalent to one Equity Share of face value of ₹ 2/- each of the Company	50,000 Each option is equivalent to one Equity Share of face value of ₹ 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 ₹ 2/- each of the Company	1,50,000 Each option is equivalent to one Equity Share of face value of ₹ 2/- each of the Company	50,000 Each option is equivalent to one Equity Share of face value of ₹ 2/- each of the Company	50,000 Each option is equivalent to one Equity Share of face value of ₹ 2/- each of the Company	1,75,000 Each option is equivalent to one Equity Share of face value of ₹ 2/- each of the Company	1,25,000 Each option is equivalent to one Equity Share of face value of ₹ 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	12,36,200	75,000	Nil as the minimum vesting period in respect of our plan is two years from the date of grant						
5	Options exercised as at the year end	10,43,800	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Sl. No.	Description	Details (1st Tranche)	Details (2nd Tranche)	Details (3rd Tranche)	Details (4th Tranche)	Details (5th Tranche)	Details (6th Tranche)	Details (7th Tranche)	Details (8th Tranche)	Details (9th Tranche)
6	Total number of equity shares of ₹ 2/- each arising as a result of exercise of options	10,43,800	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
7	Options lapsed as at the year end	5,17,800	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
8	Variation in terms of options					Nil				
9	Money realized by exercise of options	₹ 3,75,76,800/-	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
10	Total number of options in force as at the year end	1,92,400	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	50,000	50,000	1,75,000	1,25,000
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	N.A	N.A	Details in Appendix-V	Details in Appendix-VI
(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-VII			
(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	Nil	Nil	Nil	Nil

STATUTORY REPORTS

Sl. No.	Description	Details (1st Tranche)	Details (2nd Tranche)	Details (3rd Tranche)	Details (4th Tranche)	Details (5th Tranche)	Details (6th Tranche)	Details (7th Tranche)	Details (8th Tranche)	Details (9th Tranche)
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'					₹ 6.38				
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 recognized, if the Company had used fair value of options is ₹ 139.53 Lacs								
15	Exercise price of the options	₹ 36/-	₹ 60/-	₹ 60/-	₹ 60/-	₹ 60/-	₹ 60/-	₹ 60/-	₹ 60/-	₹ 60/-
16	The impact of this difference on profits and on the EPS of the Company								**Basic**	**Diluted**
		Net income (₹ in Lacs)							12,289.28	12,289.28
		Add: Employee cost intrinsic value (₹ in Lacs)							63.02	63.02
		Less: Employee Cost fair value (₹ in Lacs)							139.53	139.53
		Adjusted net income (₹ in Lacs)							12,212.77	12,212.77
		Earning Per Share								
		As reported (₹)							6.47	6.46
		As adjusted (₹)							6.43	6.42

Sl. No.	Description	Details (1st Tranche)	Details (2nd Tranche)	Details (3rd Tranche)	Details (4th Tranche)	Details (5th Tranche)	Details (6th Tranche)	Details (7th Tranche)	Details (8th Tranche)	Details (9th Tranche)
17	Fair value of each options based on Black Scholes Methodology	₹ 30.32	₹ 29.35	₹ 38.65	Normal ₹ 63.89 Additional ₹ 68.83	₹ 62.06	₹ 43.72	₹ 52.69	₹ 32.61	₹ 32.91
	Assumptions Risk free rate	7.76%	8.35%	8.45%	7.86% 7.90%	7.85%	7.82%	7.57%	8.57%	8.91%
	Expected life of options	4.80 years	4.80 years	4.80 years	5.20 years 6.50 years	4.80 years	4.80 years	4.80 years	4.80 years	4.80 years
	Expected volatility	73.94%	58.13%	56.51%	52.51% 55.70%	50.86%	49.99%	48.90%	45.06%	48.90%
	Expected dividend	3.03%	1.06%	0.88%	0.61% 0.61%	0.61%	1.02%	0.89%	1.20%	1.23%

Appendix-I

List of Senior Management Employees to whom stock options were granted on 12 October 2007

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

Appendix-II

List of Senior Management Employees to whom stock options were granted on 1 February 2012

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

Appendix-III

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

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

Appendix-V

List of Senior Management Employees to whom stock options were granted on 30 October 2013

Name of the employee	Designation	Stock options granted
Ms. Janet Gasper- Chowdhury	Senior Vice President	75,000

Appendix-VI

List of Senior Management Employees to whom stock options were granted on 30 January 2014

Name of the employee	Designation	Stock options granted
Mr. Ram Kalyan Kumar Medury	Senior Vice President	75,000

Appendix-VII

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

Name of the employee	Designation	Stock options granted
Mr. Gaurav Parasrampuria	Vice President – Accounts, Taxation and MIS	50,000
Mr. Sumit Das	Vice President - Talent Acquisition	50,000
Mr. Raghvendra Pathak	Vice President	50,000
Mr. Rohit Sharma	Vice President	50,000
Ms. Pooja Mehta	Vice President	50,000

For and on behalf of the Board

Mayank Poddar
Chairman

Kolkata
7 May 2014

Annexure to Directors' Report

Independent Auditors' Certificate to the Members of Magma Fincorp Limited

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

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

Akeel Master
Partner
Membership No. 046768

Mumbai
7 May 2014

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

(₹ in Lacs)

Name of the Subsidiary Companies	**Magma ITL Finance Limited (MITL)**	**Magma Advisory Services Limited (MASL)**	**Magma Housing Finance (A Public Company with Unlimited Liability) (MHF)**
Financial Year to which the accounts relates	31 March 2014	31 March 2014	31 March 2014
Holding Company's interest –			
- Number of shares held – Equity (₹ 10/- each)	3,32,99,400	2,11,11,112	14,81,02,500**
- Extent of holding	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 31 March 2014	Nil	Nil	Nil
(b) i) Not dealt with in the accounts of the Company for the Subsidiary's Financial Year ended 31 March 2014	2,277.74	1.67	263.53
ii) For previous Financial Year since it became a Subsidiary	3,829.09	0.90	(17.11)

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

For and on behalf of the Board

Mayank Poddar
Chairman

Kolkata
7 May 2014

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 18 July 2013 and the number of Companies and Committees where each of them is a Director / Member as on 31 March 2014 is given below:

Name of Director	Category	Materially significant, pecuniary or business relationship with the Company	Number of shares held in the Company	FY 2013-14 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 18 July 2013			Chairman	Member
Mr. Mayank Poddar	Promoter, Executive	Executive Chairman	Nil	5/5	Yes	No	3	Nil	1
Mr. Sanjay Chamria	Promoter, Executive	Vice Chairman and Managing Director	Nil	5/5	Yes	No	5	2	2
Mr. Neil Graeme Brown	Independent, Non-executive	-	Nil	5/5	Yes	Yes	Nil	Nil	Nil
Mr. Narayan K Seshadri	Independent, Non-executive	-	Nil	5/5	Yes	Yes	7	2	4
Mr. Nabankur Gupta	Independent, Non-executive	-	5,000	5/5	Yes	Yes	9	2	5
Mr. Kailash Nath Bhandari	Independent, Non-executive	-	Nil	4/5	Yes	Yes	11	1	3
Mr. Satya Brata Ganguly	Independent, Non-executive	-	Nil	5/5	Yes	Yes	5	1	5
Mr. Sanjay Nayar	Non-Independent, Non-executive	Nominee - Zend Mauritius VC Investments, Limited	Nil	4/5	Yes	Yes	6	2	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 2013-14, Magma's Board met five times on 8 May 2013, 26 June 2013, 18 July 2013, 31 October 2013 and 31 January 2014. 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 ₹ 20,000/- per meeting of the Board, Audit Committee and Nomination and Remuneration Committee and ₹ 10,000/- per meeting of Shareholders/Investors Grievance Committee, Management Committee and Fair Practices Code Committee for the year 2013-14. The details of the remuneration paid to the Directors during the Financial Year ended 31 March 2014:

(in ₹)

Directors	Salary and allowances	Perquisites	Sitting fees	Commission	Total
Mr. Mayank Poddar	70,08,468	79,91,532	-	-	**1,50,00,000**
Mr. Sanjay Chamria	70,08,468	79,91,532	-	-	**1,50,00,000**
Mr. Neil Graeme Brown	-	-	2,60,000	30,00,000	**32,60,000**
Mr. Narayan K Seshadri	-	-	2,60,000	45,00,000	**47,60,000**
Mr. Nabankur Gupta	-	-	1,80,000	30,00,000	**31,80,000**
Mr. Kailash Nath Bhandari	-	-	80,000	15,00,000	**15,80,000**
Mr. Satya Brata Ganguly	-	-	4,10,000	15,00,000	**19,10,000**
Mr. Sanjay Nayar	-	-	1,20,000	-	**1,20,000**
Total	**1,40,16,936**	**1,59,83,064**	**13,10,000**	**1,35,00,000**	**4,48,10,000**

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. International Autotrac Finance Limited (ceased to be subsidiary pursuant to its amalgamation with Magma ITL Finance Limited w.e.f. 23 November 2013), M/s. Magma Advisory Services 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 this 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 7 May 2013, 17 July 2013, 30 October 2013 and 30 January 2014.

Name of the Directors	Number of meetings attended/held
Mr. Narayan K Seshadri	4/4
Mr. Neil Graeme Brown	4/4
Mr. Satya Brata Ganguly	4/4
Mr. Sanjay Nayar	2/4
Mr Mayank Poddar	4/4

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 16 times during the year under review on 5 April 2013, 23 April 2013, 20 May 2013, 7 June 2013, 14 June 2013, 8 July 2013, 5 August 2013, 18 September 2013, 26 September 2013, 22 October 2013, 21 November 2013, 12 December 2013, 21 January 2014, 21 February 2014, 24 March 2014 and 28 March 2014.

Name of the Directors	Number of meetings attended/held
Mr. Mayank Poddar	16/16
Mr. Sanjay Chamria	14/16
Mr. Satya Brata Ganguly	13/16

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 10 times during the Financial Year ended 31 March 2014 on 26 April 2013, 24 May 2013, 10 June 2013, 28 June 2013, 11 July 2013, 16 August 2013, 4 October 2013, 16 November 2013, 21 February 2014 and 28 March 2014 to discharge its functions. The members attended the meetings as follows:

Name of the Directors	Number of meetings attended/held
Mr. Satya Brata Ganguly	9/10
Mr. Mayank Poddar	9/10
Mr. Sanjay Chamria	9/10

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 31 March 2014.

Number of Complaints		
Received	Resolved	Pending
3	3	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/ Wholetime 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/Wholetime 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 this Committee.

3.4.3 Meeting and the attendance during the year

The Committee met 4 times during the Financial Year ended 31 March 2014 on 7 May 2013, 17 July 2013, 30 October 2013 and 30 January 2014 to discharge its functions. The members attended the meetings as follows:

Name of the Directors	Number of meetings attended/held
Mr. Neil Graeme Brown	4/4
Mr. Narayan K Seshadri	4/4
Mr. Nabankur Gupta	4/4
Mr. Mayank Poddar	4/4
Mr. Sanjay Chamria	4/4

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.

STATUTORY REPORTS

3.5.3 Meeting and the attendance during the year

The Fair Practices Code Committee of Directors met once during the year under review on 20 December 2013.

Name of the Directors	Number of meetings attended/held
Mr. Mayank Poddar	0/1
Mr. Sanjay Chamria	1/1
Mr. Satya Brata Ganguly	1/1

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 3 times during the year under review on 21 May 2013, 27 May 2013 and 24 June 2013.

Name of the Directors	Number of meetings attended/held
Mr. Sanjay Nayar	2/3
Mr. Narayan K. Seshadri	3/3
Mr. Nabankur Gupta	1/3
Mr. Sanjay Chamria	3/3

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 2013-14, Analyst Meet was on 9 May 2013 and Analyst Conference Calls were conducted by Mr. Sanjay Chamria (Vice Chairman Cum Managing Director) on 19 July 2013, 19 October 2013, 3 February 2014.

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

Location and time of the last three Annual General Meetings

Year	Venue	Day and date	Time	Number of Special Resolutions
2010-11	Kala Kunj Auditorium, 48, Shakespeare Sarani, Kolkata – 700 071	Tuesday, 21 June 2011	10.30 A.M.	4
2011-12	Kala Kunj Auditorium, 48, Shakespeare Sarani, Kolkata – 700 071	Thursday, 12 July 2012	3.00 P.M.	-
2012-13	Citadel 1, First Floor, Eco Hub, Ecospace Business Park, Ambuja Realty, Plot No. 2F/11, Rajarhat, Kolkata- 700 156	Thursday, 18 July 2013	3:00 P.M.	-

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 (NSE) 5, Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai – 400 051.	MAGMA
BSE Limited (BSE) Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001.	524000

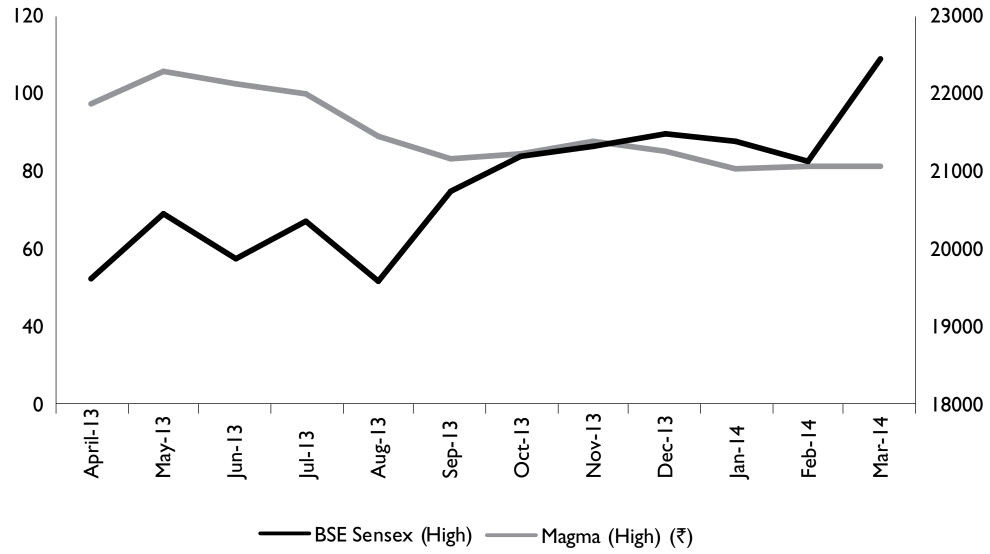
The Company has paid Annual Listing fee for the Financial Year 2014-15 for both NSE and BSE.

b) Market price data

Monthly high and low quotation during 1 April 2013 to 31 March 2014 is given in the table below:

Month	BSE Limited		National Stock Exchange of India Limited	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April, 2013	93.00	78.00	91.85	77.40
May, 2013	103.00	87.45	102.90	87.15
June, 2013	99.50	82.25	98.30	82.55
July, 2013	96.00	66.00	96.50	73.80
August, 2013	83.20	69.65	84.00	70.00
September, 2013	76.00	62.00	75.50	61.50
October, 2013	77.45	62.05	76.00	61.70
November, 2013	81.30	64.05	82.00	64.75
December, 2013	78.00	62.40	78.15	62.00
January, 2014	73.00	64.20	72.75	64.20
February, 2014	73.70	63.05	73.75	62.55
March, 2014	74.00	63.25	73.35	65.00

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** (Physical and Demat Mode)	:	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**		25 July 2014 to 31 July 2014 (both days inclusive).
i)	**Financial calendar (tentative)**		
	Financial reporting for the quarter ending		
	1st quarter ending 30 June 2014	:	Last week of July, 2014
	2nd quarter ending 30 September 2014	:	First week of November, 2014
	3rd quarter ending 31 December 2014	:	Last week of January, 2014
	4th quarter ending 31 March 2015	:	Last week of April, 2015
	Annual General Meeting for the year ending 31 March 2015	:	Last Week of September, 2015

j) Dividend payment date and rate	:	1. On Equity Shares @ 40% i.e. ₹ 0.80 per Equity Share of the face value of ₹ 2/- each; 2. On Preference Shares: a) 9.7% i.e. ₹ 9.70 pro-rata per share dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 40/- each for the period from 01.04.2013 to 16.02.2014 (Both days inclusive) and 9.7% i.e. ₹ 9.70 pro-rata per share dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 20/- each (reduced to ₹ 20/- upon redemption of 4th instalment of ₹ 20/- each per share on 18 February 2014) for the period from 17.02.2014 to 31.03.2014 (both days inclusive); b) 5% i.e. ₹ 5/- per share dividend on 30,00,000 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 100/- each for the period from 01.04.2013 to 03.08.2013 (both days inclusive) (The shares were redeemed on 03.08.2013); c) 3.60% i.e. ₹ 3.60 pro-rata per share dividend on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 80/- each for a day i.e, 01.04.2013 and 3.60% i.e. ₹ 3.60/- pro-rata per share dividend on 65,00,999 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 60/- each (reduced to ₹ 60/- upon redemption of 2nd instalment of ₹ 20/- each on 2 April 2013) for the period from 02.04.2013 to 31.03.2014 (both days inclusive); d) 12% i.e. ₹ 12/- per share dividend on 25,00,000 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 100/- each; e) 9.6% i.e. ₹ 9.60 per share dividend on 10,00,000 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 100/- each; f) 1% i.e. ₹ 1/- pro-rata per share dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 60/- each for the period from 01.04.2012 to 16.02.2013 (both days inclusive) and 1% i.e. ₹ 1/- pro-rata per share dividend on 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 40/- each (reduced to ₹ 40/- upon redemption of 3rd instalment of ₹ 20/- each per share on 17 February 2013) for the period from 17.02.2013 to 31.03.2013 (both days inclusive); g) 11% i.e. ₹ 11/- per share dividend on 36,00,000 Cumulative Redeemable Non-Convertible Preference Shares of ₹ 100/- each. 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 31 March 2014

Particulars	Number of shareholders	Number of shares held	Percentage of shareholding
Up to 500	11136	11,52,469	0.6062
501 – 1,000	612	4,99,279	0.2626
1,001 – 5,000	522	11,56,229	0.6082
5,001 – 10,000	115	8,81,838	0.4638
10,001 – 50,000	157	37,26,609	1.9601
50,001 – 1,00,000	29	21,56,870	1.1345
1,00,001 – and above	39	18,05,46,681	94.9646
Total	**12610**	**19,01,19,975**	**100.0000**

Pattern of shareholding as on 31 March 2014

Category	Number of shares	Percentage
Promoter and Promoter Group	6,39,31,963	33.63
Resident individuals	87,21,900	4.59
Foreign holdings	10,79,79,317	56.79
Public financial institutions and banks	1,25,660	0.07
Other Companies / Mutual Funds	78,08,255	4.11
Trusts	15,52,880	0.81
Total	**19,01,19,975**	**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 19,01,19,975 Equity Shares of ₹ 2/- each available since 16 January 2001

b. INE511C04018 for 9.70% 21,09,199 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 100/- each

c. INE511C04026 for 3.25% LIBOR 6,500,999 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 100/- each

d. INE511C04042 for 12% 25,00,000 Cumulative Redeemable Non-Convertible Preference Shares of ₹ 100/- each

e. INE511C04034 for 5% 30,00,000 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 100/- each. The same were redeemed on 03.08.2013.

f. INE511C04059 for 11% 26,00,000 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 100/- each and

g. INE511C04067 for 11% 10,00,000 Cumulative Non-Convertible Redeemable Preference Shares of ₹ 100/- each

As on 31 March 2014, 18,87,48,800 Equity Shares constituting 99.28% of the total holding and 1,47,10,198 Preference Shares constituting 93.63% of the total holding of the Company were held in demat mode.

n)	**Transfer of shares**	:	During the period, transfer of 2,310 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 31 March 2014, 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 22 March 2013, 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 Non-Executive Chairman's Office**

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 FY ended 31 March 2014.

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
7 May 2014

Mayank Poddar
(Chairman)

Independent Auditors' Certificate on Corporate Governance Report

To Member of the Magma Fincorp Limited

We have examined the compliance of conditions of corporate governance by Magma Fincorp Limited ('the Company'), for the year ended on 31 March 2014 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Bombay Stock Exchange and the National Stock Exchange. (together referred to as " the Stock Exchanges")

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

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

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

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

Akeel Master
Partner
Membership No. 046768

Mumbai
7 May 2014

Certification as per Clause 49 (v) of the Listing Agreement

3 May 2014

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 31 March 2014.

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
Vice Chairman & Managing Director

V. Lakshmi Narasimhan
Chief Financial Officer

Kailash Baheti
Chief Strategy Officer

Code of Conduct

3 May 2014

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 31.03.2014.

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

The global economy during FY 2013-14 sent out mixed signs of recovery led by the strengthening of the US economy, a more muted recovery in the Euro area and Japan alongside the slowdown of the Chinese economy. Despite the boost from a stronger external demand, uncertainty continued to surround the prospects for some emerging economies, with domestic fragilities getting accentuated.

The Indian economy is estimated to have registered a GDP growth of 4.9% in 2013-14 following a growth of 4.5% in 2012-13. Given that GDP grew at a lesser pace during the first half of 2013-14, the provisional estimates from Central Statistical Organisation imply that the pace of economic expansion improved in the second half. While the news is encouraging, weak industrial growth, stalled investment cycle and tight monetary conditions amidst inflationary pressures continue to remain a cause of concern.

