5 August 2021

Corporate Relationship Department,
BSE Limited **Company Code - 524000**
25th Floor, P. J. Towers, Dalal Street, Fort,
Mumbai – 400 001

The Manager,
Listing Department,
National Stock Exchange of India Limited
"Exchange Plaza",
Bandra-Kurla Complex, Bandra (E),
Mumbai – 400 051 **Symbol – POONAWALLA**

Subject: Intimation of 41st Annual General Meeting and E-voting of the Company.

Reference: Regulation 30 and 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Sirs,

We would like to inform you that the the 41st Annual General Meeting of the Company will be held on Saturday, 28 August 2021 at 2 P.M through Video Conferencing/Other Audio Visual means.

Pursuant to Regulation 30 and 34(1) read with Paragraph A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we are enclosing herewith the following:

i) Notice of the 41st Annual General Meeting of the Company (including e-voting instructions) scheduled to be held on Saturday, 28 August 2021 at 02:00 p.m. through Video Conference (VC)/ Other Audio Video Means (OAVM).

ii) Annual Report of the Company for the Financial Year ended 31 March 2021.

The Notice of the 41st Annual General Meeting and the Annual Report for the Financial Year 2020-21 is available on the Company's website at the link: https://poonawallafincorp.com/investor.php#annual-report.

In compliance with the General Circular Nos. 14/2020 dated April 08, 2020, 17/2020 dated April 13, 2020 and 20/2020 dated May 05, 2020 and clarification Circular No. 02/2021 dated January 13, 2021 issued by the Ministry of Corporate Affairs and SEBI Circular dated May 12, 2020 and January 15, 2021, electronic copies of the Annual Report for F.Y.2020-21 also containing Notice of the 41st Annual General Meeting of the Company (including e-voting instructions) have been sent today to all the shareholders whose email addresses are registered with their Depository Participant/ Niche Technologies Private Limited ("Registrar and Transfer Agents" of the Company).

POONAWALLA FINCORP

Cut-off date and E-voting details:

Members of the Company holding shares either in physical or in dematerialized form as on the cut-off date, i.e., 21 August 2021 may exercise their votes electronically. The voting rights of Members shall be in proportion to their share in paid up equity capital of the Company as on 21 August 2021 (cut-off date). A person whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained be the Depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting or e-voting at the Annual General Meeting.

The remote e-voting period shall commence on 24 August 2021 (9:00 A.M IST) and shall end on 27 August 2021 (5:00 P.M. IST). Remote e-voting shall not be allowed beyond 5:00 P.M. on 27 August 2021.

The Company is providing VC facility through NSDL platform for the members to participate in the Annual General Meeting. Members may access the facility at https://www.evoting.nsdl.com through the same login credentials provided to them for e-voting. Further, the detailed instruction for e-voting, participation in the Annual General Meeting through VC and remote e-voting have been provided in the notice of the Annual General Meeting.

We hereby request you to take the above information on record.

Thanking you.

Yours faithfully,

For Poonawalla Fincorp Limited
(Formerly, Magma Fincorp Limited)

Shabnum Zaman
Company secretary
ACS - 13918

POONAWALLA FINCORP LIMITED

(FORMERLY KNOWN AS MAGMA FINCORP LIMITED)

CIN: L51504WB1978PLC031813

Registered Office: "Development House", 24, Park Street, Kolkata–700016

Website: www.poonawallafincorp.com; Phone: 033-4401 7350;

Email: shabnum.zaman@poonawallafincorp.com

NOTICE

Notice is hereby given that the **41st Annual General Meeting ('AGM')** of the shareholders of Poonawalla Fincorp Limited (Formerly known as Magma Fincorp Limited) (hereinafter referred to as 'Company'/ 'the Company') will be held on **Saturday, 28 August 2021 at 2:00 P.M**. Indian Standard Time ('IST') through Video Conferencing ("VC")/ Other Audio Visual Means ("OAVM") to transact the following businesses.

Since the AGM is being held through VC/OAVM, the requirement of physical attendance of Members has been dispensed with. Accordingly, the proceedings of the AGM shall be deemed to be conducted at the Registered Office of the Company at "Development House", 24, Park Street, Kolkata – 700 016, which shall be the deemed venue of the AGM.

ORDINARY BUSINESS:

1. To consider and adopt the Audited Standalone Financial Statements of the Company for the financial year ended 31 March 2021 and the Reports of the Board of Directors and Auditors thereon.

2. To consider and adopt the Audited Consolidated Financial Statements of the Company for the financial year ended 31 March 2021 and the Report of Auditors thereon.

3. To appoint a director in place of Mr. Sanjay Chamria (DIN: 00009894), who retires by rotation, and being eligible, offers himself for re-appointment.

4. To appoint Walker Chandiok & Co LLP, Chartered Accountants as Statutory Auditors of the Company and to fix their remuneration and in this regard to consider, and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution: -**

   "RESOLVED THAT pursuant to the provisions of Sections 139, 141, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with rules framed there under, as amended from time to time, the Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated 27 April 2021 issued by Reserve Bank of India ('RBI'), the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) Walker Chandiok & Co LLP, Chartered Accountants, having Firm Registration No. 001076N/N500013, who have offered themselves for appointment and confirmed their eligibility to be appointed as Statutory Auditors, be and is hereby appointed as the Statutory Auditors of the Company for a period of three years to hold office from the conclusion of the 41st Annual General Meeting till the conclusion of the 44th Annual General Meeting, subject to the fulfillment of eligibility norms each year as per the aforesaid RBI Guidelines with the power of the Board/Audit Committee to alter and vary the terms and conditions of appointment etc., and at such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, based on the recommendation of the Audit Committee;

   RESOLVED FURTHER THAT the Board of Directors or the Chief Compliance Officer or the Company Secretary of the Company be and are hereby severally authorized to do all such acts, deeds, matters and things and take such steps as may be necessary, expedient or desirable in this regard."