The following were some of the key sector wise highlights for 2013-14:

- Agriculture and Allied sectors are likely to have witnessed a growth of 4.6% in GDP during 2013-14, as against the previous year's growth rate of 1.4 %.
- The manufacturing output is seen to have declined at 0.2 % in 2013-14 compared with a growth rate 1.1 % in the previous year, pointing to the fact that 2013-14 could be its worst year of performance for the manufacturing sector since 1999-2000.
- Estimated GDP growth in the Service sector was subdued at 3.5% during 2013-14 versus 5.1% last year. Conflicting indicators like increased cargo handling by ports alongside moderation in "commercial vehicle" segment growth re-iterate the fragile state of the economy.

  (Figures are based on the Advance Estimates from Central Statistical Organization)

During the fiscal 2013-14, the average headline inflation measured by the Wholesale Price Index (WPI) eased considerably during the April-September period. However inflationary pressures mounted again during October-March period resulting in average inflation rate of 5.92% during 2013-14 as against 7.36% during 2012-13.

The Reserve Bank of India increased policy repo rate under the Liquidity Adjustment Facility (LAF) scheme from 7.75% to 8.0% during its third quarter review of the Monetary Policy for 2013-14. The central banker continued to maintain that inflation levels were beyond their comfort zone resulting in the continuation of a tight monetary policy stance.

Industry Overview

The sale of new Passenger Cars & MUVs (Multi Utility Vehicles) recorded a growth of (-) 6.1 % during 2013-14 against 1.3 % growth in 2012-13 mainly on account of slowdown in the Multi Utility Vehicles due to high fuel prices and a sluggish economy. Within the Passenger Vehicles segment, Passenger Cars, Utility Vehicles and Vans dropped by 4.7%, 5.0% and 19.6% respectively during 2013-14 compared to previous year.

All India sales of new Commercial Vehicles recorded a growth of (-) 20.2% during 2013-14 against a growth of (-) 2.0% in 2012-13. The below par performance was due to continued downward trend in performance of M&HCVs (Medium & Heavy Commercial Vehicles) and LCVs (Light Commercial Vehicles) segments in 2013-14. Medium & Heavy Commercial Vehicles (M&HCVs) witnessed a drop of 26.7% and Light Commercial Vehicles also dropped by 19.4%.

The Construction Equipment segment witnessed further fall in sales for the second successive year. The sales witnessed a drop of 18.7% in 2013-14 against 8.2% in 2012-13.

Sales of tractors witnessed a growth of 20.13% in 2013-14 against a growth of (-) 1.4% in 2012-13. Tractor demand for 2013-14 was robust due to continued support from Government of India towards rural development and agri-mechanisation thereby outperforming the broader market slowdown.

The total housing credit outstanding in India is estimated to have grown by 18% during 2013-2014 with total outstanding advances estimated at ₹ 4.6 lac Crores as on 31 March 2014. HFCs/NBFCs reported a higher 19.8% growth as compared with the 18.4% (annualized) achieved by banks. The impressive growth is attributed to improving affordability and favourable demographic along with increased level of penetration by the housing finance companies.

B. Magma in 2013-14

Your Company ('Magma') has registered a reasonably good performance in FY 2013-14 inspite of the continuing challenges across most segments of the asset finance industry. Magma has always followed a policy of calibrating its strategy to focus on customers, products and locations which do not result in undue risk exposures for the company. Concurrent with this philosophy Magma has shifted focus to consolidation of the existing business and improvement of operational efficiency in FY 2013-14. Magma believes that the initiatives taken in FY 2013-14 will significantly enhance the ability to manage risk in a sustainable manner.

Magma has increased its total disbursements by 4.6% to ₹ 9081 Crores in FY 2013-14 compared to ₹ 8678 Crores in F 2012-13. Total Assets under Management increased to ₹ 19,703 Crores as on 31 March 2014 from ₹ 18,378 Crores as on 31 March 2013, while Total Loan Assets increased to ₹ 17,877 Crores, as on 31 March 2014 from ₹ 16,240 Crores as on 31 March 2013.

Magma has reduced disbursements in commercial vehicles and construction equipment financing, segments which have struggled in both sales and delinquencies in the last couple of years. On the other hand, the company has shown strong disbursement growth in tractor financing and posted encouraging disbursements in mortgage financing in the first year of its launch. Magma's diversified product portfolio enhances its ability to fine tune the disbursement growth strategy to reflect market realities. The change engineered in the product mix has resulted in an increase in the yields of the asset finance business. While the gross yields on fresh disbursements increased by 25 bps to 16.54% during FY 2013-14, gross yields on income earning loan book increased by 57 bps to 16.26% in FY 2013-14 in the Asset Finance business.

A brief overview of Magma's performance in key product segments:

- **Car:** Car financing comprise of 28% of the total loan book. Magma has registered a 1% YoY decline in car finance disbursements. Unlike in FY 2012-13 when UV sales showed a dramatic increase, UV sales growth has been comparatively muted in FY 2013-14.
- **Commercial Vehicle:** Magma has registered a 31% YoY decline in Commercial Vehicle (CV) finance disbursements. This is a function of tightening of credit screens coupled with primary sales de-growth in the respective segments. Magma has consciously reduced its exposure in the CV financing segment over the last two years and the CV portfolio now comprise of only 17% of the total loan book.
- **Commercial Equipment:** Magma has registered a 22% YoY decline in Construction Equipment (CE) finance disbursements. CE along with CV has been the most impacted product segment due to the slowdown in commercial activity.
- **Tractor:** Magma has registered a 26% YoY growth in tractor finance disbursements, partly buoyed by increase in tractor sales and partly driven by its long term strategy to increase risk adjusted yields. Magma is currently the third largest tractor financing company in the private sector with a 7.7% market share of total tractor sales. Magma ITL ('MITL'), the JV between Magma and ITL accounted for 29% of the total tractor disbursements done by Magma.
- **Used Assets:** Magma has registered a 5% YoY decline in Used Assets finance disbursements. This is mainly due to continued slowdown in the CV segment which comprises major portion of the Used Asset financing. Used Assets financing comprises of 11% of the total loan book.
- **Housing Finance:** Magma successfully completed the integration of the mortgage business of GE Capital which was acquired in February 2013. All the existing customers have migrated to the Magma network and Magma's existing team has taken over the entire operations. Simultaneously Magma started mortgage finance disbursements from May 2013 and has registered a superlative performance in its first year of operations. Mortgage finance has contributed 8% of the total disbursements by Magma in FY 2013-14.
- **General Insurance:** Magma HDI General Insurance Company Limited ('MHDI'), the general insurance JV between Magma and HDI Gerling, has registered a strong performance in its first full year of operations. The company reported Gross Written Premium (GWP) collections of ₹ 430 Crores in FY 2013-14, the highest reported GWP by a general insurance company in India in its first full year of operations. We expect the entity to continue on a strong growth trajectory and fully optimize the cross sell opportunities presented by existing Magma customers.

A good share of Magma's efforts in FY 2013-14 has been concentrated on improving the delinquency scenario, especially in the commercial vehicles and construction equipment segments. While Magma reported a collection efficiency of 95.7% for the full year, the numbers for H1 FY 2013-14 and H2 FY 2013-14 are 95.0% and 96.4% respectively. This demonstrates the improvement in the collection efficiency, driven primarily by initiatives taken by the company in FY 2013-14. Magma expects to fully exploit the benefits of the initiatives taken in FY 2013-14 in the next fiscal year.

Magma has started recognizing NPAs at 4 months (120 days) since FY 2012-13. While these measures have resulted in higher provisioning requirements in FY 2013-14, Magma believes that early adoption will help the company as it grows in size and becomes more systemically important. Magma also expects its provisioning requirements to reduce more sharply compared to its peers when the asset financing market situation improves.

Magma has rationalized the existing branch network in FY 2013-14 and the current network of 274 branches is well placed to drive the business growth when the market revives. It has also focused on exploiting the untapped potential of existing branches and has ensured that more products are available across our network. General insurance and mortgage finance products are available in 63 and 70 branches respectively. Both businesses have been launched recently and a key driver for the continued outperformance of the two businesses in the near future would be the planned roll out of the products across the remaining Magma branches.

Magma has implemented technological initiatives and adopted a higher level of automation to increase the efficiency of the sales and collections teams. These steps coupled with higher level of branch network utilization have resulted in an increase in operational efficiency as reflected in the financial statements.

Financial Performance

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

The company has exhibited commendable performance and reported a Profit after Tax (PAT) of ₹ 159.6 Crores in fiscal 2013-14 on consolidated basis compared to ₹ 144.9 Crores in fiscal 2012-13 thereby registering an increase of 10.1%. This is despite the de-growth in industry sales of primary products and sustained liquidity crunch faced by existing customers. The strong performance was driven by multiple initiatives taken to drive topline growth as well as measures to optimize the bottom line, thereby driving profitability.

Income from Operations during the year increased by 26.0% on consolidated basis from ₹ 1,651.7 Crores last year to ₹ 2,081.3 Crores. The Company's total Income grew by 24.4% from ₹ 1,701.5 Crores to ₹ 2,117.4 Crores. Judicious pricing decisions coupled with alterations in the product mix designed to provide the optimum risk reward benefit led to increase in yields during the year 2013-14. Average lending rates on income earning loan assets improved by 46 bps to 15.82% during FY13 versus 15.36% last year.

The Interest and Finance charges of Company increased from ₹ 926.25 Crores in fiscal 2012-13 to ₹ 1,177.1 Crores in 2013-14, an increase of 27.1% on consolidated basis.

There has been an increase in Personnel Costs and Other Expenses by 19.1% and 20.4% YoY respectively for the full year owing commencement of disbursements in new lines of business namely mortgage, steps taken to improve collection efficiency and other initiatives taken on the technology and organizational front to prepare the Company for the next phase of growth. Concentrated efforts to improve operating efficiency showed results and the operating expenses to loan assets ratio has decreased from 3.30% to 3.27% during 2013-14.

Better interest cost management and a prudent mix of products financed helped the Company increase Net Interest Spread (NIS) by 89 bps from 4.91% to 5.80% during the year 2013-14.

On Standalone basis, the total Capital Adequacy Ratio for the 2013-14 was 16.6%, against the RBI stipulated norm of 15% for non-deposit taking Asset Finance Companies.

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 MESOP scheme in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Pursuant to the Plan, 29,04,000 Stock Options have been granted to the eligible employees as on 31 March 2014 out of which 12,36,200 stock options have been vested and 10,43,800 options have been exercised. This includes 4,00,000 Stock Options granted to the eligible employees of the Company during the year.

Human Resource Initiatives

Driving a performance oriented culture along with sensitive professionalism

At Magma we aim to develop a competent and engaged workforce while managing key talent and developing the leadership quotient of the organization. This year has been a crucial year where new HR initiatives were embarked upon. A sharper look at the HR structure resulted in aligning the structure to the overall business strategy. Talent Management and Compensation were added as another Center of Excellence (CoE), along with the already existing Talent Acquisition, Employee Engagement, Learning & Development and HR Operations CoES.

Talent Acquisition

During 2013-14, we recruited close to 2500 new members, into the Magma family. We made a significant process change based on lean Six Sigma principles, as a result the recruitment turnaround time from identification to joining reduced. We concentrated on process automation, SOP creation and brought down manual interventions, facilitating a faster and smoother recruitment process thus increasing our capacity to hire more people without incurring added cost.

Employee engagement

Having over 10000 employees across 270 locations needs significant employee engagement initiatives to maintain employee connect. Regularly organised meets where people interact and share knowledge cater to this requirement. The major aim of employee engagement is to drive a performance driven culture through sensitive professionalism.

We undertook the following major initiatives in 2013-14 amongst many other continuing ones:

Rendezvous: Our two day flagship annual event was organised across 7 locations attended by over 3000 staff. The event focused on communicating the Magma values, reward and recognition ceremony, followed by interaction (open house) with the top management. Families of the long term service awardees were also invited to these events. This opportunity was utilised to review work progress and conduct training.

Celebrating 25 years of Magma: Each and every member of the Magma family participated in the 25th year celebrations through a 'webinar' addressed by Mr. Sanjay Chamria. He shared an emotional account of his journey in building Magma over the last 25 years and his vision for the coming years. He felicitated and appreciated a group of individuals who partnered with him in building Magma that we see today. All our branches were decorated and sweets were distributed to all employees and every customer who walked into our branches. There was a small celebration in 270 offices in the evening where employees joined along with their families.

Encouraging Voice of employees: During the year we launched Regional Leadership Team meets organized once a month in every SBU office as a forum for employees to highlight any work hindering issues and share business updates. Issues are collated pan India and escalated for immediate resolution. Similarly we launched an employee engagement survey to ascertain cultural issues and employee concerns that need focus to make Magma a great place to work.

We have strengthened our Staff Governance processes to build a culture of high integrity and workplace ethics. We advocate a whistle-blower mechanism to develop internal checks and run awareness campaigns to sensitize our employees towards building a risk free work environment.

Learning & Development

In 2013-14, we focused primarily on functional training (domain specific). Significant attention was paid to our front line sales and recovery staff to enhance their functional skills.

We launched the 'Magma Centre of Excellence' (Learning management system) to create a forum for employee learning through classroom and alternative training mechanisms. In the coming year the intent is to increase the training interventions to cover both functional and soft skill training by providing programs under three different categories viz. Mandatory, Strategy and Role based training.

Mandatory training		Strategic training		Role based training
This training is given, so that employees know how to comply with (Eg: Code of Conduct and Breach of Integrity) the various norms and regulations.	>	Training employees as and when there is a strategic change made by the management.	>	Training given to employees for improving their knowledge in their respective domain.

Organization Development ,Talent management & Compensation

We developed a Talent Management Model for our Leadership team based on the behavioural and functional competency frameworks, along with the feedback from previously conducted Assessment Centres. This feedback was used to understand the potential gaps and to identify strategic interventions such as coaching and mentoring for roll out in 2014-15.

Another focus area is to develop the leadership potential of our second line and prepare them for strategic roles in the future. Critical review during Performance Management with cross functional focus is one step towards identifying the high potentials.

Magma also inducted its new batch of management graduates from elite management campuses of India. These new entrants are provided with opportunity to work with the senior leadership of Magma and high performers from this group will be groomed to take on future leadership roles.

Magma also participated in the Compensation Benchmarking for Aon Hewitt's NBFC forum. We covered all the employees in the ABF and HFC business. A separate study was commissioned for the Insurance business where the comparators were chosen from the General Insurance industry.

Technology integration

We have started implementing 'PeopleSoft', enabling complete automation and integration of all HR functions. The objective is to build strong efficiencies in HR processes and reduce manual interventions. This initiative is also been leveraged to review current processes and develop better process alignment with the business requirements.

Road ahead

Moving ahead, the focus will be to further align the HR mandate to the business needs, refine HR processes and deploy cost effective solutions; percolate the talent management framework to middle management levels; drive a performance culture that goes beyond financial numbers and incorporate a high degree of sensitivity and professionalism into day to day people management.

Information Technology

At Magma, robust IT infrastructure facilitates time-critical and proactive decision-making. During 2013-14, we invested on modernizing our information technology architecture across the value chain, resulting in improved business practices and efficiency. Magma's business works on a customised ERP system, running on Oracle platform. Magma's branches are connected through extensive Secure Virtual Private Network to make it possible to capture and access information real-time.

Key initiatives, 2013-14

- Strengthened IT infrastructure backbone by upgrading network connections and server capacity
- Reduced overall business turnaround time by scaling up additional IT infrastructure at all branches
- Enhanced business processes (collection) by automation that will capture field activities information, improve effectiveness and efficiency
- Adopted cloud based infrastructure service (IaaS) for user acceptance testing environment

- Initiated grooming and onboarding of competent IT talents who are implementing the IT infrastructure transformation that will drive higher efficiency

Road ahead

Embarking on a three year IT road map starting with the year 2014-15 covering the following initiatives:

- Implement the "Magma Core Application" initiative to improve the business processes
- Make core IT infrastructure more resilient thus ensuring business continuity and in case of any emergency provide data back up; this includes solutions around Disaster Recovery and Enterprise Storage
- Conduct an IT risk assessment and plan the necessary steps to mitigate the identified areas as per global best practices
- Adopt best practices in Information Technology Infrastructure Library (ITIL) to enhance our processes in incident management, problem management and change management
- Strengthen information security standards and monitoring services
- Adopt robust vendor management practices that will drive cost efficiency
- Define an IT Strategy derived from the Business Strategy and establish Enterprise Architecture standards

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.

Corporate Image Building

In August 2012, the Company launched its first multimedia campaign in various national mainline television channels & newspapers targeting diverse group of Stake Holders, 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 ₹ 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 brand building was effectively explained to over 6000 employees through regular e-mailers & internal mega engagement events like Rendezvous.

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.

Magma in 2013 participated in the EXCON CE Exhibition in Bangalore. EXCON is the largest CE Expostion in Asia and is one of the biggest platforms for CE Business in India. The event attracts all major Manufacturers, Dealers, Financiers and all associated in the business of construction. Magma created good awareness and generated good footfalls during the exihibition.

In the Insurance sector the MHDI Team participated in some good seminars and exhibition like the Insurance Companies meet organised by Indian Chamber of Commerce in Kolkata and the Auto Expo, Wheelz'14 organised by CII also in Kolkata. MHDI also sponsored a mega IBA meet in Hyderabad which saw top Insurance brokers from all across India participate. Apart from these big ones the team participated and sponsored some more agents and broker meets in different locations.

In the ABF Business, Magma participated in FADA Summit in Delhi as the Silver sponsor. FADA Summit is one of the biggest meet for automobile manufacturers and dealers and is great platform for networking as it brings all major automobile players under one roof.

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. The Company organized health 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 eight cities across the country. Magma also continued association with the Friends of the Tribal Society, sponsoring schools in tribal areas aimed at eradicating illiteracy among the economically weaker sections. Magma patronized Akshay Patra Foundation - an NGO, for providing mid-day meals to students and Kolkata Rescue and Hive India, two NGOs working for the cause for education and offering medical help to street dwelling population in Kolkata. 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. Magma celebrated "JOY OF GIVING" week in Kolkata and the team members contributed to the cause.

Customer Relationship Management

Magma has a diverse product portfolio across asset financing, mortgage financing, SME financing, general insurance, and is positioned to provide a one stop solution to a wide range of financing requirements of its target customers. Magma's credit screens and processes are aligned to deliver superior customer service to the target customers who are largely first time buyers and small customers in deeper reaches of rural and semi urban India.

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 close to 200,000 likes. We are working 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 effort 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. The reviews are conducted periodically by the Internal Audit function covering range of business processes, functions and locations. 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

A combination of various political and economic factors have led to a slowdown in commercial activity in India during the last couple of years. This has resulted in a GDP growth rate of 4.9% during 2013-14, far below the decadal average 7.9% during 2003-04 to 2012-13. Primary sales across all segments of commercial vehicles and construction equipment have declined over the previous year. Even passenger vehicle sales, which increased marginally last year, have declined dramatically as utility vehicle sales failed to pick up the slack of car sales. On the other hand, buoyed by a comparatively resilient rural economy, tractor sales have recorded a growth of 20.1% in FY 2013-14. Product segments like SME financing and mortgage financing where Magma has entered in the last few years have also shown steady growth. Backed by increase in penetration, tractor, SME and mortgage financing are expected to keep growing at a steady pace and provide ample opportunity to all existing and new players. With the completion of general elections, industry expectations of increased impetus by the government on growth, vehicle and construction equipment sales are also expected to rebound over the next few quarters. The revival in demand across all product segments over the medium term is expected to lead to increase in disposable income in the customers hand and decrease in delinquent assets in the financing industry.

Primary sales and disbursements in vehicles segment are expected to witness muted growth in the first half of FY 2014-15 and pick up momentum towards the end of the year. Unlike vehicle sales, sales in other product segments are expected to witness double digit growth. The new product segments which Magma has ventured into in the last few years, namely Mortgage, SME and Tractor Financing, are expected to contribute to a larger pie of the disbursements mix.

Magma is expected to utilize the opportunity to make changes in the processes to maximize productivity improvement, improve risk management practices and build higher resilience to cyclical trends in business environment. Magma is also keen to seize the opportunity to expand the reach of the existing branch network through technological innovations to ensure that it is battle ready to capitalize on the next wave of growth.

Challenges

There is urgent need for the government to push industry friendly regulations to provide a fillip to commercial activity. Inability of the government in taking concrete steps to smoothen the policy making processes will lead to further weakening of investor sentiments and a prolonged slowdown of commercial activity. In an environment of weak disbursements and high delinquency levels, our strategy would be to continue to focus on yield increase on fresh disbursements to capture the altered risk reward dynamics. We would continue to focus on under-banked customer segments and improve manpower productivity and branch throughput through process changes.

The financing industry continues to remain very competitive across product segments and the competitive intensity is not expected to change in the near future. The overall market size is large enough for multiple players to exist. Tremendous growth opportunities across all product segments and low penetration levels of financing offer significant scope of expansion for players who possess the ability to capture the risks and price the financing terms in an optimum manner.

Outlook

After recovering commendably during 2009-11 from the slowdown of 2008-09, the Indian economy witnessed significantly lower growth in 2012-13 and 2013-14 due to slowdown in industrial growth, high credit cost, weak domestic business sentiment and uncertain global environment.

During 2014-15, a stable government at the Centre is expected to take decisive steps to combat the challenges of a low-growth high-inflation situation. Early signs of efficient decision making by the government are expected to lead to pick-up in investment cycle and turnaround in industry sentiments. In the medium term, inflation is expected to ease on account of increase in productivity and better demand supply dynamics. GDP growth is also expected to improve on the back of proactive government initiatives and revival of commercial activity.

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 long term 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's Risk Management team of dedicated professionals uses latest statistical tools and software to help it benchmark against the best competitive practices of the industry and accordingly align its credit policies for every customer category in accordance with the organization's own risk appetite and historical portfolio performance.

Whereas FY 2011 and FY 2012 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, FY 2013 saw major challenge in respect of credit underwriting amidst the slowing economy and industry at large.

With National GDP continuing to hover at sub-5% levels since Q3 FY 2013 and estimates pointing to similar growth trend for a sixth successive quarter, concerns about market cash flow and primary sales have 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 Magma build a balanced portfolio of retail and strategic customers with optimum risk-return profile on wide range of assets.

Market risk

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

(a) Identification of the macro-economic indicators as relevant to Magma's lending business and

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

Lead indicators

Lead macro-economic growth indicators that govern Magma's credit & risk policies are as follows:

1. Gross Domestic Product
2. Index of Industrial Production
3. Core Sector index
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 the 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 credit or market risk and covers a wide range of the Company's activities. It involves alignment of all functions and verticals towards identifying the key risks in the underlying process. 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
- Segregated credit and operations verticals to ensure effective maker and 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 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 good 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
7 May 2014

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 2014, the statement of profit and loss of the Company and 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") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 2014;

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

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

Report on Other Legal and Regulatory Requirements

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

2 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, read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and

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 is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

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

Akeel Master
Partner
Membership No. 046768

Mumbai, 07 May 2014

Annexure to the Independent 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 2014. 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 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 ₹ 5 lakhs 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 2014 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 (₹ 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
Chapter V of the Finance Act, 1994	Service tax demanded	60.49	2002 - 2003 to 2006 - 2007	CESTAT, EZB, Kolkata
West Bengal Value Added Tax Act, 2003	VAT demanded	6.86	2006 - 2007	Joint Commissioner of Sales Tax, Kolkata (South) Circle
West Bengal Value Added Tax Act, 2003	VAT demanded	7.21	2007 - 2008	West Bengal Commercial Taxes Appellate and Revisional Board
Rajasthan Value Added Tax Act 2003	VAT demanded	24.14	2006 - 2007 to 2012 - 2013 (till July 2012)	Deputy Commissioner, Rajasthan
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	57.41	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) In terms of the Guidelines of Reserve Bank of India on Asset Liability Management System for Non Banking Financial Company ('NBFC'), the Company regularly carried out an analysis of its assets and liabilities on the basis of their residual maturity and repricing patterns. Our examination of the same indicates that the maturity gaps observed in the asset liability management are within the limits prescribed by Reserve Bank of India.

(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) During the course of our examination of the books and records of the Company, carried out in accordance with the general auditing practices in India, and according to the explanation and information given to us, thirty-eight instances of fraud on the Company were identified and reported during the year. We have been further informed that the frauds on the Company were mainly related to falsification of loan / valuation documents and collusion between its employees, borrowers and vendors. The aggregate amount of such frauds is ₹ 4.65 crores. As at 31 March 2014, ₹ 1.07 crores was recovered by the Company and the balance has been written off in the statement of profit and loss.

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

Akeel Master
Partner
Membership No. 046768

Mumbai, 07 May 2014

Balance Sheet

(₹ in Lacs)

	Note no.	As at 31 March 2014	As at 31 March 2013
Equity and Liabilities			
Shareholders' funds			
Share capital	3	15,224.84	19,943.62
Reserves and surplus	4	1,22,599.31	1,13,560.97
		1,37,824.15	**1,33,504.59**
Non-current liabilities			
Long-term borrowings	5	2,77,455.80	3,28,646.84
Deferred tax liabilities (net)	6	3,655.74	5,614.95
Long-term provisions	7	13,150.75	6,743.06
		2,94,262.29	**3,41,004.85**
Current liabilities			
Short-term borrowings	8	4,65,507.46	5,43,571.97
Trade payables	9	22,933.38	24,588.77
Other current liabilities	10	2,06,949.58	1,27,203.43
Short-term provisions	11	4,322.17	4,316.56
		6,99,712.59	**6,99,680.73**
Total		**11,31,799.03**	**11,74,190.17**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	12	15,422.59	16,203.05
Intangible assets	12	281.55	388.99
Capital work-in-progress		2,505.11	849.53
		18,209.25	17,441.57
Non-current investments	13	22,437.32	22,052.42
Long-term loans and advances	14		
- Assets on finance		5,98,217.84	6,07,482.65
- Others		7,426.16	7,427.12
Other non-current assets	15	14,675.02	17,334.51
		6,60,965.59	**6,71,738.27**
Current assets			
Current investments	16	9,640.61	6,491.79
Trade receivables	17	1,550.52	680.60
Cash and bank balances	18	69,542.35	1,16,396.28
Short-term loans and advances	19		
- Assets on finance		3,75,224.87	3,61,565.48
- Others		5,382.16	8,613.05
Other current assets	20	9,492.93	8,704.70
		4,70,833.44	**5,02,451.90**
Total		**11,31,799.03**	**11,74,190.17**
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 B S R & Co. LLP,
Chartered Accountants
Firm's Regn. No. 101248W

Mayank Poddar
Chairman

Sanjay Chamria
Vice Chairman & Managing Director

Akeel Master
Partner
Membership No. 046768

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Mumbai, 07 May 2014

Kolkata, 07 May 2014

Statement of Profit and Loss

(₹ in Lacs)

	Note no.	Year ended 31 March 2014	Year ended 31 March 2013
Revenue			
Revenue from operations	21	1,84,677.78	1,56,827.97
Other income	22	2,889.41	3,787.19
Total revenue		**1,87,567.19**	**1,60,615.16**
Expense			
Employee benefits expense	23	21,309.13	20,283.36
Finance costs	24	1,05,516.19	88,740.44
Depreciation and amortisation expense	12	3,314.00	3,670.12
Provisions and bad debts written-off	25	16,143.18	8,605.27
Other expenses	26	23,445.06	21,400.26
Total expense		**1,69,727.56**	**1,42,699.45**
Profit before tax		**17,839.63**	**17,915.71**
Tax expense:			
Current tax - current year		6,250.00	5,366.60
- earlier year		(8.48)	6.28
Deferred tax		(1,959.21)	262.86
Profit after tax		**13,557.32**	**12,279.97**
Earnings per equity share (Nominal value of ₹ 2 each fully paid up):	30		
Basic (in Rupees)		6.47	5.75
Diluted (in Rupees)		6.46	5.74
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 B S R & Co. LLP,
Chartered Accountants
Firm's Regn. No. 101248W

Akeel Master
Partner
Membership No. 046768

Mumbai, 07 May 2014

For and on behalf of the Board of Directors

Mayank Poddar
Chairman

Sanjay Chamria
Vice Chairman & Managing Director

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 07 May 2014

Cash Flow Statement

(₹ in Lacs)

		Year ended 31 March 2014		Year ended 31 March 2013	
A.	**Cash Flow From Operating Activities**				
	Profit before tax		17,839.63		17,915.71
	Adjustments for :				
	Depreciation and amortisation expense	3,314.00		3,670.12	
	Interest expense	85,724.08		68,559.65	
	Provision for non-performing assets	6,495.20		4,342.84	
	Contingent provision against standard assets	(90.00)		1,200.00	
	(Profit) / loss on sale of fixed assets (net)	17.63		18.00	
	Employee share based compensation expense	63.02		13.50	
	Discount on commercial papers	15,205.34		16,945.00	
	Mark-to-market (profit) / losses on derivative contracts	(197.06)	1,10,532.21	(283.30)	94,465.81
	Operating cash flow before working capital changes		**1,28,371.84**		**1,12,381.52**
	Adjustments for :				
	Trade and other receivables	111.53		(5,881.67)	
	Assets on finance	3,954.24		(3,02,333.71)	
	Borrowings (net)	(75,900.94)		3,29,205.61	
	Other bank balances	(1,418.74)		9,411.05	
	Trade payables	35.23	(73,218.68)	4,611.62	35,012.90
	Cash used in operations		**55,153.16**		**1,47,394.42**
	Interest paid	(84,354.15)		(61,989.58)	
	Taxes paid (net)	(5,054.09)	(89,408.24)	(4,748.41)	(66,737.99)
	Net cash (used in) / from operating activities (A)		**(34,255.08)**		**80,656.43**
B.	**Cash Flow From Investing Activities**				
	Purchase of fixed assets (including capital work-in-progress)	(4,115.93)		(3,268.89)	
	Proceeds from sale of fixed assets	16.62		19.39	
	Investment in subsidiaries	-		(6,000.00)	
	Investment in joint ventures	-		(2,602.20)	
	Purchase of non-current investments	(3,533.72)		(16,609.80)	
	Proceeds from sale of non-current investments	-		0.23	
	Net cash used in investing activities (B)		**(7,633.03)**		**(28,461.27)**
C.	**Cash Flow From Financing Activities**				
	Proceeds from issue of non-convertible preference shares	-		3,600.00	
	Payments for redemption of non-convertible preference shares	(6,312.04)		(1,722.04)	
	Proceeds from issue of equity shares including securities premium (net)	58.75		80.85	
	Dividend paid (including tax thereon)	(3,065.50)		(2,570.86)	
	Net cash used in financing activities (C)		**(9,318.79)**		**(612.05)**
	Net increase / (decrease) in cash and cash equivalents (A+B+C)		(51,206.90)		51,583.11
	Cash and cash equivalents as at the beginning of the year		83,786.03		32,202.92
	Cash and cash equivalents as at the end of the year		**32,579.13**		**83,786.03**
	Cash and Cash Equivalents (Note 18)				
	Cash in hand		5,944.62		5,441.73
	Balances with banks				
	In current and cash credit accounts		26,634.51		35,344.30
	In deposit accounts with maturity of less than three months		-		43,000.00
			32,579.13		**83,786.03**

As per our report of even date attached.

For and on behalf of the Board of Directors

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

Mayank Poddar
Chairman

Sanjay Chamria
Vice Chairman & Managing Director

Akeel Master
Partner
Membership No. 046768

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Mumbai, 07 May 2014

Kolkata, 07 May 2014

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 equity shares are listed on National Stock Exchange and Bombay Stock Exchange.

Note : 2 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.

(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, 2013 (to the extent notified) and 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 realisation 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 recognised prospectively in current and future periods.

(iii) Assets on finance

(a) Assets on finance include assets given on finance / loan and amounts paid for acquiring financial assets including non-performing assets (NPAs) from other Banks / Non Banking Financial Companies (NBFCs).

(b) Assets on finance represents amounts receivable under finance / loan agreements and are valued at net investment amount including installments due. The balance is also net of amounts securitised / assigned.

(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 direct assignment / securitisation :

The Company enters into arrangements for sale of loan receivables through direct assignment / securitisation. The said assets are de-recognised upon transfer of significant risks and rewards to the purchaser and on meeting the true sale criteria.

The Company retains the contractual right to receive share of future monthly interest i.e. excess interest spread ("EIS") on the transferred assets which is the difference between the pool IRR and the yield agreed with the portfolio buyer.

The Company recognises gain / excess interest spread on direct assignment / securitisation transactions in line with RBI circular "Revisions to the Guidelines on Securitisation Transactions" issued on 21 August 2012. Prior to the issuance of circular, the Company used to follow Accounting Standard (AS) 1 on 'Disclosure of Accounting Policies', which requires recognition of income on accrual basis.

Accordingly, direct assignment / securitisation transactions effected post issuance of the said guidelines are accounted as under:

a. Gain / income realised on direct assignment / securitisation of loan receivables arising under premium structure is recognised over the tenure of securities issued by Special Purpose Vehicle (SPV) / agreements. Loss, if any, is recognised upfront.

b. EIS under par structure of securitisation / direct assignment of loan receivables is recognised only when redeemed in cash, over the tenure of the securities issued by SPV / agreements. Loss, if any, is recognised upfront.

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

Notes to the Financial Statements *(continued)*

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

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

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

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

(i) 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 4 months (120 days) and commences provisioning based on the draft RBI guidelines released on 12 December 2012. The provisioning norm 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 4 months	0.25%	0.25%	0.30%	0.30%
Sub-standard	> 4 months to 6 months	0.25%	0.25%	15.00%	25.00%
	> 6 months to 16 months	10.00%	10.00%	15.00%	25.00%
Doubtful	> 16 months to 24 months	10.00%	10.00%	25.00%	100.00%
	> 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.

The aforesaid provisioning policy followed by the Company is more stringent than the applicable guidelines prescribed by the Reserve Bank of India.

(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 vehicles given on operating lease is provided on straight line method at rates based on tenure of the underlying lease contracts.

Individual assets costing less than ₹ 5,000/- are depreciated in full in the year of acquisition.

FINANCIAL STATEMENTS

Notes to the Financial Statements *(continued)*

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

(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 recognised 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 recognised 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 recognised 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 the statement of profit and loss.

(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 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.

Notes to the Financial Statements *(continued)*

(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) 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 derivative contracts are recognised in the statement of profit and loss in the period in which they arise. Mark to market gains are not recognised keeping in view the principle of prudence as enunciated in "Accounting Standard (AS) 1 - Disclosure of Accounting Policies".

(xvi) Borrowing costs

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

Brokerage and other ancillary expenditure directly attributable to a borrowing is amortised over the tenure of the respective borrowing. Unamortised borrowing costs remaining, if any, is fully expensed off as and when the related borrowing is prepaid / cancelled.

(xvii) 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.

(xviii) 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 reduces profit / loss per share are included.

(xix) 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 an original 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.

(xx) Cash flow statement

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

FINANCIAL STATEMENTS

Notes to the Financial Statements *(continued)*

Note 3 : Share Capital

(₹ in Lacs)

		As at 31 March 2014	As at 31 March 2013
Authorised			
26,50,00,000	(2013: 22,00,00,000) Equity shares of ₹ 2 each	5,300.00	4,400.00
5,43,00,000	(2013: 5,52,00,000) Preference shares of ₹100 each	54,300.00	55,200.00
		59,600.00	**59,600.00**
Issued, subscribed and paid-up			
Equity share capital			
19,01,19,975	(2013: 18,99,56,775) Equity shares of ₹ 2 each, fully paid up.	3,802.40	3,799.14
Preference share capital			
21,09,199	(2013: 21,09,199) 9.70% Cumulative non-convertible redeemable preference shares of ₹ 100 each (paid-up value per share reduced to ₹ 20 on redemption of four annual installments of ₹ 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.	421.84	843.68
-	(2013: 30,00,000) 5.00% Cumulative non-convertible redeemable preference shares (NCPS) of ₹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 to 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
65,00,999	(2013: 65,00,999) 6 months US Dollar Libor plus 3.25% Cumulative non-convertible redeemable preference shares of ₹100 each (paid-up value per share reduced to ₹ 60 on redemption of two annual installments of ₹ 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.	3,900.60	5,200.80
10,00,000	(2013: 10,00,000) 9.60% Cumulative non-convertible redeemable preference shares of ₹ 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
25,00,000	(2013: 25,00,000) 12.00% Cumulative non-convertible redeemable preference shares of ₹ 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
36,00,000	(2013: 36,00,000) 11.00% Cumulative non-convertible redeemable preference shares of ₹ 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	3,600.00
		15,224.84	**19,943.62**

Notes to the Financial Statements *(continued)*

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

(₹ in Lacs)

	As at 31 March 2014		As at 31 March 2013	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
Opening balance	18,99,56,775	3,799.14	18,97,32,175	3,794.64
Equity shares issued on exercise of ESOPs during the year	1,63,200	3.26	2,24,600	4.50
Closing balance	**19,01,19,975**	**3,802.40**	**18,99,56,775**	**3,799.14**
Preference shares (Cumulative non-convertible redeemable)				
Opening balance	1,87,10,198	16,144.48	1,51,10,198	14,266.52
11.00 % Preference shares issued during the year	-	-	36,00,000	3,600.00
6 months US Dollar Libor plus 3.25% preference shares redeemed during the year (20% annually)	-	(1,300.20)	-	(1,300.20)
5.00% Preference shares redeemed during the year	(30,00,000)	(3,000.00)	-	-
9.70% Preference shares redeemed during the year (20% annually)	-	(421.84)	-	(421.84)
Closing balance	**1,57,10,198**	**11,422.44**	**1,87,10,198**	**16,144.48**

Equity shares

The Company has only one class of equity shares having a par value of ₹ 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 at the ensuing Annual General Meeting.

During the year ended 31 March 2013, the amount of per share dividend recognised as distribution to equity shareholders was ₹ 0.80 (40%) per equity share of the face value of ₹ 2/- each. Total dividend appropriation on equity shares for the year ended 31 March 2013 amounted to ₹ 1,777.93 lacs including corporate dividend tax of ₹ 258.27 lacs.

On 24 July 2013 and 6 December 2013, the Company has allotted, 1,29,800 and 33,400 equity shares respectively of the face value of ₹ 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 at the ensuing Annual General Meeting. The Company has redeemed ₹ 1,300.20 lacs being second installment of ₹ 20/- per share in respect of 65,00,999 cumulative non-convertible redeemable preference shares of ₹ 100/- per share during April 2013. The paid-up value as at 31 March 2014 of the above preference shares stands reduced to ₹ 60/- per share from ₹ 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 earlier years which inter-alia include redemption of preference shares and accordingly, no transfer has been made to capital redemption reserve.

The Company has redeemed 30,00,000 cumulative non-convertible redeemable preference shares of ₹ 100/- per share at a premium of 53% during August 2013 amounting to ₹ 4,590.00 lacs (including premium of ₹ 1,590.00 lacs) being full and final payment. The above preference shares were redeemed out of the proceeds of the issue of equity shares made for the purposes in the earlier years which inter-alia include redemption of preference shares and accordingly, no transfer has been made to capital redemption reserve.

The Company has redeemed ₹ 421.84 lacs being fourth installment of ₹ 20/- per share in respect of 21,09,199 cumulative non-convertible redeemable preference shares of ₹ 100/- per share during February 2014. The paid-up value as at 31 March 2014 of the above preference shares stands reduced to ₹ 20/- per share from ₹ 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 earlier years 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 65,00,999 cumulative non-convertible redeemable preference shares of ₹ 100/- each aggregating

FINANCIAL STATEMENTS

Notes to the Financial Statements *(continued)*

to ₹ 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 2013 in accounts based on the 6 months US Dollar Libor applicable as on 30 December 2012 and closing exchange rate applicable as on 31 March 2013 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 (₹ 55.53 lacs) (2013: ₹ 22.97 lacs) provided with respect to above preference shares for the previous financial year ended 31 March 2013 has been adjusted in the current year with consequent impact on earnings 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.

Shares allotted as fully paid-up without payment being received in cash / by way of bonus shares:

The Company has not issued bonus shares or shares for consideration other than cash during the five year period immediately preceding the reporting date.

Shareholders holding more than 5% shares

Name of the shareholder	As at 31 March 2014		As at 31 March 2013	
	%	No. of shares	%	No. of shares
Equity shares				
Microfirm Capital Private Limited	17.89	3,40,15,928	17.91	3,40,15,928
Celica Developers Private Limited	15.48	2,94,34,455	15.50	2,94,34,455
Zend Mauritius VC Investments, Limited	14.12	2,68,54,375	14.14	2,68,54,375
International Finance Corporation	12.10	2,30,00,000	12.11	2,30,00,000
Lavender Investments Limited	9.63	1,83,01,431	7.73	1,46,78,928
India Capital Fund Limited	5.12	97,36,294	5.13	97,36,294
Preference shares (Cumulative non-convertible redeemable)				
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	54.81	86,10,198	46.02	86,10,198
Bank of India	-	-	8.02	15,00,000
Andhra Bank	9.55	15,00,000	8.02	15,00,000
United Bank of India	6.37	10,00,000	5.34	10,00,000
International Tractors Limited	6.37	10,00,000	5.34	10,00,000

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 10,00,000 options that would eventually convert into equity shares of ₹ 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 ₹10/- each into five equity shares of the face value of ₹ 2/- each during the previous year, the number of options increased from 10,00,000 to 50,00,000.

MESOP 2007 (In nos.)

	Year ended 31 March 2014	Year ended 31 March 2013
Outstanding options at the beginning of the year	11,12,900	8,55,500
Granted during the year	4,00,000	5,00,000
Exercised during the year	1,63,200	2,24,600
Lapsed during the year	7,300	18,000
Forfeited during the year	-	-
Outstanding options at the end of the year	**13,42,400**	**11,12,900**
Options vested and exercisable at the end of the year	2,67,400	3,62,900

Notes to the Financial Statements *(continued)*

The weighted average fair value of each option of Magma Fincorp Limited was ₹ 36.52 using the Black-Scholes model with the following assumptions:

	Units	Values
Grant date share price	₹	50.33 - 100.00
Exercise price	₹	36.00 - 60.00
Dividend yield %	%	0.61 - 3.03
Expected life	Years	4.80 - 6.50
Risk free interest rate	%	7.57 - 8.91
Volatility	%	45.06 - 73.94

Equity shares reserved for issue under options

(₹ in Lacs)

	No. of shares granted	Exercise price	As at 31 March 2014		As at 31 March 2013	
			No. of shares	Amount	No. of shares	Amount
Under MESOP 2007:						
Tranche I	17,54,000	36.00	1,92,400	3,84,800	3,62,900	7,25,800
Tranche II	2,50,000	60.00	2,50,000	5,00,000	2,50,000	5,00,000
Tranche III	50,000	60.00	50,000	1,00,000	50,000	1,00,000
Tranche IV	3,00,000	60.00	3,00,000	6,00,000	3,00,000	6,00,000
Tranche V	1,50,000	60.00	1,50,000	3,00,000	1,50,000	3,00,000
Tranche VI	50,000	60.00	50,000	1,00,000	-	-
Tranche VII	50,000	60.00	50,000	1,00,000	-	-
Tranche VIII	1,75,000	60.00	1,75,000	3,50,000	-	-
Tranche IX	1,25,000	60.00	1,25,000	2,50,000	-	-

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.

Particulars	Unit	Year ended 31 March 2014	Year ended 31 March 2013
Net profit for equity shareholders	₹ in Lacs	12,289.28	10,914.30
Add: Stock-based employee compensation expense (intrinsic value method)	₹ in Lacs	63.02	13.50
Less: Stock-based employee compensation expense (fair value method)	₹ in Lacs	139.53	28.26
Proforma net profit	₹ in Lacs	12,212.77	10,899.54
Basic earnings per share (Face value: ₹ 2/-) as reported	₹	6.47	5.75
Proforma basic earnings per share (Face value: ₹ 2/-)	₹	6.43	5.74
Diluted earnings per share (Face value: ₹ 2/-) as reported	₹	6.46	5.74
Proforma diluted earnings per share (Face value: ₹ 2/-)	₹	6.42	5.73

FINANCIAL STATEMENTS

Notes to the Financial Statements *(continued)*

Note 4 : Reserves and Surplus

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Capital reserve	**457.98**	**457.98**
Capital redemption reserve	**1,421.84**	**1,421.84**
Securities premium reserve		
Opening balance	68,924.01	68,815.47
Add: On equity shares issued on exercise of ESOPs during the year	78.87	108.54
Less: On preference share redeemed during the year	1,590.00	-
	67,412.88	**68,924.01**
Employee share option outstanding		
Gross employee share compensation cost for options granted in earlier years	64.35	83.04
Less: Transferred to securities premium reserve on allotment of shares	23.38	32.19
Add: Deferred employee compensation cost	63.02	13.50
	103.99	**64.35**
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	12,368.15	9,908.15
Add: Transfer from surplus in the statement of profit and loss	2,751.85	2,460.00
	15,120.00	**12,368.15**
General reserve		
Opening balance	6,734.50	5,504.50
Add: Transfer from surplus in the statement of profit and loss	1,365.50	1,230.00
	8,100.00	**6,734.50**
Surplus (balance in the statement of profit and loss)		
Opening balance	23,483.66	18,037.29
Profit for the year	13,557.32	12,279.97
Amount available for appropriations	**37,040.98**	**30,317.26**
Appropriations		
Proposed dividend on preference shares	1,083.85	1,167.42
Tax on proposed preference dividend as above	184.19	198.25
Proposed dividend on equity shares	1,520.96	1,519.66
Tax on proposed equity dividend as above	258.49	258.27
Transfer to statutory reserve	2,751.85	2,460.00
Transfer to general reserve	1,365.50	1,230.00
	29,876.14	**23,483.66**
	1,22,599.31	**1,13,560.97**

Notes to the Financial Statements *(continued)*

Note 5 : Long-Term Borrowings

(₹ in Lacs)

	Security as per	As at 31 March 2014	As at 31 March 2013
Debentures			
Secured			
Redeemable non-convertible debentures	(a)	1,03,610.00	1,68,000.00
		1,03,610.00	**1,68,000.00**
Unsecured			
Subordinated non-convertible perpetual debentures (Tier I capital)		10,550.00	5,500.00
Subordinated redeemable non-convertible debentures (Tier II capital)		74,350.00	70,650.00
		84,900.00	**76,150.00**
Term loan			
Secured *			
from banks	(b) and (c)	48,740.65	32,491.64
from others (financial institutions)	(b) and (c)	40,205.15	52,005.20
		88,945.80	**84,496.84**
		2,77,455.80	**3,28,646.84**

* Aggregate of loans guaranteed by #		
Directors	2,395.20	8,639.22
# includes current maturities of long-term borrowings		

Nature of security

(a) Debentures are secured by mortgage of Company's immovable property situated at (i) Village - Mehrun, Taluk and District - Jalgaon in the state of Maharastra, and (ii) Rajarhat, Kolkata in the state of West Bengal 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.

(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.

FINANCIAL STATEMENTS

Notes to the Financial Statements *(continued)*

Details of debentures

Secured redeemable non-convertible debentures

(₹ in Lacs)

Number of Debentures	Face Value	Rate of Interest	Redeemable at	Date of Allotment	Date of Redemption	As at 31 March 2014	As at 31 March 2013
2000	10	10.80%	Par	28 Jun 2012	27 Jun 2017	20,000.00	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	10.70%	Par	22 Oct 2013	21 Oct 2016	1,500.00	-
500	10	9.50%	Par	20 May 2013	20 May 2016	5,000.00	-
55	10	10.49%	Par	28 Mar 2014	26 Apr 2016	550.00	-
20	10	10.25%	Par	12 Dec 2013	12 Apr 2016	200.00	-
1250	10	10.75%	Par	05 Apr 2013	05 Apr 2016	12,500.00	-
150	10	10.40%	Par	12 Dec 2012	11 Dec 2015	1,500.00	1,500.00
100	10	10.60%	Par	17 Oct 2012	16 Oct 2015	1,000.00	1,000.00
36	10	10.41%	Par	24 Mar 2014	04 Sep 2015	360.00	-
1300	10	11.00%	Par	07 Aug 2012	07 Aug 2015	13,000.00	13,000.00
500	10	10.20%	Par	05 Apr 2013	06 Aug 2015	5,000.00	-
500	10	11.00%	Par	18 Jun 2012	16 Jun 2015	5,000.00	5,000.00
50	10	10.01%	Par	28 Mar 2014	07 Apr 2015	500.00	-
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
1500	10	11.25%	Par	16 Nov 2011	14 Nov 2014	-	15,000.00
1000	10	10.60%	Par	17 Oct 2011	17 Oct 2014	-	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
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
						1,03,610.00	**1,68,000.00**

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

(₹ in Lacs)

Number of Debentures	Face Value	Rate of Interest	Redeemable at	Date of Allotment	Earliest date of exercise *	As at 31 March 2014	As at 31 March 2013
500	5	12.00%	Par	26 Sep 2013	25 Sep 2023	2,500.00	-
510	5	12.10%	Par	20 May 2013	19 May 2023	2,550.00	-
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
						10,550.00	**5,500.00**
Percentage of Tier I capital						**8.28%**	**4.67%**

* These debentures are perpetual in nature and the Company has a 'Call Option' only after a minimum period of 10 years from the date of issue subject to RBI regulations.

Notes to the Financial Statements *(continued)*

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

(₹ in Lacs)

Number of Debentures	Face Value	Rate of Interest	Redeemable at	Date of Allotment	Date of Redemption	As at 31 March 2014	As at 31 March 2013
140	10	10.90%	Par	26 Sep 2013	26 Sep 2023	1,400.00	-
480	10	10.70%	Par	23 Apr 2013	21 Apr 2023	4,800.00	-
100	10	11.00%	Par	17 Jan 2013	17 Jan 2023	1,000.00	1,000.00
250	10	11.50%	Par	06 Sep 2012	06 Sep 2022	2,500.00	2,500.00
150	10	11.00%	Par	28 Mar 2014	28 Apr 2021	1,500.00	-
600	10	11.00%	Par	19 Mar 2013	19 Mar 2020	6,000.00	6,000.00
550	10	11.00%	Par	11 Mar 2013	11 Mar 2020	5,500.00	5,500.00
150	10	11.00%	Par	17 Jan 2013	17 Jan 2020	1,500.00	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	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
200	10	13.00%	Par	04 Mar 2009	03 Jun 2014	-	2,000.00
100	10	14.00%	Par	05 Feb 2009	04 May 2014	-	1,000.00
						74,350.00	**70,650.00**

Terms of repayment of term loans

(₹ in Lacs)

Repayment Terms	Interest Terms	Repayable at	As at 31 March 2014	As at 31 March 2013
Monthly	Fixed	Par	21.98	21.07
Monthly	Floating	Par	10,777.48	20,999.97
Quarterly	Fixed	Par	1,862.30	2,395.20
Quarterly	Floating	Par	46,284.04	61,080.60
Half yearly	Floating	Par	30,000.00	-
			88,945.80	**84,496.84**

The above term loans carry interest rates ranging from 10.45 % p.a. to 12.25 % p.a.

FINANCIAL STATEMENTS

Notes to the Financial Statements *(continued)*

Note 6 : Deferred Tax Liabilities (Net)

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Deferred tax liabilities		
Fixed assets	2,307.97	2,647.30
Unamortised expenses (net)	6,188.15	5,633.46
Others	121.40	73.80
	8,617.52	**8,354.56**
Deferred tax assets		
Contingent provision against standard assets	961.92	947.39
Provision for non-performing assets	3,734.83	1,444.72
Others	265.03	347.50
	4,961.78	**2,739.61**
	3,655.74	**5,614.95**

Note 7: Long-Term Provisions

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Provision for employee benefits	632.71	590.22
Other provisions (Note 44)		
Provision for non-performing assets	10,838.04	4,342.84
Contingent provision against standard assets (Tier II capital)	1,680.00	1,810.00
	13,150.75	**6,743.06**

Note 8 : Short-Term Borrowings

(₹ in Lacs)

	Security as per	As at 31 March 2014	As at 31 March 2013
Commercial papers			
Unsecured			
Face value		42,700.00	1,17,500.00
Less: Unmatured discounting charges		480.21	2,689.19
		42,219.79	**1,14,810.81**
Loans from banks			
Secured			
Cash credit facilities	(a)	1,53,287.67	1,30,297.06
Working capital demand loans	(a)	2,70,000.00	2,98,464.10
		4,23,287.67	**4,28,761.16**
		4,65,507.46	**5,43,571.97**

Notes to the Financial Statements *(continued)*

Details of unsecured commercial papers

(₹ in Lacs)

Number of Units	Face Value	Interest Terms	As at 31 March 2014	As at 31 March 2013
8540	5	Fixed	42,219.79	1,14,810.81
			42,219.79	**1,14,810.81**

The above commercial papers carry interest rates ranging from 9.00 % p.a. to 10.45 % p.a.

Details of cash credit facilities and working capital demand loans

The cash credit facilities are repayable on demand and carry interest rates ranging from 10.15 % p.a. to 12.75 % p.a. Working capital demand loans are repayable on demand and carry interest rates ranging from 10.00 % p.a. to 10.75 % 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 Financial Institutions, Banks or any other finance organisation). These are collaterally secured by equitable mortgage of immovable properties.

Note 9 : Trade Payables

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Due to micro and small enterprises *	-	-
Due to others	22,933.38	24,588.77
	22,933.38	**24,588.77**

* 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 2014 and 31 March 2013. 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

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Current maturities of long-term borrowings (Note 5)	1,40,504.85	70,944.90
Interest accrued but not due on borrowings	15,129.85	13,759.92
Unpaid dividend #	21.16	21.56
Application money received for allotment of debentures	-	1,000.00
Unclaimed matured deposits and interest accrued thereon *	2.48	7.11
Other liabilities		
Temporary book overdraft	8,369.03	5,469.88
Advances and deposits from customers	6,419.18	6,210.22
Statutory liabilities	586.95	543.12
Director's commission payable	150.00	135.00
Pending remittance on assignment	31,381.28	23,241.42
Other payables	4,384.80	5,870.30
	2,06,949.58	**1,27,203.43**

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.

FINANCIAL STATEMENTS

Notes to the Financial Statements *(continued)*

Note 11 : Short-Term Provisions

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Provision for employee benefits	69.15	85.93
Other provisions		
Contingent provision against standard assets (Tier II capital) (Note 44)	1,150.00	1,110.00
Proposed dividend (including tax thereon)	3,103.02	3,120.63
	4,322.17	**4,316.56**

Note 12 : Fixed Assets

(₹ in Lacs)

Description of assets	Gross block				Depreciation and amortisation				Net block	
	As at 1 April 2013	Additions	Deletions	As at 31 March 2014	As at 1 April 2013	For the year	Deletions	As at 31 March 2014	As at 31 March 2014	As at 31 March 2013
Tangible assets										
Fixed assets for own use										
Land	30.26	-	-	30.26	-	-	-	-	30.26	30.26
Buildings *	3,424.74	15.40	-	3,440.14	1,046.30	53.02	-	1,099.32	2,340.82	2,378.44
Wind mills	9,701.29	-	-	9,701.29	2,844.25	512.23	-	3,356.48	6,344.81	6,857.04
Furniture and fixtures	2,101.89	316.92	20.16	2,398.65	838.71	178.70	11.37	1,006.04	1,392.61	1,263.18
Vehicles	367.32	13.64	80.10	300.86	214.73	25.72	70.51	169.94	130.92	152.59
Office equipments	5,375.68	1,061.24	117.41	6,319.51	2,482.81	704.60	106.70	3,080.71	3,238.80	2,892.87
Leasehold improvements	2,328.83	453.81	9.42	2,773.22	999.31	345.61	4.26	1,340.66	1,432.56	1,329.52
Sub-total	**23,330.01**	**1,861.01**	**227.09**	**24,963.93**	**8,426.11**	**1,819.88**	**192.84**	**10,053.15**	**14,910.78**	**14,903.90**
Fixed assets on operating lease										
Buildings	11.00	-	-	11.00	1.69	0.18	-	1.87	9.13	9.31
Vehicles	17,816.77	535.96	17,771.08	581.65	16,526.93	1,323.12	17,771.08	78.97	502.68	1,289.84
Sub-total	**17,827.77**	**535.96**	**17,771.08**	**592.65**	**16,528.62**	**1,323.30**	**17,771.08**	**80.84**	**511.81**	**1,299.15**
Total	**41,157.78**	**2,396.97**	**17,998.17**	**25,556.58**	**24,954.73**	**3,143.18**	**17,963.92**	**10,133.99**	**15,422.59**	**16,203.05**
Intangible assets										
Fixed assets for own use										
Computer softwares	897.26	63.38	-	960.64	561.60	117.49	-	679.09	281.55	335.66
Business and commercial rights	800.00	-	-	800.00	746.67	53.33	-	800.00	-	53.33
Total	**1,697.26**	**63.38**	**-**	**1,760.64**	**1,308.27**	**170.82**	**-**	**1,479.09**	**281.55**	**388.99**
Grand Total	**42,855.04**	**2,460.35**	**17,998.17**	**27,317.22**	**26,263.00**	**3,314.00**	**17,963.92**	**11,613.08**	**15,704.14**	**16,592.04**
Previous year	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	

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

Notes to the Financial Statements *(continued)*

Note 13 : Non-Current Investments

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Other investment (at cost) (Note 45)		
Investment in equity shares		
Quoted (Fully paid-up of ₹ 10 each)	8.31	8.31
Unquoted (Fully paid-up of ₹ 10 each)		
In subsidiary	9,329.94	9,329.94
In joint venture	2,602.20	2,602.20
In others	450.43	29.38
Investment in Government securities		
Unquoted (₹ 0.16 lac pledged with sales tax authorities)	0.16	0.16
Others		
In pass through certificates *	10,081.86	10,118.01
	22,472.90	**22,088.00**
Aggregate provision for diminution in value of investments	(35.58)	(35.58)
	22,437.32	**22,052.42**

Aggregate book value of quoted investments	8.31	8.31
Aggregate market value of quoted investments	4.58	4.10
Aggregate book value of unquoted investments	22,464.59	22,079.69

* 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 has been included under 'Current Investment' (Note 16) and amounts to ₹ 9,640.61 lacs (2013: ₹ 6,491.79 lacs).

Note 14 : Long-Term Loans And Advances

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Assets on finance *		
Secured, considered good	5,49,648.09	5,74,380.15
Secured, considered doubtful	6,966.03	1,430.18
Unsecured, considered good	41,603.72	31,638.66
Unsecured, considered doubtful	-	33.66
	5,98,217.84	**6,07,482.65**
Others		
Unsecured, considered good		
Capital advances	14.07	63.15
Loans to others	55.93	66.22
Loans and advances to related parties (Note 31)	4,661.28	2,804.65
Tax advances and deduction at source [Net of Provision for tax aggregating ₹ 6,341.11 lacs (2013: ₹ 4,819.48 lacs)]	1,393.51	2,580.94
Security deposits	813.59	752.92
Other loans and advances		
Margin with body corporate	487.78	1,159.24
	7,426.16	**7,427.12**

Notes to the Financial Statements *(continued)*

Note 14 : Long-Term Loans And Advances (contd.)

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Unsecured, considered doubtful		
Other loans and advances		
Advances recoverable in cash or kind or for value to be received	150.00	110.00
Less: Provision against loans and advances	150.00	110.00
	-	-
	6,05,644.00	**6,14,909.77**

* Assets on finance includes sub-standard assets of ₹ 48,949.38 lacs (2013: ₹ 19,742.56 lacs) and is net of amounts securitised / assigned aggregating to ₹ 6,16,924.19 lacs as at 31 March 2014 (2013: ₹ 5,04,328.85 lacs).

Note 15 : Other Non-Current Assets

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Others		
Non-current bank balances *	4,941.41	7,875.64
Unamortised borrowings costs	1,680.00	2,024.82
Unamortised loan origination costs (net)	7,696.46	7,206.58
Gratuity (excess of plan assets over obligation)	357.15	227.47
	14,675.02	**17,334.51**

* Balances with banks held as security against borrowings, guarantees amounts to ₹ 551.13 lacs (2013: ₹ 877.52 lacs) and as cash collateral for securitisation / direct assignment of receivables amounts to ₹ 4,390.28 lacs (2013: ₹ 6,998.12 lacs).

Note 16 : Current Investments

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Other investment (Note 45)		
Others (at cost)		
In pass through certificates * (Note 13)	9,640.61	6,491.79
	9,640.61	**6,491.79**
Aggregate book value of unquoted investments	9,640.61	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.

Notes to the Financial Statements *(continued)*

Note 17 : Trade Receivables

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Unsecured, considered good		
Debts outstanding for a period exceeding six months from the date they became due for payment	-	-
Other debts	1,550.52	680.60
	1,550.52	**680.60**

Note 18 : Cash and Bank Balances

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Cash and cash equivalents		
Cash in hand	5,944.62	5,441.73
Balances with banks		
In current and cash credit accounts	26,634.51	35,344.30
In deposits with original maturity of 3 months or less	-	43,000.00
	32,579.13	**83,786.03**
Other bank balances *		
In unpaid dividend account	21.16	21.55
In deposits with original maturity of 3 months or less	3,096.91	2,229.40
In deposits with original maturity of more than 3 months to 12 months	24,136.53	23,843.34
Current maturities of deposits with original maturity of more than 12 months	9,708.62	6,515.96
	36,963.22	**32,610.25**
	69,542.35	**1,16,396.28**

* Balances with banks held as security against borrowings, guarantees amounts to ₹ 2,313.18 lacs (2013: ₹ 2,133.70 lacs) and as cash collateral for securitisation / direct assignment of receivables amounts to ₹ 34,621.42 lacs (2013: ₹ 30,355.00 lacs). Fixed deposits accounts with more than twelve months maturity amounting to ₹ 4,941.41 lacs (2013: ₹ 7,875.64 lacs) included under 'Non-Current Assets' (Note 15).

Note 19 : Short-Term Loans and Advances

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Asset on finance		
Secured, considered good	3,17,781.35	3,16,337.82
Unsecured, considered good	57,443.52	45,227.66
	3,75,224.87	**3,61,565.48**
Others		
Unsecured, considered good		
Loan and advances to related parties (Note 31)	380.24	1,251.98
Other loans and advances		
Loans to others	214.15	193.47
Advances recoverable in cash or kind or for value to be received	2,275.86	4,059.54
Prepaid expenses	614.96	386.72
Balances with Statutory / Government authorities	1,896.95	2,721.34
	5,382.16	**8,613.05**
	3,80,607.03	**3,70,178.53**

Notes to the Financial Statements *(continued)*

Note 20 : Other Current Assets

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Others		
Accrued interest / financial charges	317.32	506.45
Unamortised borrowings costs	1,807.97	2,030.99
Unamortised loan origination costs (net)	7,346.36	6,043.55
Others	21.28	123.71
	9,492.93	**8,704.70**

Note 21 : Revenue From Operations

(₹ in Lacs)

	Year Ended 31 March 2014	Year Ended 31 March 2013
Interest / finance income		
On assets on finance	1,60,221.89	1,34,384.11
On securitisation and assignment of loans (Note 39)	8,966.65	10,131.68
On pass through certificates (Note 39)	1,104.69	257.98
On fixed deposits	3,744.77	3,943.07
On loans and margins	1,918.34	1,856.08
	1,75,956.34	**1,50,572.92**
Other financial income		
Lease rentals	77.60	6.70
Collection and support services	5,770.73	5,474.67
Others	2,873.11	773.68
	8,721.44	**6,255.05**
	1,84,677.78	**1,56,827.97**

Note 22 : Other Income

(₹ in Lacs)

	Year Ended 31 March 2014	Year Ended 31 March 2013
Sale of power	1,148.44	1,181.78
Insurance commission	924.84	158.79
Rental income	2.67	2.67
Net gain / (loss) on sale of fixed assets	(17.63)	(18.00)
Bad debt recovered	824.65	1,061.15
Market entry fee (net) *	-	1,395.52
Miscellaneous income	6.44	5.28
	2,889.41	**3,787.19**

* During the year ended 31 March 2013, the Company had received a one time market entry fee from 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 had been deducted therefrom.

Notes to the Financial Statements *(continued)*

Note 23 : Employee Benefits Expense

(₹ in Lacs)

	Year Ended 31 March 2014	Year Ended 31 March 2013
Salaries and wages	19,492.94	18,694.14
Contribution to provident and other funds	767.37	799.90
Employee share based compensation expense	63.02	13.50
Staff welfare expenses	985.80	775.82
	21,309.13	**20,283.36**

Note 24 : Finance Costs

(₹ in Lacs)

	Year Ended 31 March 2014	Year Ended 31 March 2013
Interest expense		
On debentures	34,473.03	27,834.70
On term loans	12,873.98	6,887.99
On cash credit and working capital facilities	38,211.32	33,481.32
On others	165.75	355.64
Discount on commercial papers	15,205.34	16,945.00
Other borrowing costs	4,783.83	3,519.09
Mark-to-market (profit) / losses on derivative contracts	(197.06)	(283.30)
	1,05,516.19	**88,740.44**

Note 25 : Provisions and Bad Debts Written-Off

(₹ in Lacs)

	Year Ended 31 March 2014	Year Ended 31 March 2013
Bad debts written-off	9,737.98	3,062.43
Provision for non-performing assets (Note 44)	6,495.20	4,342.84
Contingent provision against standard assets (Note 44)	(90.00)	1,200.00
	16,143.18	**8,605.27**

Notes to the Financial Statements *(continued)*

Note 26 : Other Expenses

(₹ in Lacs)

	Year Ended 31 March 2014	Year Ended 31 March 2013
Rent	1,546.05	1,414.85
Brokerage and commission	11,027.04	9,154.00
Rates and taxes	126.03	24.81
Insurance	122.76	101.21
Advertisement and publicity	703.41	952.70
Travelling and conveyance	1,990.38	1,812.68
Repairs and maintenance		
- machinery	646.78	542.13
- others	151.11	131.38
Payment to Directors		
- fees	13.91	11.80
- commission	158.35	139.63
Professional fees	1,504.13	2,278.42
Legal charges	1,271.83	820.68
Printing and stationery	540.25	376.42
Communication	1,118.07	1,019.69
Electricity charges	684.89	547.97
Miscellaneous expenses	1,840.07	2,071.89
	23,445.06	**21,400.26**

Note 27 : Employee benefits

Gratuity benefit plan

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

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

	Year ended 31 March 2014	Year ended 31 March 2013
Opening defined benefit obligation	862.62	623.73
Current service cost	178.47	127.57
Interest cost	66.30	52.77
Actuarial losses /(gains)	(27.04)	99.76
Benefit paid	(127.64)	(41.21)
Closing defined benefit obligation	**952.71**	**862.62**

Notes to the Financial Statements *(continued)*

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

	Year ended 31 March 2014	Year ended 31 March 2013
Opening fair value of the plan assets	1,090.09	864.39
Actual return on plan assets	95.63	75.63
Contributions by employer	251.78	191.28
Benefit paid	(127.64)	(41.21)
Closing fair value of the plan assets	**1,309.86**	**1,090.09**

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

	As at 31 March 2014	As at 31 March 2013
Defined benefit obligation	(952.71)	(862.62)
Fair value of plan assets	1,309.86	1,090.09
Net asset / (liability)	**357.15**	**227.47**

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

	Year ended 31 March 2014	Year ended 31 March 2013
Current service cost	178.47	127.57
Interest on defined benefit obligation	66.30	52.77
Net actuarial losses / (gains) recognised	(27.04)	106.33
Expected return on plan assets	(95.63)	(82.20)
Net expense included in "Employee benefits expense"	**122.10**	**204.47**

(e) Summary of actuarial assumptions (₹ in Lacs)

	Year ended 31 March 2014	Year ended 31 March 2013
Discount rate	9.12%	8.30%
Salary increase	5.00%	5.00%
Expected rate of return on plan assets	8.30%	8.75%

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

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

Notes to the Financial Statements *(continued)*

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

(i) **Experience adjustments**

(₹ in Lacs)

	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Present value of defined benefit obligation	(952.71)	(862.62)	(623.73)	(526.64)	(412.75)
Fair value of plan assets	1,309.86	1,090.09	864.39	700.46	539.96
Funded status [surplus/(deficit)]	357.15	227.47	240.66	173.82	127.21
Experience (gain)/loss adjustment on plan liabilities	67.87	56.36	40.78	-	(55.43)
Experience gain/(loss) adjustment on plan assets	-	(6.57)	(1.39)	-	0.64
Experience (gain)/loss adjustment on plan liabilities due to change in assumption	(94.91)	43.40	(19.55)	173.82	(0.59)

Note 28 : Lease transactions in the capacity of Lessee

Lease rental expense under non-cancellable operating lease during the year ended 31 March 2014 and 31 March 2013 amounted to ₹ 191.10 lacs and ₹ 244.07 lacs respectively. Future minimum lease payments under non-cancellable operating lease is as below:

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Not later than one year	93.81	108.85
Later than one year but not later than five years	3.43	32.43
Later 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 2014 and 31 March 2013 was ₹ 1,354.95 lacs and ₹ 1,170.78 lacs respectively.

Note 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 28 of the consolidated financial statements.

Notes to the Financial Statements *(continued)*

Note 30 : Earnings per share (EPS)

The computation of EPS is set out below:

			Units	Year ended 31 March 2014	Year ended 31 March 2013
Basic & Diluted					
1.	(i)	Weighted average number of Equity Shares (Face Value of ₹ 2/- per share) for Basic EPS	Nos.	19,00,56,650	18,98,53,231
	(ii)	Weighted average number of Equity Shares for Diluted EPS [after considering 2.17 lacs shares (2013: 3.79 lacs) resulting from assumed exercise of employee stock options and equity warrants]	Nos.	19,02,73,412	19,02,32,710
2.		Net Profit after tax	₹ Lacs	13,557.32	12,279.97
3.		Less : Preference Dividend including Tax thereon	₹ Lacs	1,268.04	1,365.67
4.	(i)	Net Profit for Equity Shareholders for Basic EPS	₹ Lacs	12,289.28	10,914.30
	(ii)	Net Profit for Equity Shareholders for Diluted EPS	₹ Lacs	12,289.28	10,914.30
5.	(i)	Earning Per Share (Face Value of ₹ 2/- per share) – Basic	₹	6.47	5.75
	(ii)	Earning Per Share (Face Value of ₹ 2/- per share) – Diluted	₹	6.46	5.74

Note 31 : Related party disclosures

Aggregated related party disclosures as at and for the year ended 31 March 2014

Subsidiaries

Magma Advisory Services Limited (w.e.f. 21 May 2012) and Magma ITL Finance Limited (a joint venture with International Tractors Limited).

Step down subsidiaries

Magma Housing Finance (A Public Company with Unlimited Liability) (w.e.f. 11 February 2013) and International Autotrac Finance Limited (w.e.f. 11 June 2012 upto 22 November 2013).

Joint venture

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

Enterprises having significant influence

Fluence Advisory Services Limited (w.e.f. 25 September 2012), Pragati Sales Private Limited, Microfirm Capital Private Limited, Magma Consumer Finance Private Limited, Celica Developers Private Limited, Bhiwadi Polypack Limited (w.e.f. 16 September 2013), Smitkriti Enterprises Private Limited (w.e.f. 20 September 2013), Bengal Speed Automobiles Private Limited (w.e.f. 01 April 2013), Camaro Infrastructure Private Limited, CLP Business LLP, Solvex Estates LLP, Mask Corp, USA, Finprop Estates Private Limited, Varuneha Commerce 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.

FINANCIAL STATEMENTS

Notes to the Financial Statements *(continued)*

(₹ in Lacs)

Name of related party and Nature of relationship	Nature of transaction	Transaction value for the year ended 31 March 2014	Outstanding amount as at 31 March 2014	Transaction value for the year ended 31 March 2013	Outstanding amount as at 31 March 2013
A) Subsidiary (including step down subsidiary)					
1. Magma ITL Finance Limited (subsidiary)	Investment in equity shares	-	3,329.94	-	3,329.94
	Long-term loans and advances given	26,000.00	4,500.00	13,500.00	2,600.00
	Refund of long-term loans and advances given	24,100.00	-	15,700.00	-
	Cost allocation made	659.43	-	-	-
	Support service income	2.60	-	1,257.21	24.99
	Interest income	1,207.90	-	1,206.11	-
	Interest expense	66.89	-	-	-
	Corporate gurantee given	-	-	-	1,000.00
	Corporate gurantee released	1,000.00	-	1,000.00	-
2. Magma Advisory Services Limited (subsidiary)	Investment in equity shares	-	6,000.00	6,000.00	6,000.00
3. Magma Housing Finance (step down subsidiary)	Short-term loans and advances given	198.72	-	15,600.00	-
	Refund of short-term loans and advances given	198.72	-	15,600.00	-
	Cost allocation made	1,012.21	-	324.27	39.67
	Interest expense	23.50	-	-	-
	Interest income	-	-	97.06	-
4. International Autotrac Finance Limited (step down subsidiary)	Support service income	21.10	-	14.27	2.22
B) Joint venture					
1. Magma HDI General Insurance Company Limited	Investment in equity shares	-	2,600.00	2,600.00	2,600.00
	Short-term loans and advances given	14,863.18	380.24	6,128.47	174.76
	Refund of short-term loans and advances given	14,657.70	-	6,212.23	-
	Cost allocation made	1,101.59	-	377.24	-
	Insurance commission income	924.84	56.43	158.79	51.25
	Insurance charges	8.28	-	-	-
2. Jaguar Advisory Services Private Limited	Investment in equity shares	-	2.20	1.20	2.20
C) Enterprises having significant influence					
1. Celica Developers Private Limited	Long-term loans and advances given	20.16	161.28	3.53	204.65
	Refund of long-term loans and advances given	63.53	-	90.00	-
	Short-term loans and advances given	-	-	-	210.00
	Refund of short-term loans and advances given	210.00	-	-	-
	Purchase of equity shares	210.00	-	-	-
	Rent expense	365.07	-	324.39	-
	Support service income	-	-	1.00	1.12
2. Microfirm Capital Private Limited	Short-term loans and advances given	-	-	-	1,041.98
	Refund of short-term loans and advances given	1,041.98	-	-	-
	Purchase of equity shares	210.00	-	-	-
D) Key management personnel					
1. Mayank Poddar	Rent expense	1.77	-	1.77	-
	Directors' remuneration	150.00	-	164.12	-
2. Sanjay Chamria	Directors' remuneration	150.00	-	267.50	-
	Purchase of investments	-	-	1.00	-

Notes to the Financial Statements *(continued)*

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

(₹ in Lacs)

				As at 31 March 2014	As at 31 March 2013
(a)	Contingent liabilities				
	(a)	Claims against the Company not acknowledged as debt			
		(i)	Income tax matters under dispute	4.48	15.67
		(ii)	VAT matters under dispute	248.79	254.53
		(iii)	Service tax matters under dispute	115.00	115.00
		(iv)	Legal cases against the company *	255.88	322.33
	(b)	Guarantees			
		(i)	Recourse obligation in respect of securitised assets [net of cash collaterals of ₹ 1,746.00 lacs (2013: ₹ 1,746.00 lacs)]	2,617.33	2,617.33
		(ii)	Unexpired bank guarantee	42,630.34	39,413.59
		(iii)	Corporate guarantee given for a subsidiary company	-	1,000.00
(b)	Commitments				
	(a)	Estimated amount of contracts remaining to be executed on capital account and not provided for		333.43	1,151.83
	(b)	Redemption of preference shares (including premium)		11,672.44	17,984.48

* 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.

Note 33 : Payments to auditors (included in Professional fees)

(₹ in Lacs)

	Year Ended 31 March 2014	Year Ended 31 March 2013
Audit fees	30.00	30.00
Tax audit fees	-	3.00
Limited review of quarterly results	21.00	19.10
Other services	1.00	5.35
Reimbursement of expenses	12.31	8.19
Total	**64.31**	**65.64**

Note 34 : Loans and advances to subsidiary / step down subsidiary company

(₹ in Lacs)

Name of the Subsidiary	Maximum Outstanding	As at 31 March 2014
Magma ITL Finance Limited [a subsidiary]	16,500.00	4,500.00
	(15,300.00)	*(2,600.00)*
Magma Housing Finance (A Company with unlimited liability) [a step down subsidiary]	-	-
	(15,600.00)	*(-)*

Previous year's figures are stated in brackets.

Notes to the Financial Statements *(continued)*

Note 35 : Additional notes

(a) C.I.F. value of imports of goods acquired for asset financing arrangements ₹ 132.66 (2013: ₹ Nil).

(b) Earnings in foreign currency on account of market entry fee ₹ Nil (2013: ₹ 2,796.00 lacs).

(c) Expenditure in foreign currency on account of professional fees, travelling and others ₹ 57.58 lacs (2013: ₹ 60.08 lacs).

(d) Dividend remitted in foreign currency

(₹ in Lacs)

	Paid in 31 March 2014	Paid in 31 March 2013
Preference shares		
Year to which the dividend relates	2012-13	2011-12
Number of shareholders	2	2
Number of shares held	86,10,198	86,10,198
Amount remitted	402.31	529.23

Note 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 ₹ 464 lacs plus interest and penalty. The Company had made payment of ₹ 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 ₹ 100 lacs as pre-deposit in financial year 2011-12 which had been charged to 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 ₹ 83 lacs plus interest and penalty. The Company had made payment of ₹ 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 ₹ 15 lacs. The said amount of ₹ 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 ₹ 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 ₹ 25 lacs as pre-deposit in financial year 2011-12 which had been charged to the statement of profit and loss. CESTAT, Kolkata has stayed the balance of the demand amounting to ₹ 100 lacs. The said amount of ₹ 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 High 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)*

Note 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 2014	As at 31 March 2013
(i) CRAR (%)	16.6	16.8
(ii) CRAR -Tier I Capital (%)	11.5	10.6
(iii) CRAR -Tier II Capital (%)	5.1	6.2

(b) Exposure to real estate sector, both direct and indirect Category (₹ in Lacs)

Category	As at 31 March 2014	As at 31 March 2013
(i) Direct exposure		
A. Residential Mortgages		
Individual housing loans up to ₹ 15 lacs.	13,638.55	15,993.89
Individual housing loans more than ₹ 15 lacs.	35,833.70	26,819.23
B. Commercial Real Estate	13,444.52	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 (₹ 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	44,489.66	12,830.06	16,742.18	36,619.52	70,245.23	2,37,170.01	92,052.88	41,344.21	5,51,493.75
Market Borrowings	3,124.00	57,272.42	10,133.23	30,809.86	63,619.72	1,11,908.88	39,225.70	15,880.55	3,31,974.36
Assets									
Advances	1,09,060.19	26,018.01	28,409.75	78,485.81	1,49,676.73	4,24,565.67	1,37,900.08	52,911.86	10,07,028.10
Investments	772.43	802.89	868.40	2,547.37	4,649.52	9,566.48	515.38	12,355.46	32,077.93
Cash & Bank	35,245.44	744.59	3,175.23	7,571.11	22,805.98	4,641.65	299.58	0.18	74,483.76

Notes to the Financial Statements *(continued)*

Note 38 :

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

(₹ in Lacs)

				As at 31 March 2014	As at 31 March 2013
1.	No. of Special Purpose Vehicles (SPVs) sponsored by the NBFC for securitisation transactions*			26	12
2.	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC			3,24,842.16	2,53,678.81
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	18,288.33	9,423.68
			Others	19,722.47	16,609.80
4.	Amount of exposures to securitisation transactions other than MRR				
	a)	Off-balance sheet exposures			
		(i)	Exposure to own securitisation		
			First loss	-	-
			Others	23,129.35	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	28,230.04	23,143.63
		(ii)	Exposure to third party securitisations		
			First loss	-	-
			Others	-	-

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

(b) Accounting for Excess Interest Spread (EIS)

The Company recognises EIS on securitisation transactions in line with RBI circular "Revisions to the Guidelines on Securitisation Transactions" issued on 21 August 2012 which requires recognition of EIS only when redeemed in cash. Accordingly, the gross income on securitisation and assignment of loans aggregating to ₹ 7,292.85 lacs for the year ended 31 March 2014 (2013: ₹ 338.55 lacs) has not been recognised.

Notes to the Financial Statements *(continued)*

(c) The value of "excess interest spread receivable" and "unrealised gain" on securitisation transactions undertaken in terms of guidelines on securitisation transaction issued by Reserve Bank of India on 21 August 2012 is given below:

(₹ in Lacs)

		As at 31 March 2014		As at 31 March 2013	
		Current	Non-current	Current	Non-current
1	Excess interest spread receivable	12,821.59	8,232.96	9,337.77	7,996.06
2	Unrealised gain on securitisation transactions	12,821.59	8,232.96	9,337.77	7,996.06

(d) During the year, the Company has also undertaken direct assignment transaction in terms of guidelines on securitisation transaction issued by Reserve Bank of India on 21 August 2012, for a value of ₹ 2,27,842.00 lacs (2013: ₹ 10,434.52 lacs).

Note 39 : Additional income tax on income distributed by Securitisation Trusts

In the Finance Act, 2013, a new provision has been introduced w.e.f. 1 June 2013 in respect of 'Tax on Distributed Income by Securitisation Trusts' ('SDT'). The income so received is exempt in the hands of the Company. During the year, the income amounting to ₹ 5,302.98 lacs has been received by the Company as an investor after withholding SDT of ₹ 1,802.48 lacs.

Note 40 : Disclosures relating to Fraud in terms of the notification issued by Reserve Bank of India

During the year ended 31 March 2014, 38 cases of frauds has been detected and reported aggregated to ₹ 464.71 lacs (2013: ₹ 649.04 lacs). The Company has subsequently recovered an amount of ₹ 106.84 lacs (2013: ₹ 62.14 lacs) till the balance sheet date. The un-recovered amounts have been fully provided for.

Note 41 : Disclosures in terms of the notification issued by the Reserve Bank of India on 21 March 2012

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Total Gold loan portfolio	9,820.19	5,944.19
Total Assets	11,31,799.03	11,74,190.17
Gold loan portfolio as a % of total assets	0.87%	0.51%

Note 42 : Disclosures relating to Gold loan auction in terms of the notification issued by Reserve Bank of India on 16 September 2013

(₹ in Lacs)

		As at 31 March 2014	As at 31 March 2013
1.	Number of loan accounts	1,445	-
2.	Outstanding amounts	800.70	-
3.	Value fetched	715.54	-
4.	Whether any of its sister concerns participated in the auction	No	-

FINANCIAL STATEMENTS

Notes to the Financial Statements *(continued)*

Note 43 : Disclosures in respect of Company's Joint Ventures pursuant to Accounting Standard - 27

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

(₹ 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%	2,379.68	4.36	45.41	43.45	-
2 Magma HDI General Insurance Company Limited	India	26.00%	15,774.38	11,216.34	(864.90)	-	13.80

Note 44 :

(a) Movement of provision for non-performing assets and standard assets

(₹ in Lacs)

		As at 31 March 2014	As at 31 March 2013
(i)	**Provision for non-performing assets**		
	Balance as per last financial statements	4,342.84	-
	Add: Provision made during the year	6,495.20	4,342.84
		10,838.04	**4,342.84**
(ii)	**Contingent provision against standard assets (Tier II capital)**		
	Balance as per last financial statements	2,920.00	1,720.00
	Add: Provision made during the year	(90.00)	1,200.00
		2,830.00	**2,920.00**

(b) In view of the proposed regulatory changes in capital adequacy, income recognition, asset classification and provisioning norms recommended in the RBI draft guidelines released on 12 December 2012, the Company classifies non-performing assets (NPAs) at 4 months default as compared to present requirement of 6 months. The Company also makes higher provision for NPAs as well as standard assets as given in the Table in Note 2 (v).

As a result of the above, the cumulative charge to statement of profit & loss on account of additional provisioning including standard asset provisioning and interest reversal is higher by an amount of ₹ 7,674.03 lacs (2013: ₹ 4,095.99 lacs) as compared to the present RBI requirement.

Notes to the Financial Statements *(continued)*

Note 45 : Details of investments

(₹ in Lacs)

Sl. No.	Name of the Company	As at 31 March 2014 Qty.	As at 31 March 2014 Book Value	As at 31 March 2013 Qty.	As at 31 March 2013 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	2,11,11,112	6,000.00	2,11,11,112	6,000.00
2	Magma ITL Finance Limited	3,32,99,400	3,329.94	3,32,99,400	3,329.94
	Total	**5,44,10,512**	**9,329.94**	**5,44,10,512**	**9,329.94**
	Unquoted (in joint venture Company)				
1	Magma HDI General Insurance Company Limited	2,60,00,000	2,600.00	2,60,00,000	2,600.00
2	Jaguar Advisory Services Private Limited	11,000	2.20	11,000	2.20
	Total	**2,60,11,000**	**2,602.20**	**2,60,11,000**	**2,602.20**
	Unquoted (in others)				
1	Fund Point Finance Limited	1,20,000	12.00	1,20,000	12.00
2	Multi-Mode Multi-Media Training Services Private Limited	1,60,000	16.00	1,60,000	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
5	Experian Credit Information Company of India Private Limited	42,00,000	421.05	-	-
	Total	**44,85,900**	**450.43**	**2,85,900**	**29.38**
B	**GOVERNMENT SECURITIES**				
	Unquoted				
1	7-Years National Savings Certificate	-	0.16	-	0.16
	Total	**-**	**0.16**	**-**	**0.16**
C	**OTHERS**				
	Unquoted				
1	In pass through certificate - Bharat Securitisation Trust - I	16,566	772.35	16,566	1,401.25
2	In pass through certificate - MFL Securitisation Trust (Series I to XXV)	25	18,950.12	11	15,208.55
	Total	**16,591**	**19,722.47**	**16,577**	**16,609.80**
	Grand Total	**8,49,98,203**	**32,113.51**	**8,07,98,189**	**28,579.79**
	Aggregate provision for diminution in value of investments	-	(35.58)	-	(35.58)
	Net Total	**8,49,98,203**	**32,077.93**	**8,07,98,189**	**28,544.21**

Notes to the Financial Statements *(continued)*

Note 46 : Derivative transaction

The Company has recognised gain of ₹ 197.06 lacs for the year ended 31 March 2014 (2013: gain of ₹ 283.30 lacs) relating to derivative financial instrument.

The Company does not have any unhedged foreign currency exposure.

Note 47 : 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.

Note 48 : 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 B S R & Co. LLP,
Chartered Accountants
Firm's Regn. No. 101248W

Akeel Master
Partner
Membership No. 046768

Mumbai, 07 May 2014

For and on behalf of the Board of Directors

Mayank Poddar
Chairman

Sanjay Chamria
Vice Chairman & Managing Director

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 07 May 2014

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

(₹ in Lacs)

Sl. No.	Particulars	Amount outstanding as at 31 March 2014	Amount overdue as at 31 March 2014
	Liabilities		
1.	**Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid**		
(a)	Debentures		
	- Secured	2,13,110.00	-
	- Unsecured	88,900.00	-
(b)	Deferred Credits	-	-
(c)	Term Loans	1,15,950.65	-
(d)	Inter-Corporate Loans and Borrowing	-	-
(e)	Commercial Paper	42,219.79	-
(f)	Public Deposits *	2.48	-
(g)	Cash Credit / Working Capital Demand Loans from Banks	4,23,287.67	-

* 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.

(₹ in Lacs)

Sl. No.	Particulars	Amount outstanding as at 31 March 2014
	Assets	
2.	**Break-up of Loans and Advances, including Bills Receivables (other than those included in (4) below)**	
(a)	Secured	-
(b)	Unsecured	12,808.32
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	511.81
(ii)	Stock on Hire including Hire Charges under Sundry Debtors	-
(iii)	Other loans counting towards AFC activities	
	(a) Loans where assets have been repossessed	99.82
	(b) Loans other than (a) above	9,73,342.89
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)	-

Schedule annexed to the Balance Sheet

(₹ in Lacs)

Sl. No.	Particulars	Amount outstanding as at 31 March 2014
2.	**Unquoted**	-
	(i) Shares (a) Equity	-
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of Mutual Funds	-
	(iv) Government Securities	-
	(v) Others (please specify)	-
	Long-term Investments	
1.	**Quoted**	
	(i) Shares (a) Equity	2.00
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of Mutual Funds	-
	(iv) Government Securities	-
	(v) Others (please specify)	-
2.	**Unquoted**	
	(i) Shares (a) Equity	12,353.30
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of Mutual Funds	-
	(iv) Government Securities	-
	(v) Others	
	- National Savings Certificate	0.16
	- Pass Through Certificate	19,722.47

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

(₹ in Lacs)

Sl. No.	Category	Secured	Unsecured	Total as at 31 March 2014
1	Related Parties			
	(a) Subsidiaries	-	4,500.00	4,500.00
	(b) Companies in the same group	-	-	-
	(c) Other related parties		161.28	161.28
2	Other than Related Parties	8,74,907.28	1,07,194.28	9,82,101.56
	Total	**8,74,907.28**	**1,11,855.56**	**9,86,762.84**

Schedule annexed to the Balance Sheet

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

(₹ in Lacs)

Sl. No.	Category	Market Value / Break up or Fair Value or NAV as at 31 March 2014	Book Value (Net of Provisions) as at 31 March 2014
1	Related Parties		
	(a) Subsidiaries	27,900.13	9,329.94
	(b) Companies in the same group	-	-
	(c) Other related parties	6,932.95	2,602.20
2	Other than Related Parties	20,156.93	20,145.79
	Total	**54,990.01**	**32,077.93**

7 Other information

(₹ in Lacs)

Sl. No.	Particulars	Total as at 31 March 2014
(i)	Gross Non-Performing Assets *	
	(a) Related parties	-
	(b) Other than Related parties	55,915.41
(ii)	Net Non-Performing Assets *	
	(a) Related parties	-
	(b) Other than Related parties	45,077.37
(iii)	Assets acquired in satisfaction of debt	-

* In view of the proposed regulatory changes in capital adequacy, income recognition, asset classification and provisioning norms recommended in the RBI draft guidelines released on 12 December 2012, the Company classifies non-performing assets (NPAs) at 4 months default as compared to present requirement of 6 months.

Had the Company recognised NPA as per present RBI guidelines, the Company's Gross and Net NPA as on 31 March 2014 would have been lower at ₹ 41,274.21 lacs and ₹ 30,436.17 lacs respectively (2013: ₹ 7,637.17 lacs and ₹ 3,294.33 lacs respectively).

Mayank Poddar
Chairman

Sanjay Chamria
Vice Chairman & Managing Director

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Kolkata, 07 May 2014

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 2014, 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 2014 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 ₹ 1,27,476 lacs as at 31 March 2014, total revenue of ₹ 11,320 lacs and net cash outflows amounting to ₹ 158.33 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 2014;

(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. LLP,
Chartered Accountants
Firm's Regn. No. 101248W

Akeel Master
Partner
Membership No. 046768

Mumbai, 07 May 2014

Consolidated Balance Sheet

(₹ in Lacs)

	Note no.	As at 31 March 2014	As at 31 March 2013
Equity and Liabilities			
Shareholders' funds			
Share capital	3	18,780.40	23,499.18
Reserves and surplus	4	1,46,575.00	1,35,941.14
Fair value change account		0.49	-
		1,65,355.89	**1,59,440.32**
Minority Interest		**3,321.62**	**2,551.71**
Non-current liabilities			
Long-term borrowings	5	3,21,893.27	3,86,927.37
Deferred tax liabilities (net)	6	2,846.04	5,447.62
Long-term provisions	7	15,684.74	8,297.95
		3,40,424.05	**4,00,672.94**
Current liabilities			
Short-term borrowings	8	5,23,276.53	5,76,710.52
Trade payables	9	27,049.83	26,529.39
Other current liabilities	10	2,45,809.65	1,37,365.30
Short-term provisions	11	12,578.44	8,110.79
		8,08,714.45	**7,48,716.00**
Total		**13,17,816.01**	**13,11,380.97**
Assets			
Non-current assets			
Fixed assets			
Tangible assets	12	15,496.24	16,270.06
Intangible assets	12	367.17	433.17
Goodwill on consolidation		1,430.34	1,470.35
Capital work-in-progress		2,505.11	849.53
		19,798.86	19,023.11
Non-current investments	13	29,200.96	19,960.29
Long-term loans and advances	14		
- Assets on finance		7,37,963.04	7,17,424.23
- Others		3,207.82	4,952.03
Other non-current assets	15	17,692.38	20,814.83
		8,07,863.06	**7,82,174.49**
Current assets			
Current investments	16	10,990.20	6,732.40
Trade receivables	17	1,551.53	619.26
Cash and bank balances	18	82,659.35	1,21,784.70
Short-term loans and advances	19		
- Assets on finance		3,96,747.00	3,78,884.86
- Others		5,982.33	11,159.37
Other current assets	20	12,022.54	10,025.89
		5,09,952.95	**5,29,206.48**
Total		**13,17,816.01**	**13,11,380.97**
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 B S R & Co. LLP,
Chartered Accountants
Firm's Regn. No. 101248W

Mayank Poddar
Chairman

Sanjay Chamria
Vice Chairman & Managing Director

Akeel Master
Partner
Membership No. 046768

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Mumbai, 07 May 2014

Kolkata, 07 May 2014

FINANCIAL STATEMENTS

Consolidated Statement of Profit and Loss

(₹ in Lacs)

	Note no.	Year Ended 31 March 2014	Year ended 31 March 2013
Revenue			
Revenue from operations	21	2,09,641.44	1,66,004.97
Operating result from general insurance business	22	(1,509.43)	(839.90)
Other income	23	3,610.89	4,982.10
Total revenue		**2,11,742.90**	**1,70,147.17**
Expense			
Employee benefits expense	24	24,305.04	20,401.77
Finance costs	25	1,17,707.18	92,624.60
Depreciation and amortisation expense	12	3,317.50	3,755.83
Provisions and bad debts written-off	26	18,409.05	9,659.38
Other expenses	27	28,235.95	22,457.63
Total expense		**1,91,974.72**	**1,48,899.21**
Profit before tax		**19,768.18**	**21,247.96**
Tax expense:			
Current tax - current year		7,405.14	6,469.31
- earlier year		(999.17)	6.28
Share of current tax of joint venture		0.60	141.05
MAT credit entitlement		-	(123.61)
Net current tax		6,406.57	6,493.03
Deferred tax		(2,232.89)	553.51
Share of deferred tax of joint venture		(368.68)	(292.78)
Profit after tax		**15,963.18**	**14,494.20**
Minority Interest		780.31	669.91
Profit after tax and minority interest		**15,182.87**	**13,824.29**
Earnings per equity share (Nominal value of ₹ 2 each fully paid up):	30		
Basic (in Rupees)		7.32	6.56
Diluted (in Rupees)		7.31	6.55
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 B S R & Co. LLP,
Chartered Accountants
Firm's Regn. No. 101248W

Mayank Poddar
Chairman

Sanjay Chamria
Vice Chairman & Managing Director

Akeel Master
Partner
Membership No. 046768

V. Lakshmi Narasimhan
Chief Financial Officer

Girish Bhatia
Company Secretary

Mumbai, 07 May 2014

Kolkata, 07 May 2014

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 equity 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 (A) 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 (A Company with unlimited liability) (Housing finance company)	India	Step down subsidiary
Magma ITL Finance Limited	India	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 recognised 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 2014.

Notes to the Consolidated Financial Statements *(continued)*

(ii) 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, 2013 (to the extent notified) and the Companies Act, 1956 to the extent applicable. In case of Magma HDI General Insurance Company Limited, the financial statements are drawn up in accordance with the Insurance Regulatory and Development Authority Act, 1999, the Insurance Regulatory and Development Authority (IRDA) (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.

(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, 2013 (to the extent notified) and 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 realisation 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.

(iii) 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 recognised prospectively in current and future periods.

(iv) Assets on finance

(a) Assets on finance include assets given on finance / loan and amounts paid for acquiring financial assets including non-performing assets (NPAs) from other Banks / NBFCs.

(b) Assets on finance represents amounts receivable under finance / loan agreements and are valued at net investment amount including instalments due. The balance is also net of amounts securitised / assigned.

(v) Revenue recognition

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

The Company enters into arrangements for sale of loan receivables through direct assignment / securitisation. The said assets are de-recognised upon transfer of significant risks and rewards to the purchaser and on meeting the true sale criteria.

The Company retains the contractual right to receive share of future monthly interest i.e. excess interest spread ("EIS") on the transferred assets which is the difference between the pool IRR and the yield agreed with the portfolio buyer.

The Company recognises gain / excess interest spread on direct assignment / securitisation transactions in line with RBI circular "Revisions to the Guidelines on Securitisation Transactions" issued on 21 August 2012. Prior to the issuance of circular, the Company used to follow Accounting Standard (AS) 1 on 'Disclosure of Accounting Policies', which requires recognition of income on accrual basis.

Accordingly, direct assignment / securitisation transactions effected post issuance of the said guidelines are accounted as under:

a. Gain / income realised on direct assignment / securitisation of loan receivables arising under

Notes to the Consolidated Financial Statements *(continued)*

premium structure is recognised over the tenure of securities issued by Special Purpose Vehicle (SPV) / agreements. Loss, if any, is recognised upfront.

b. EIS under par structure of securitisation / direct assignment of loan receivables is recognised only when redeemed in cash, over the tenure of the securities issued by SPV / agreements. Loss, if any, is recognised upfront.

(c) Upfront direct income (net) of direct costs pertaining to loan origination is amortised over the tenure of the underlying loan 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) Overdue interest is treated to accrue on realisation, due to uncertainty of realisation and is accounted for accordingly.

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

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

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

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

(vi) 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 4 months (120 days) and commences provisioning based on the draft RBI guidelines released on 12 December 2012. The provisioning norm 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 4 months	0.25%	0.25%	0.30%	0.30%
Sub-standard	> 4 months to 6 months	0.25%	0.25%	15.00%	25.00%
	> 6 months to 16 months	10.00%	10.00%	15.00%	25.00%
Doubtful	> 16 months to 24 months	10.00%	10.00%	25.00%	100.00%
	> 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.

The aforesaid provisioning policy followed by the Company is more stringent than the applicable guidelines prescribed by the Reserve Bank of India.

Notes to the Consolidated Financial Statements *(continued)*

(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. All contracts with overdues for more than 51 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.

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

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

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

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

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

(viii) Depreciation and amortisation

Depreciation on fixed assets, including assets on operating lease is provided using the straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed.

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

Depreciation on vehicles given on operating lease is provided on straight line method at rates based on tenure of the underlying lease contracts.

Individual assets costing less than ₹ 5,000/- are depreciated in full in the year of acquisition.

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

(ix) Impairment

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 the statement of 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

Notes to the Consolidated Financial Statements *(continued)*

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.

(x) 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.

(xi) Employee benefits

(a) Provident fund

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

(b) Gratuity

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 recognised in the period in which the absences occur.

(xii) 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.

(xiii) 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 the statement of profit and loss.

(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 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.

Notes to the Consolidated Financial Statements *(continued)*

(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.

(xiv) 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.

(xv) 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.

(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 derivative contracts are recognised in the statement of profit and loss in the period in which they arise. Mark to market gains are not recognised keeping in view the principle of prudence as enunciated in "Accounting Standard (AS) 1 - Disclosure of Accounting Policies".

(xvii) Borrowing costs

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

Brokerage and other ancillary expenditure directly attributable to a borrowing is amortised over the tenure of the respective borrowing. Unamortised 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.

Notes to the Consolidated Financial Statements *(continued)*

(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 an original 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.

Note: 2 (B) 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 recognised 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 amortisation of premium relating to fixed income / debt securities is recognised 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 recognised on trade date basis and includes effects of accumulated fair value changes, previously recognised for specific investments sold / redeemed during the year.

(d) Commission on reinsurance ceded

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

Profit commission under reinsurance treaties wherever applicable, is recognised on accrual. Any subsequent revisions of profit commission are recognised 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 recognised 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 deficiency is calculated by line of business as per IRDA circular F&A/CIR/017/May 04 dated 18 May 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.

Notes to the Consolidated Financial Statements *(continued)*

Claims (net of amounts receivable from re-insurers/co-insurers) 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 amortisation 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 realised gain or loss on the securities is the difference between the sale consideration and the amortised 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. Unrealised gains or losses are credited / debited to the fair value change account.

Fair Value Change Account

Fair value change account represents unrealised 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 recognised 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.

Notes to the Consolidated Financial Statements *(continued)*

Note 3 : Share Capital

(₹ in Lacs)

		As at 31 March 2014	As at 31 March 2013
Authorised			
26,50,00,000	(2013: 22,00,00,000) Equity shares of ₹ 2 each	5,300.00	4,400.00
5,43,00,000	(2013: 5,52,00,000) Preference shares of ₹ 100 each	54,300.00	55,200.00
4,00,00,000	(2013: 40,00,000) Preference shares of ₹ 10 each	4,000.00	4,000.00
		63,600.00	**63,600.00**
Issued, subscribed and paid-up			
Equity share capital			
19,01,19,975	(2013: 18,99,56,775) Equity shares of ₹ 2 each, fully paid up.	3,802.40	3,799.14
Preference share capital			
21,09,199	(2013: 21,09,199) 9.70% Cumulative non-convertible redeemable preference shares of ₹100 each (paid-up value per share reduced to ₹ 20 on redemption of four annual instalments of ₹ 20 each per share). Allotted at par on 17 February 2006 and redeemable at par in five equal annual instalments 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.	421.84	843.68
-	(2013: 30,00,000) 5.00% Cumulative non-convertible redeemable preference shares (NCPS) of ₹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 to 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
65,00,999	(2013: 65,00,999) 6 months US Dollar Libor plus 3.25% Cumulative non-convertible redeemable preference shares of ₹100 each (paid-up value per share reduced to ₹ 60 on redemption of two annual instalments of ₹ 20 each per share). Allotted at par on 26 March 2007 and redeemable at par in US Dollar over five equal annual instalments 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.	3,900.60	5,200.80
10,00,000	(2013: 10,00,000) 9.60% Cumulative non-convertible redeemable preference shares of ₹ 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
25,00,000	(2013: 25,00,000) 12.00% Cumulative non-convertible redeemable preference shares of ₹ 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
36,00,000	(2013: 36,00,000) 11.00% Cumulative non-convertible redeemable preference shares of ₹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	3,600.00
3,55,55,556	(2013: 3,55,55,556) 0.01% Non-redeemable non-cumulative non-participating compulsorily convertible preference shares of ₹ 10 each fully paid up. Allotted at a premium of ₹ 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	3,555.56
		18,780.40	**23,499.18**

Notes to the Consolidated Financial Statements *(continued)*

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

(₹ in Lacs)

	As at 31 March 2014		As at 31 March 2013	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
Opening balance	18,99,56,775	3,799.14	18,97,32,175	3,794.64
Equity shares issued on exercise of ESOPs during the year	1,63,200	3.26	2,24,600	4.50
Closing balance	**19,01,19,975**	**3,802.40**	**18,99,56,775**	**3,799.14**
Preference shares				
Opening balance	5,42,65,754	19,700.04	1,51,10,198	14,266.52
11.00 % Preference shares issued during the year	-	-	36,00,000	3,600.00
0.01% Preference shares issued during the year	-	-	3,55,55,556	3,555.56
6 months US Dollar Libor plus 3.25% preference shares redeemed during the year (20% annually)	-	(1,300.20)	-	(1,300.20)
5.00% Preference shares redeemed during the year	(30,00,000)	(3,000.00)	-	-
9.70% Preference shares redeemed during the year (20% annually)	-	(421.84)	-	(421.84)
Closing balance	**5,12,65,754**	**14,978.00**	**5,42,65,754**	**19,700.04**

Equity shares

The Company has only one class of equity shares having a par value of ₹ 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 at the ensuing Annual General Meeting.

During the year ended 31 March 2013, the amount of per share dividend recognised as distribution to equity shareholders was ₹ 0.80 (40%) per equity share of the face value of ₹ 2/- each. Total dividend appropriation on equity shares for the year ended 31 March 2013 amounted to ₹ 1,777.93 lacs including corporate dividend tax of ₹ 258.27 lacs.

On 24 July 2013 and 6 December 2013, the Company has allotted, 1,29,800 and 33,400 equity shares respectively of the face value of ₹ 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 at the ensuing Annual General Meeting.

The Company has redeemed ₹ 1,300.20 lacs being second instalment of ₹ 20/- per share in respect of 65,00,999 cumulative non-convertible redeemable preference shares of ₹ 100/- per share during April 2013. The paid-up value as at 31 March 2014 of the above preference shares stands reduced to ₹ 60/- per share from ₹ 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 earlier years which inter-alia include redemption of preference shares and accordingly, no transfer has been made to capital redemption reserve.

The Company has redeemed 30,00,000 cumulative non-convertible redeemable preference shares of ₹ 100/- per share at a premium of 53% during August 2013 amounting to ₹ 4,590.00 lacs (including premium of ₹ 1,590.00 lacs) being full and final payment. The above preference shares were redeemed out of the proceeds of the issue of equity shares made for the purposes in the earlier years which inter-alia include redemption of preference shares and accordingly, no transfer has been made to capital redemption reserve.

The Company has redeemed ₹ 421.84 lacs being fourth instalment of ₹ 20/- per share in respect of 21,09,199 cumulative non-convertible redeemable preference shares of ₹ 100/- per share during February 2014. The paid-up value as at 31 March 2014 of the above preference shares stands reduced to ₹ 20/- per share from ₹ 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 earlier years which inter-alia include redemption of preference shares and accordingly, no transfer has been made to capital redemption reserve.

Notes to the Consolidated Financial Statements *(continued)*

As per the terms of issue, the holders of the 65,00,999 cumulative non-convertible redeemable preference shares of ₹ 100/- each aggregating to ₹ 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 2013 in accounts based on the 6 months US Dollar Libor applicable as on 30 December 2012 and closing exchange rate applicable as on 31 March 2013 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 (₹ 55.53 lacs) (2013: ₹ 22.97 lacs) provided with respect to above preference shares for the previous financial year ended 31 March 2013 has been adjusted in the current year with consequent impact on earnings 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.

Shares allotted as fully paid-up without payment being received in cash / by way of bonus shares:

The Company has not issued bonus shares or shares for consideration other than cash during the five year period immediately preceding the reporting date.

Shareholders holding more than 5% shares

Name of the shareholder	As at 31 March 2014		As at 31 March 2013	
	%	No. of shares	%	No. of shares
Equity shares				
Microfirm Capital Private Limited (formerly Microfirm Softwares Private Limited)	17.89	3,40,15,928	17.91	3,40,15,928
Celica Developers Private Limited	15.48	2,94,34,455	15.50	2,94,34,455
Zend Mauritius VC Investments, Limited	14.12	2,68,54,375	14.14	2,68,54,375
International Finance Corporation	12.10	2,30,00,000	12.11	2,30,00,000
Lavender Investments Limited	9.63	1,83,01,431	7.73	1,46,78,928
India Capital Fund Limited	5.12	97,36,294	5.13	97,36,294
Preference shares				
Celica Developers Private Limited	69.36	3,55,55,556	65.52	3,55,55,556
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	16.80	86,10,198	15.87	86,10,198

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 10,00,000 options that would eventually convert into equity shares of ₹ 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 ₹ 10/- each into five equity shares of the face value of ₹ 2/- each during the previous year, the number of options increased from 10,00,000 to 50,00,000.

MESOP 2007 (In nos.)

	Year ended 31 March 2014	Year ended 31 March 2013
Outstanding options at the beginning of the year	11,12,900	8,55,500
Granted during the year	4,00,000	5,00,000
Exercised during the year	1,63,200	2,24,600
Lapsed during the year	7,300	18,000
Forfeited during the year	-	-
Outstanding options at the end of the year	**13,42,400**	**11,12,900**
Options vested and exercisable at the end of the year	2,67,400	3,62,900

Notes to the Consolidated Financial Statements *(continued)*

The weighted average fair value of each option of Magma Fincorp Limited was ₹ 36.52 using the Black-Scholes model with the following assumptions:

	Units	Values
Grant date share price	₹	50.33 - 100.00
Exercise price	₹	36.00 - 60.00
Dividend yield %	%	0.61 - 3.03
Expected life	Years	4.80 - 6.50
Risk free interest rate	%	7.57 - 8.91
Volatility	%	45.06 - 73.94

Equity shares reserved for issue under options

(₹ in Lacs)

	No. of shares granted	Exercise price	As at 31 March 2014		As at 31 March 2013	
			No. of shares	Amount	No. of shares	Amount
Under MESOP 2007:						
Tranche I	17,54,000	36.00	1,92,400	3,84,800	3,62,900	7,25,800
Tranche II	2,50,000	60.00	2,50,000	5,00,000	2,50,000	5,00,000
Tranche III	50,000	60.00	50,000	1,00,000	50,000	1,00,000
Tranche IV	3,00,000	60.00	3,00,000	6,00,000	3,00,000	6,00,000
Tranche V	1,50,000	60.00	1,50,000	3,00,000	1,50,000	3,00,000
Tranche VI	50,000	60.00	50,000	1,00,000	-	-
Tranche VII	50,000	60.00	50,000	1,00,000	-	-
Tranche VIII	1,75,000	60.00	1,75,000	3,50,000	-	-
Tranche IX	1,25,000	60.00	1,25,000	2,50,000	-	-

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.

Particulars	Unit	Year ended 31 March 2014	Year ended 31 March 2013
Net profit for equity shareholders	₹ in Lacs	13,914.41	12,458.56
Add: Stock-based employee compensation expense (intrinsic value method)	₹ in Lacs	63.02	13.50
Less: Stock-based employee compensation expense (fair value method)	₹ in Lacs	139.53	28.26
Proforma net profit	₹ in Lacs	13,837.90	12,443.80
Basic earnings per share (Face value: ₹ 2/-) as reported	₹	7.32	6.56
Proforma basic earnings per share (Face value: ₹ 2/-)	₹	7.28	6.55
Diluted earnings per share (Face value: ₹ 2/-) as reported	₹	7.31	6.56
Proforma diluted earnings per share (Face value: ₹ 2/-)	₹	7.27	6.54

Notes to the Consolidated Financial Statements *(continued)*

Note 4 : Reserves and Surplus

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Capital reserve		
Opening balance	457.98	457.98
Add: On amalgamation of its step-down subsidiary International Autotrac Finance Limited (IAFL) with its subsidiary Magma ITL Finance Limited (MITL)	22.24	-
	480.22	**457.98**
Capital reserve on consolidation	**6,365.96**	**6,365.96**
Capital redemption reserve	**1,421.84**	**1,421.84**
Securities premium reserve		
Opening balance	81,368.45	68,815.47
Add: On equity shares issued on exercise of ESOPs during the year	78.87	108.54
Add: On preference shares issued during the year vide preferential issue	-	12,444.44
Less: On preference share redeemed during the year	1,590.00	-
	79,857.32	**81,368.45**
Employee share option outstanding		
Gross employee share compensation cost for options granted in earlier years	64.35	83.04
Less: Transferred to securities premium reserve on allotment of shares	23.38	32.19
Add: Deferred employee compensation cost	63.02	13.50
	103.99	**64.35**
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	13,438.98	10,463.54
Add: Transfer from surplus in the statement of profit and loss	3,351.02	2,975.44
	16,790.00	**13,438.98**
Statutory reserve (created pursuant to Section 29C of the National Housing Bank Act, 1987)		
Opening balance	253.00	-
Add: Transfer from surplus in the statement of profit and loss	90.07	253.00
	343.07	**253.00**
General reserve		
Opening balance	6,734.50	5,504.50
Add: Transfer from surplus in the statement of profit and loss	1,365.50	1,230.00
	8,100.00	**6,734.50**
Surplus (balance in the statement of profit and loss)		
Opening balance	25,729.60	19,507.41
Impact of amalgamation of IAFL with MITL	(51.85)	-
Profit for the year	15,182.87	13,824.29
Amount available for appropriations	**40,860.62**	**33,331.70**
Appropriations		
Proposed dividend on preference shares	1,084.21	1,167.47
Tax on proposed preference dividend as above	184.25	198.26
Proposed dividend on equity shares	1,520.96	1,519.66
Tax on proposed equity dividend as above	258.49	258.27
Transfer to statutory reserve (as per Reserve Bank of India)	3,351.02	2,975.44
Transfer to statutory reserve (as per National Housing Bank)	90.07	253.00
Transfer to general reserve	1,365.50	1,230.00
	33,006.12	**25,729.60**
	1,46,575.00	**1,35,941.14**

Notes to the Consolidated Financial Statements *(continued)*

Note 5 : Long-Term Borrowings

(₹ in Lacs)

	Security as per	As at 31 March 2014	As at 31 March 2013
Debentures			
Secured			
Redeemable non-convertible debentures	(a)	1,15,010.00	1,87,000.00
		1,15,010.00	**1,87,000.00**
Unsecured			
Subordinated non-convertible perpetual debentures (Tier I capital)		10,550.00	5,500.00
Subordinated redeemable non-convertible debentures (Tier II capital)		74,350.00	70,650.00
		84,900.00	**76,150.00**
Term loan			
Secured *			
from banks	(b) and (c)	80,876.85	71,672.27
from others (financial institutions)	(b) and (c)	40,205.15	52,005.20
		1,21,082.00	**1,23,677.47**
Unsecured			
from others		901.27	99.90
		901.27	**99.90**
		3,21,893.27	**3,86,927.37**

* Aggregate of loans guaranteed by #		
Directors	2,395.20	8,739.12
# includes current maturities of long-term borrowings		

Nature of security

(a) Debentures are secured by mortgage of Company's immovable property situated at (i) Village - Mehrun, Taluk and District - Jalgaon in the state of Maharastra, (ii) Rajarhat, Kolkata in the state of West Bengal, and (iii) Barasat, Dist - 24 Parganas (N) 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.

(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.

Notes to the Consolidated Financial Statements *(continued)*

Details of debentures

Secured redeemable non-convertible debentures

(₹ in Lacs)

Number of Debentures	Face Value	Rate of Interest	Redeemable at	Date of Allotment	Date of Redemption	As at 31 March 2014	As at 31 March 2013
2000	10	10.80%	Par	28 Jun 2012	27 Jun 2017	20,000.00	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	10.70%	Par	22 Oct 2013	21 Oct 2016	1,500.00	-
1140	10	11.30%	Par	13 Mar 2013	13 Sep 2016	11,400.00	19,000.00
500	10	9.50%	Par	20 May 2013	20 May 2016	5,000.00	-
55	10	10.49%	Par	28 Mar 2014	26 Apr 2016	550.00	-
20	10	10.25%	Par	12 Dec 2013	12 Apr 2016	200.00	-
1250	10	10.75%	Par	05 Apr 2013	05 Apr 2016	12,500.00	-
150	10	10.40%	Par	12 Dec 2012	11 Dec 2015	1,500.00	1,500.00
100	10	10.60%	Par	17 Oct 2012	16 Oct 2015	1,000.00	1,000.00
36	10	10.41%	Par	24 Mar 2014	04 Sep 2015	360.00	-
1300	10	11.00%	Par	07 Aug 2012	07 Aug 2015	13,000.00	13,000.00
500	10	10.20%	Par	05 Apr 2013	06 Aug 2015	5,000.00	-
500	10	11.00%	Par	18 Jun 2012	16 Jun 2015	5,000.00	5,000.00
50	10	10.01%	Par	28 Mar 2014	07 Apr 2015	500.00	-
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
1500	10	11.25%	Par	16 Nov 2011	14 Nov 2014	-	15,000.00
1000	10	10.60%	Par	17 Oct 2011	17 Oct 2014	-	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
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
						1,15,010.00	**1,87,000.00**

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

(₹ in Lacs)

Number of Debentures	Face Value	Rate of Interest	Redeemable at	Date of Allotment	Earliest date of exercise *	As at 31 March 2014	As at 31 March 2013
500	5	12.00%	Par	26 Sep 2013	25 Sep 2023	2,500.00	-
510	5	12.10%	Par	20 May 2013	19 May 2023	2,550.00	-
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
						10,550.00	**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.

Notes to the Consolidated Financial Statements *(continued)*

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

(₹ in Lacs)

Number of Debentures	Face Value	Rate of Interest	Redeemable at	Date of Allotment	Date of Redemption	As at 31 March 2014	As at 31 March 2013
140	10	10.90%	Par	26 Sep 2013	26 Sep 2023	1,400.00	-
480	10	14.00%	Par	23 Apr 2013	21 Apr 2023	4,800.00	-
150	10	10.50%	Par	28 Mar 2014	28 Apr 2021	1,500.00	-
100	10	11.00%	Par	17 Jan 2013	17 Jan 2023	1,000.00	1,000.00
250	10	11.50%	Par	06 Sep 2012	06 Sep 2022	2,500.00	2,500.00
600	10	11.00%	Par	19 Mar 2013	19 Mar 2020	6,000.00	6,000.00
550	10	11.00%	Par	11 Mar 2013	11 Mar 2020	5,500.00	5,500.00
150	10	11.00%	Par	17 Jan 2013	17 Jan 2020	1,500.00	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	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
200	10	13.00%	Par	04 Mar 2009	03 Jun 2014	-	2,000.00
100	10	14.00%	Par	05 Feb 2009	04 May 2014	-	1,000.00
						74,350.00	**70,650.00**

Terms of repayment of term loans

(₹ in Lacs)

Repayment Terms	Interest Terms	Repayable at	As at 31 March 2014	As at 31 March 2013
Secured				
Monthly	Fixed	Par	21.98	21.07
Monthly	Floating	Par	14,706.05	22,513.93
Quarterly	Fixed	Par	1,862.30	2,395.20
Quarterly	Floating	Par	74,491.67	98,747.27
Half yearly	Floating	Par	30,000.00	-
			1,21,082.00	**1,23,677.47**
Unsecured				
Monthly	Fixed	Par	901.27	99.90
			901.27	**99.90**

The above secured term loans carry interest rates ranging from 10.45 % p.a. to 14.00 % p.a.

Notes to the Consolidated Financial Statements *(continued)*

Note 6 : Deferred Tax Liabilities (Net)

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Deferred Tax Liabilities		
Fixed assets	2,308.58	2,647.30
Unamortised expenses (net)	6,666.95	6,043.89
Others	459.36	377.17
	9,434.89	**9,068.36**
Deferred tax assets		
Contingent provision against standard assets	1,152.57	1,098.26
Provision for non-performing assets	4,382.46	1,818.08
Others	392.36	411.63
	5,927.39	**3,327.97**
Share of deferred tax assets of joint venture	661.46	292.77
	2,846.04	**5,447.62**

Note 7: Long-Term Provisions

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Provision for employee benefits	733.94	590.22
Other provisions (Note 36)		
Provision for non-performing assets	12,770.80	5,503.73
Contingent provision against standard assets (Tier II capital)	2,180.00	2,204.00
	15,684.74	**8,297.95**

Notes to the Consolidated Financial Statements *(continued)*

Note 8 : Short-Term Borrowings

(₹ in Lacs)

	Security as per	As at 31 March 2014	As at 31 March 2013
Term loan			
Secured			
from banks	(a)	10,000.00	12,500.00
		10,000.00	**12,500.00**
Unsecured			
from others		182.97	1,448.22
		182.97	**1,448.22**
Commercial papers			
Unsecured			
Face value		68,200.00	1,17,500.00
Less: Unmatured discounting charges		773.30	2,689.19
		67,426.70	**1,14,810.81**
Loans from banks			
Secured			
Cash credit facilities	(b)	1,75,666.86	1,49,487.39
Working capital demand loans	(b)	2,70,000.00	2,98,464.10
		4,45,666.86	**4,47,951.49**
		5,23,276.53	**5,76,710.52**

Terms of repayment of term loans

(₹ in Lacs)

Repayment Terms	Interest Terms	Repayable at	As at 31 March 2014	As at 31 March 2013
Secured				
Quarterly	Floating	Par	-	12,500.00
Half yearly	Floating	Par	10,000.00	-
			10,000.00	**12,500.00**
Unsecured				
Monthly	Fixed	Par	182.97	1,448.22
			182.97	**1,448.22**

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

Details of unsecured commercial papers

(₹ in Lacs)

Number of Units	Face Value	Interest Terms	As at 31 March 2014	As at 31 March 2013
13640	5	Fixed	67,426.70	1,14,810.81
			67,426.70	**1,14,810.81**

The above commercial papers carry interest rates ranging from 9.00 % p.a. to 11.30 % p.a.

Details of cash credit facilities and working capital demand loans

The cash credit facilities are repayable on demand and carry interest rates ranging from 10.15 % p.a. to 14.35 % p.a. Working capital demand loans are repayable on demand and carry interest rates ranging from 10.00 % p.a. to 10.75 % 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)*

Nature of security

(a) Term loans from Banks are secured by way of hypothecation on the Company's book debts and loan instalments 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 Financial Institutions, Banks or any other finance organisation). These are collaterally secured by equitable mortgage of immovable properties.

Note 9 : Trade Payables

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Due to micro and small enterprises *	-	-
Due to others	26,802.47	26,529.39
	26,802.47	**26,529.39**
Share of joint venture	247.36	-
	27,049.83	**26,529.39**

* 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 2014 and 31 March 2013. 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

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Current maturities of long-term borrowings (Note 5)	1,67,759.04	76,533.11
Interest accrued but not due on borrowings	15,246.35	14,020.23
Unpaid dividend #	21.16	21.56
Application money received for allotment of debentures	-	1,000.00
Unclaimed matured deposits and interest accrued thereon *	2.48	7.11
Other liabilities		
Temporary book overdraft	9,628.00	6,066.90
Advances and deposits from customers	7,680.15	7,821.68
Statutory liabilities	741.40	668.40
Director's commission payable	150.00	135.00
Pending remittance on assignment	32,108.16	23,647.34
Other payables	4,729.96	5,988.31
	2,38,066.70	**1,35,909.64**
Share of joint venture	7,742.95	1,455.66
	2,45,809.65	**1,37,365.30**

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.

Notes to the Consolidated Financial Statements *(continued)*

Note 11 : Short-Term Provisions

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Provision for employee benefits	70.73	86.18
Other provisions		
Contingent provision against standard assets (Tier II capital) (Note 36)	1,230.00	1,182.00
Proposed dividend (including tax thereon)	3,103.44	3,120.69
Provision for taxation	304.48	1,139.94
Provision for contingent expenses	55.50	55.50
	4,764.15	**5,584.31**
Share of joint venture	7,814.29	2,526.48
	12,578.44	**8,110.79**

Note 12 : Fixed Assets

(₹ in Lacs)

Description of assets	Gross block				Depreciation and amortisation				Net block	
	As at 1 April 2013	Additions	Deletions	As at 31 March 2014	As at 1 April 2013	For the year	Deletions	As at 31 March 2014	As at 31 March 2014	As at 31 March 2013
Tangible assets										
Fixed assets for own use										
Land	30.26	-	-	30.26	-	-	-	-	30.26	30.26
Buildings *	3,424.74	36.86	-	3,461.60	1,046.30	53.32	-	1,099.62	2,361.98	2,378.44
Wind mills	9,701.29	-	-	9,701.29	2,844.25	512.23	-	3,356.48	6,344.81	6,857.04
Furniture and fixtures	2,103.04	317.39	21.31	2,399.12	839.86	178.71	12.52	1,006.05	1,393.07	1,263.18
Vehicles	385.84	13.64	98.62	300.86	223.75	28.56	82.37	169.94	130.92	162.09
Office equipments	5,390.01	1,061.24	131.74	6,319.51	2,491.62	704.95	115.86	3,080.71	3,238.80	2,898.39
Leasehold improvements	2,328.83	453.81	9.42	2,773.22	999.31	345.61	4.26	1,340.66	1,432.56	1,329.52
Sub-total	**23,364.01**	**1,882.94**	**261.09**	**24,985.86**	**8,445.09**	**1,823.38**	**215.01**	**10,053.46**	**14,932.40**	**14,918.92**
Fixed assets on operating lease										
Buildings	11.00	-	-	11.00	1.69	0.18	-	1.87	9.13	9.31
Vehicles	17,816.77	535.96	17,771.08	581.65	16,526.93	1,323.12	17,771.08	78.97	502.68	1,289.84
Sub-total	**17,827.77**	**535.96**	**17,771.08**	**592.65**	**16,528.62**	**1,323.30**	**17,771.08**	**80.84**	**511.81**	**1,299.15**
Total	**41,191.78**	**2,418.90**	**18,032.17**	**25,578.51**	**24,973.71**	**3,146.68**	**17,986.09**	**10,134.30**	**15,444.21**	**16,218.07**
Intangible assets										
Fixed assets for own use										
Computer softwares	1,161.04	63.38	263.78	960.64	825.38	117.49	263.78	679.09	281.55	335.66
Business and commercial rights	800.00	-	-	800.00	746.67	53.33	-	800.00	-	53.33
Total	**1,961.04**	**63.38**	**263.78**	**1,760.64**	**1,572.05**	**170.82**	**263.78**	**1,479.09**	**281.55**	**388.99**
Total	**43,152.82**	**2,482.28**	**18,295.95**	**27,339.15**	**26,545.76**	**3,317.50**	**18,249.87**	**11,613.39**	**15,725.76**	**16,607.06**
Share of joint venture	**103.26**	**66.45**	**-**	**169.71**	**7.08**	**24.98**	**-**	**32.06**	**137.65**	**96.18**
Grand total	**43,256.08**	**2,548.73**	**18,295.95**	**27,508.86**	**26,552.84**	**3,342.48**	**18,249.87**	**11,645.45**	**15,863.41**	**16,703.24**
Previous year	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	

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

Notes to the Consolidated Financial Statements *(continued)*

Note 13 : Non-Current Investments

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Other investment (at cost)		
Investment in equity shares		
Quoted (Fully paid-up of ₹ 10 each)	8.31	8.31
Unquoted (Fully paid-up of ₹ 10 each)		
In others	450.43	29.38
Investment in Government securities		
Unquoted (₹ 0.16 lac pledged with sales tax authorities)	0.16	0.16
Others		
In pass through certificates *	11,264.23	10,706.79
	11,723.13	**10,744.64**
Aggregate provision for diminution in value of investments	(35.58)	(35.58)
	11,687.55	**10,709.06**
Share of joint venture	17,513.41	9,251.23
	29,200.96	**19,960.29**

Aggregate book value of quoted investments	8.31	8.31
Aggregate market value of quoted investments	4.58	4.30
Aggregate book value of unquoted investments	11,714.82	10,736.33

* 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 has been included under 'Current Investment' (Note 16) and amounts to ₹ 10,304.49 lacs (2013: ₹ 6,720.41 lacs).

Notes to the Consolidated Financial Statements *(continued)*

Note 14 : Long-Term Loans And Advances

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Assets on finance *		
Secured, considered good	6,87,346.27	6,83,047.33
Secured, considered doubtful	9,013.05	2,704.58
Unsecured, considered good	41,603.72	31,638.66
Unsecured, considered doubtful	-	33.66
	7,37,963.04	**7,17,424.23**
Others		
Unsecured, considered good		
Capital advances	14.07	63.15
Loans to others	55.93	66.22
Loans and advances to related parties (Note 31)	161.28	204.65
Tax advances and deduction at source	1,649.98	2,704.55
Security deposits	814.78	754.22
Other loans and advances		
Margin with body corporate	487.78	1,159.24
	3,183.82	**4,952.03**
Unsecured, considered doubtful		
Other loans and advances		
Advances recoverable in cash or kind or for value to be received	150.00	110.00
Less: Provision against loans and advances	150.00	110.00
	-	-
Share of joint venture	24.00	-
	7,41,170.86	**7,22,376.26**

* Assets on finance is net of amounts securitised/assigned aggregating to ₹ 6,52,506.92 lacs as at 31 March 2014 (2013: ₹ 5,26,390.28 lacs).

Notes to the Consolidated Financial Statements *(continued)*

Note 15 : Other Non-Current Assets

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Others		
Non-current bank balances *	5,031.41	9,136.14
Unamortised borrowings costs	1,832.26	2,431.63
Unamortised loan origination costs (net)	8,149.26	7,206.58
Gratuity (excess of plan assets over obligation)	376.81	227.47
	15,389.74	**19,001.82**
Share of joint venture	2,302.64	1,813.01
	17,692.38	**20,814.83**

* Balances with banks held as security against borrowings, guarantees amounts to ₹ 551.13 lacs (2013: ₹ 877.52 lacs) and as cash collateral for securitisation / direct assignments of receivables amounts to ₹ 4,480.28 lacs (2013: ₹ 8,258.62 lacs).

Note 16 : Current Investments

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Other investment		
Investment in mutual funds (valued at lower of cost and fair value)		
Quoted	6.43	11.99
Others (at cost)		
In Pass through certificates * (Note 13)	10,304.49	6,720.41
	10,310.92	**6,732.40**
Share of joint venture	679.28	-
	10,990.20	**6,732.40**

Aggregate book value of quoted investments	6.43	11.99
Aggregate market value of quoted investments	7.10	12.11
Aggregate book value of unquoted investments	10,304.49	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.

Note 17 : Trade Receivables

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Unsecured, considered good		
Debts outstanding for a period exceeding six months from the date they became due for payment	-	-
Other debts	1,551.53	619.26
	1,551.53	**619.26**

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements *(continued)*

Note 18 : Cash and Bank Balances

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Cash and cash equivalents		
Cash in hand	5,944.80	5,442.07
Balances with banks		
In current and cash credit accounts	35,044.04	37,880.92
In deposits with original maturity of 3 months or less	-	44,000.00
Share of joint venture of cash and cash equivalents	214.16	239.60
	41,203.00	**87,562.59**
Other bank balances *		
In unpaid dividend account	21.16	21.55
In deposits with original maturity of 3 months or less	3,096.91	3,164.40
In deposits with original maturity of more than 3 months to 12 months	26,349.05	24,216.06
Current maturities of deposits with original maturity of more than 12 months	10,969.12	6,515.96
Share of joint venture of other bank balances	1,020.11	304.14
	41,456.35	**34,222.11**
	82,659.35	**1,21,784.70**

* Balances with banks held as security against borrowings, guarantees amounts to ₹ 2,406.61 lacs (2013: ₹ 2,217.32 lacs) and as cash collateral for securitisation / direct assignment of receivables amounts to ₹ 37,997.01 lacs (2013: ₹ 31,579.10 lacs). Fixed deposits accounts with more than twelve months maturity amounting to ₹ 5,031.41 lacs (2013: ₹ 9,136.14 lacs) included under 'non-current Assets' (Note 15).

Note 19 : Short-Term Loans and Advances

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Asset on finance		
Secured, considered good	3,39,303.48	3,33,657.20
Unsecured, considered good	57,443.52	45,227.66
	3,96,747.00	**3,78,884.86**
Others		
Unsecured, considered good		
Loan and advances to related parties (Note 31)	-	1,251.98
Other loans and advances		
Loans to others	222.26	193.47
Advances recoverable in cash or kind or for value to be received	2,868.17	5,098.21
Prepaid expenses	636.07	386.72
Balances with Statutory / Government authorities	2,182.79	3,641.73
	5,909.29	**10,572.11**
Share of joint venture	73.04	587.26
	4,02,729.33	**3,90,044.23**

Notes to the Consolidated Financial Statements *(continued)*

Note 20 : Other Current Assets

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Others		
Accrued interest / financial charges	1,219.09	1,215.18
Unamortised borrowings costs	2,131.10	2,616.73
Unamortised loan origination costs (net)	7,515.44	6,043.55
Others	54.71	130.40
	10,920.34	**10,005.86**
Share of joint venture	1,102.20	20.03
	12,022.54	**10,025.89**

Note 21 : Revenue From Operations

(₹ in Lacs)

	Year Ended 31 March 2014	Year Ended 31 March 2013
Interest / finance income		
On assets on finance	1,82,588.73	1,43,910.80
On securitisation and assignment of loans	10,346.12	11,392.06
On pass through certificates	1,144.32	258.42
On fixed deposits	3,999.15	4,213.29
On loans and margins	900.48	604.82
	1,98,978.80	**1,60,379.39**
Other financial income		
Lease rentals	77.60	6.70
Collection and support services	6,155.74	4,014.75
Others	3,788.92	996.98
	10,022.26	**5,018.43**
Share of joint venture	640.38	607.15
	2,09,641.44	**1,66,004.97**

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements *(continued)*

Note 22 : Operating Result From General Insurance Business

(₹ in Lacs)

	Year Ended 31 March 2014	Year Ended 31 March 2013
Premium income		
Premiums earned (net)	8,440.22	528.06
Profit / (loss) on sale / redemption of investments (net)	27.86	2.93
Interest, dividend and rent (gross)	718.62	110.42
Others	2.46	-
	9,189.16	**641.41**
Operating expense		
Claims incurred (net)	7,164.84	464.30
Commission (net)	204.48	119.94
Contribution to solatium fund	7.02	1.29
Operating expenses related to insurance business	3,322.25	895.78
	10,698.59	**1,481.31**
	(1,509.43)	**(839.90)**

Note 23 : Other Income

(₹ in Lacs)

	Year Ended 31 March 2014	Year Ended 31 March 2013
Sale of power	1,148.44	1,181.78
Insurance commission	582.65	100.04
Net gain / (loss) on sale of investments	62.82	19.10
Rental income	2.67	2.67
Net gain / (loss) on sale of fixed assets	(26.40)	(20.31)
Bad debt recoveries	1,773.41	2,010.18
Market entry fee (net) *	-	1,395.52
Miscellaneous income	44.20	285.59
	3,587.79	**4,974.57**
Share of joint venture	23.10	7.53
	3,610.89	**4,982.10**

* During the year ended 31 March 2013, the Company had received a one time market entry fee from 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 had been deducted therefrom.

Notes to the Consolidated Financial Statements *(continued)*

Note 24 : Employee Benefits Expense

(₹ in Lacs)

	Year Ended 31 March 2014	Year Ended 31 March 2013
Salaries and wages	22,382.08	18,766.30
Contribution to provident and other funds	845.12	805.76
Employee share based compensation expense	63.02	13.50
Staff welfare expenses	1,014.82	775.87
	24,305.04	**20,361.43**
Share of joint venture	-	40.34
	24,305.04	**20,401.77**

Note 25 : Finance Costs

(₹ in Lacs)

	Year Ended 31 March 2014	Year Ended 31 March 2013
Interest expense		
On debentures	36,602.59	27,946.71
On term loans	19,064.93	8,359.58
On cash credit and working capital facilities	40,686.60	35,061.71
On others	304.95	228.55
Discount on commercial papers	15,952.35	17,625.00
Other borrowing costs	5,292.82	3,686.35
Mark-to-market (profit) / losses on derivative contracts	(197.06)	(283.30)
	1,17,707.18	**92,624.60**

Note 26 : Provisions and Bad Debts Written-Off

(₹ in Lacs)

	Year Ended 31 March 2014	Year Ended 31 March 2013
Bad debts written-off	11,117.98	4,077.05
Provision for non-performing assets (Note 36)	7,267.07	4,180.01
Contingent provision against standard assets (Note 36)	24.00	1,402.32
	18,409.05	**9,659.38**

Notes to the Consolidated Financial Statements *(continued)*

Note 27 : Other Expenses

(₹ in Lacs)

	Year Ended 31 March 2014	Year Ended 31 March 2013
Rent	1,562.07	1,416.21
Brokerage and commission	11,292.80	9,293.50
Rates and taxes	131.87	25.02
Insurance	120.03	109.65
Advertisement and publicity	723.14	952.70
Travelling and conveyance	2,169.12	1,825.74
Repairs and maintenance		
- machinery	646.78	542.13
- others	151.21	131.38
Payment to Directors		
- fees	13.91	11.80
- commission	158.35	139.63
Professional fees	1,741.37	2,361.33
Legal charges	1,417.18	870.25
Printing and stationery	570.56	376.51
Communication	1,146.49	1,023.29
Electricity charges	689.09	547.97
Miscellaneous expenses	5,658.53	2,796.59
	28,192.50	**22,423.70**
Share of joint venture	43.45	33.93
	28,235.95	**22,457.63**

Notes to the Consolidated Financial Statements *(continued)*

Note 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 (₹ in Lacs)

	Finance and mortgages	General insurance	Others	Total
Revenue				
(i) External and other income	**2,11,211.22**	**(891.36)**	**1,423.04**	**2,11,742.90**
	(1,69,087.13)	(237.70)	(1,297.74)	(1,70,147.17)
(ii) Inter-segment	**339.46**	**(339.46)**	**-**	**-**
	(198.33)	(198.33)	(-)	(-)
Total revenue	**2,11,550.68**	**(1,230.82)**	**1,423.04**	**2,11,742.90**
	(1,69,285.46)	(436.03)	(1,297.74)	(1,70,147.17)
Result - Profit / (loss) before tax	**20,927.47**	**(1,230.82)**	**71.53**	**19,768.18**
	(21,692.81)	(499.26)	(54.41)	(21,247.96)
Other information				
Segment assets	**12,88,079.37**	**21,786.84**	**7,949.80**	**13,17,816.01**
	(12,91,913.34)	(11,036.81)	(8,430.82)	(13,11,380.97)
Segment liabilities	**11,31,411.36**	**15,300.35**	**2,426.79**	**11,49,138.50**
	(11,42,754.44)	(3,688.67)	(2,945.83)	(11,49,388.94)
Capital expenditure	**2,482.28**	**66.45**	**-**	**2,548.73**
	(2,754.90)	(103.45)	(-)	(2,858.35)
Depreciation and amortisation	**2,805.27**	**-**	**512.23**	**3,317.50**
	(3,243.60)	(-)	(512.23)	(3,755.83)
Non-cash expenses (other than depreciation)	**7,094.01**	**-**	**-**	**7,094.01**
	(5,299.03)	(-)	(-)	(5,299.03)

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.

Notes to the Consolidated Financial Statements *(continued)*

Note 29 : Lease transactions in the capacity of Lessee

Lease rental expense under non-cancellable operating lease during the year ended 31 March 2014 and 31 March 2013 amounted to ₹ 191.10 lacs and ₹ 244.07 lacs respectively. Future minimum lease payments under non-cancellable operating lease is as below:

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Not later than one year	100.75	114.53
Later than one year but not later than five years	47.96	54.39
Later than five years	42.83	12.91

Additionally, the Company uses the office facilities under cancellable operating leases. The rental expense under cancellable operating lease during the year amounts to ₹ 1,533.54 lacs (2013: ₹ 1,172.14 lacs) [share of joint venture ₹ 3.93 lacs (2013: ₹ 1.36 lacs)].

Note 30 : Earnings per share (EPS)

The computation of EPS is set out below:

			Units	Year ended 31 March 2014	Year ended 31 March 2013
Basic & Diluted					
1	(i)	Weighted average number of Equity Shares (Face Value of ₹ 2/- per share) for Basic EPS	Nos.	19,00,56,650	18,98,53,231
	(ii)	Weighted average number of Equity Shares for Diluted EPS [after considering 2.17 lacs shares (2013: 3.79 lacs) resulting from assumed exercise of employee stock options and equity warrants]	Nos.	19,02,73,412	19,02,32,710
2		Net Profit after tax	₹ Lacs	15,182.87	13,824.29
3		Less : Preference Dividend including Tax thereon	₹ Lacs	1,268.46	1,365.73
4	(i)	Net Profit for Equity Shareholders for Basic EPS	₹ Lacs	13,914.41	12,458.56
	(ii)	Net Profit for Equity Shareholders for Diluted EPS	₹ Lacs	13,914.41	12,458.56
5	(i)	Earning Per Share (Face Value of ₹ 2/- per share) – Basic	₹	7.32	6.56
	(ii)	Earning Per Share (Face Value of ₹ 2/- per share) – Diluted	₹	7.31	6.55

Note 31 : Related party disclosures

Aggregated related party disclosures as at and for the year ended 31 March 2014

Enterprises having significant influence

Fluence Advisory Services Limited (w.e.f. 25 September 2012), Pragati Sales Private Limited, Microfirm Capital Private Limited, Magma Consumer Finance Private Limited, Celica Developers Private Limited, Bhiwadi Polypack Limited (w.e.f. 16 September 2013), Smitkriti Enterprises Private Limited (w.e.f. 20 September 2013), Bengal Speed Automobiles Private Limited (w.e.f. 01 April 2013), Camaro Infrastructure Private Limited, CLP Business LLP, Solvex Estates LLP, Mask Corp, USA, Finprop Estates Private Limited, Varuneha Commerce 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.

Notes to the Consolidated Financial Statements *(continued)*

(₹ in Lacs)

Name of related party and Nature of relationship	Nature of transaction	Transaction value for the year ended 31 March 2014	Outstanding amount as at 31 March 2014	Transaction value for the year ended 31 March 2013	Outstanding amount as at 31 March 2013
A) Enterprises having significant influence					
1. Celica Developers Private Limited	Long-term loans and advances given	20.16	161.28	3.53	204.65
	Refund of long-term loans and advances given	63.53	-	90.00	-
	Short-term loans and advances given	-	-	-	210.00
	Refund of short-term loans and advances given	210.00	-	-	-
	Purchase of equity shares	210.00	-	-	-
	Rent expense	365.07	-	324.39	-
	Support service income	-	-	1.00	1.12
2. Microfirm Capital Private Limited	Short-term loans and advances given	-	-	-	1,041.98
	Refund of short-term loans and advances given	1,041.98	-	-	-
	Purchase of equity shares	210.00	-	-	-
B) Key management personnel					
1. Mayank Poddar	Rent expense	1.77	-	1.77	-
	Directors' remuneration	150.00	-	164.12	-
2. Sanjay Chamria	Directors' remuneration	150.00	-	267.50	-
	Purchase of investments	-	-	1.00	-

Note 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:

(₹ in Lacs)

	Year ended 31 March 2014	Year ended 31 March 2013
From operating activities	(50,228.32)	(2,89,445.00)
From investing activities	(17,962.38)	(53,505.64)
From financing activities	21,831.11	3,97,677.80
Net increase / (decrease) in cash and cash equivalents	(46,359.59)	54,727.16
Cash and cash equivalents as at the beginning of the year	87,562.59	32,835.43
Cash and cash equivalents as at the end of the year	41,203.00	87,562.59

Notes to the Consolidated Financial Statements *(continued)*

Note 33 : Contingent liabilities and commitments (to the extent not provided for)

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
(a) Contingent liabilities		
(a) Claims against the Company not acknowledged as debt		
(i) Income tax matters under dispute	4.48	106.80
(ii) VAT matters under dispute	248.79	254.53
(iii) Service tax matters under dispute	115.00	115.00
(iv) Legal cases against the company *	258.25	407.87
(b) Guarantees		
(i) Recourse obligation in respect of securitised assets [net of cash collaterals of ₹ 1,746.00 lacs (2013: ₹ 1,746.00 lacs)]	2,617.33	2,617.33
(ii) Unexpired bank guarantee	44,963.60	40,249.85
(b) Commitments		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for [share of joint venture ₹ 19.64 lacs (2013: ₹ 43.46 lacs)]	353.07	1,195.29
(b) Redemption of preference shares (including premium)	11,672.44	17,984.48

* 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.

Note 34 : Payments to auditors (included in Professional fees)

(₹ in Lacs)

	Year ended 31 March 2014	Year ended 31 March 2013
Audit fees	30.00	30.00
Tax audit fees	-	3.00
Limited review of quarterly results	21.00	19.10
Other services	1.00	5.35
Reimbursement of expenses	12.31	8.19
Total	**64.31**	**65.64**

Notes to the Consolidated Financial Statements *(continued)*

Note 35 :

(a) Accounting for Excess Interest Spread (EIS)

The Company recognises EIS on securitisation transactions in line with RBI circular "Revisions to the Guidelines on Securitisation Transactions" issued on 21 August 2012 which requires recognition of EIS only when redeemed in cash. Accordingly, the gross income on securitisation and assignment of loans aggregating to ₹ 7,436.45 lacs for the year ended 31 March 2014 (2013: ₹ 338.55 lacs) has not been recognised.

(b) The value of "excess interest spread receivable" and "unrealised gain" on securitisation transactions undertaken in terms of guidelines on securitisation transaction issued by Reserve Bank of India on 21 August 2012 is given below:

(₹ in Lacs)

	As at 31 March 2014		As at 31 March 2013	
	Current	Non-current	Current	Non-current
Excess interest spread receivable	15,104.82	10,441.72	10,242.97	9,015.60
Unrealised gain on securitisation transactions	15,104.82	10,441.72	10,242.97	9,015.60

(c) During the year, the Company has also undertaken direct assignment transaction in terms of guidelines on securitisation transaction issued by Reserve Bank of India on 21 August 2012, for a value of ₹ 2,27,842.00 lacs (2013: ₹ 10,434.52 lacs).

Note 36:

(a) Movement of provision for non-performing assets and standard assets

(₹ in Lacs)

		As at 31 March 2014	As at 31 March 2013
(i)	**Provision for non-performing assets**		
	Balance as per last financial statements	5,503.73	-
	Add: Provision made during the year	7,267.07	4,180.01
	Add: Provision taken over on acquisition of MHF	-	1,323.72
		12,770.80	**5,503.73**
(ii)	**Contingent provision against standard assets (Tier II capital)**		
	Balance as per last financial statements	3,386.00	1,789.00
	Add: Provision made during the year	24.00	1,402.32
	Add: Provision taken over on acquisition of MHF	-	193.89
	Add: Provision taken over on acquisition of IAFL	-	0.79
		3,410.00	**3,386.00**

(b) In view of the proposed regulatory changes in capital adequacy, income recognition, asset classification and provisioning norms recommended in the RBI draft guidelines released on 12 December 2012, the Company classifies non-performing assets (NPAs) at 4 months default as compared to present requirement of 6 months. The Company also makes higher provision for NPAs as well as standard assets as given in the Table in Note 2 (vi).

As a result of the above, the cumulative charge to statement of profit & loss on account of additional provisioning including standard asset provisioning and interest reversal is higher by an amount of ₹ 8,734.14 lacs (2013: ₹ 4,686.93 lacs) as compared to the present RBI requirement.

Notes to the Consolidated Financial Statements *(continued)*

Note 37 : Insurance disclosure

The liability for IBNR claims including IBNER (excluding Declined Risk Pool) for the year ending 31 March 2014 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.

Note 38 : Derivative transaction

The Company has recognised gain of ₹ 197.06 lacs for the year ended 31 March 2014 (2013: gain of ₹ 283.30 lacs) relating to derivative financial instrument.

The Company does not have any unhedged foreign currency exposure.

Note 39 :

(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 ₹ 464 lacs plus interest and penalty. The Company had made payment of ₹ 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 ₹ 100 lacs as pre-deposit in financial year 2011-12 which had been charged to 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 ₹ 83 lacs plus interest and penalty. The Company had made payment of ₹ 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 ₹ 15 lacs. The said amount of ₹ 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 ₹ 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 ₹ 25 lacs as pre-deposit in financial year 2011-12 which had been charged to the statement of profit and loss. CESTAT, Kolkata has stayed the balance of the demand amounting to ₹ 100 lacs. The said amount of ₹ 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 High 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 Consolidated Financial Statements *(continued)*

Note 40 :

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(8) of the Companies Act, 1956, is given below:

Financial information of subsidiaries for the year ended 31 March 2014

(₹ in Lacs)

	Magma Advisory Services Limited		Magma Housing Finance		Magma ITL Finance Limited	
	As at 31 March 2014	As at 31 March 2013	As at 31 March 2014	As at 31 March 2013	As at 31 March 2014	As at 31 March 2013
Issued and subscribed share capital						
- Equity shares	2,111.11	2,111.11	14,810.25	14,810.25	4,500.00	4,500.00
- Preference shares	3,555.56	3,555.56	-	-	-	-
Reserves	16,335.90	16,334.23	5,976.78	5,713.25	8,274.72	5,174.45
Long-term borrowings	-	-	29,718.74	50,000.00	19,218.73	11,022.13
Short-term borrowings	-	-	40,144.98	12,500.00	19,574.09	20,997.99
Total assets	22,004.47	22,012.21	1,16,304.12	85,846.99	63,726.21	51,627.54
Total liabilities	22,004.47	22,012.21	1,16,304.12	85,846.99	63,726.21	51,627.54
Revenue	229.19	105.54	12,163.10	8,530.56	14,554.19	10,892.16
Profit/ (loss) before taxation	3.49	14.42	445.89	1,917.10	2,708.03	3,620.36
Provision for taxation	1.40	13.46	182.36	652.90	(292.99)	1,183.16
Profit/ (loss) after taxation	2.09	0.96	263.53	1,264.20	3,001.02	2,437.20
Proposed dividend (including tax thereon)	0.42	0.06	-	-	-	-

Note 41 : 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::

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Equity and Liabilities		
Shareholders' funds		
Share capital	3,701.13	3,701.13
Reserves and surplus	5,160.19	6,020.97
Fair value change account	0.49	-
Current liabilities		
Trade payables	388.05	-
Other current liabilities	7,763.83	1,455.66
Short-term provisions	7,814.29	2,526.48
Assets		
Non-current assets		
Fixed assets	137.65	96.17
Deferred tax assets (net)	661.46	292.77
Non-current investment	18,613.44	10,351.26
Long-term loans and advances	24.00	-
Other non-current assets	2,302.64	1,813.01

Notes to the Consolidated Financial Statements *(continued)*

(₹ in Lacs)

	As at 31 March 2014	As at 31 March 2013
Current assets		
Current investment	679.28	-
Cash and bank balances	1,234.27	543.74
Short-term loans and advances	73.04	587.26
Other current assets	1,102.20	20.03
Revenue		
Revenue from operations	640.38	404.55
Operating result from general insurance business	(1,848.89)	(1,038.23)
Other income	23.10	210.13
Expense		
Employee benefits expense	-	40.34
Other expenses	43.45	33.93

Note 42 : 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 B S R & Co. LLP,
Chartered Accountants
Firm's Regn. No. 101248W

Akeel Master
Partner
Membership No. 046768

Mumbai, 07 May 2014

Mayank Poddar
Chairman

V. Lakshmi Narasimhan
Chief Financial Officer

Sanjay Chamria
Vice Chairman & Managing Director

Girish Bhatia
Company Secretary

Kolkata, 07 May 2014

Notes

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concept, content and design at aicl [info@aicl.in]

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, 2014
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Not Applicable

For Magma Fincorp Limited

For BSR & Co. LLP
Chartered Accountants

Akeel Master
Partner

Narayan K Seshadri
Chairman of Audit Committee

Sanjay Chamria
Vice Chairman & Managing Director

Magma Fincorp Limited "Magma House" 24, Park Street, Kolkata-16

V. Lakshmi Narasimhan
Chief Financial Officer