SPECIAL BUSINESS:

5. **To appoint Mr. Sajid Fazalbhoy (DIN: 00022760) as an Independent Director of the Company**

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

   "RESOLVED THAT pursuant to the provisions of Sections 149, 152,160, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 **('the Act')** read with the rules made thereunder, the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) the rules, circulars and guidelines issued by RBI in this regard from time to time and other applicable laws and the provisions of Articles of Association of the Company and pursuant to the recommendation of the Nomination and Remuneration Committee and approval of the Board of

Directors of the Company, Mr. Sajid Fazalbhoy (DIN: 00022760), who was appointed as an Additional Director (Independent) effective from 5 May 2021, pursuant to the provisions of Section 161 of the Act to hold office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a Member proposing his candidature for the office of the Director, being eligible, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, for a period of three years effective from 5 May 2021 up to 4 May 2024;

RESOLVED FURTHER THAT the Board of Directors or the Chief Compliance Officer or the Company Secretary of the Company, be and are hereby severally authorized to do all such acts, deeds, matters and things and take such steps as may be necessary, expedient or desirable in this regard."

6. **To appoint Mr. Prabhakar Dalal (DIN: 00544948) as an Independent Director of the Company**

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 152,160, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 **('the Act')** read with the rules made thereunder, the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) the rules, circulars and guidelines issued by RBI in this regard from time to time and other applicable laws and the provisions of Articles of Association of the Company and pursuant to the recommendation of the Nomination and Remuneration Committee and approval of the Board of Directors of the Company, Mr. Prabhakar Dalal (DIN: 00544948), who was appointed as an Additional Director (Independent) effective from 5 May 2021, pursuant to the provisions of Section 161 of the Act to hold office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a Member proposing his candidature for the office of the Director, being eligible, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, for a period of three years effective from 5 May 2021 up to 4 May 2024;

RESOLVED FURTHER THAT the Board of Directors or the Chief Compliance Officer or the Company Secretary of the Company, be and are hereby severally authorized to do all such acts, deeds, matters and things and take such steps as may be necessary, expedient or desirable in this regard."

7. **To appoint Mr. Adar Cyrus Poonawalla (DIN: 00044815) as Chairman of the Company in the capacity of Non-Executive and Non-Independent Director**

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

"RESOLVED THAT pursuant to the provisions of Section 152 and other applicable provisions, if any, of the Companies Act, 2013 **('the Act')** read with rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and the rules, circulars and guidelines issued by RBI in this regard from time to time and other applicable laws and the provisions of the Articles of Association of the Company and pursuant to the recommendation of the Nomination and Remuneration Committee and approval of the Board of Directors of the Company, Mr. Adar Cyrus Poonawalla (DIN: 00044815), who was appointed as an Additional Director designated as Chairman of the Company with effect from 1 June 2021, pursuant to the provisions of Section 161 of the Act to hold office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a Member proposing his candidature for the office of the Director, being eligible, be and is hereby appointed as the Non-Executive and Non-Independent Director of the Company, liable to retire by rotation;

RESOLVED FURTHER THAT the Board of Directors or the Chief Compliance Officer or the Company Secretary of the Company, be and are hereby severally authorized to do all such acts, deeds, matters and things and take such steps as may be necessary, expedient or desirable in this regard."

8. **To appoint Mr. Amar Deshpande (DIN: 07425556) as Non-Executive and Non-Independent Director of the Company**

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

"RESOLVED THAT pursuant to the provisions of Section 152 and other applicable provisions, if any, of the Companies Act, 2013 **('the Act')** read with rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and the rules, circulars and guidelines issued by RBI in this regard from time to time and other applicable laws and the provisions of the Articles of Association of the Company and pursuant to the recommendation of the Nomination and Remuneration

Committee and approval of the Board of Directors of the Company, Mr. Amar Deshpande (DIN: 07425556), who was appointed as an Additional Director of the Company with effect from 3 June 2021, pursuant to the provisions of Section 161 of the Act to hold office up to the date of this AGM and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a Member proposing his candidature for the office of the Director, being eligible, be and is hereby appointed as the Non-Executive and Non-Independent Director of the Company, liable to retire by rotation;

RESOLVED FURTHER THAT the Board of Directors or the Chief Compliance Officer or the Company Secretary of the Company, be and are hereby severally authorized to do all such acts, deeds, matters and things and take such steps as may be necessary, expedient or desirable in this regard."

9. **To appoint Mr. Abhay Bhutada (DIN: 03330542) as Managing Director of the Company**

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

"RESOLVED THAT pursuant to the provisions of Section 152 and other applicable provisions, if any, of the Companies Act, 2013 ('the Act') read with rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), and the rules, circulars and guidelines issued by RBI in this regard from time to time and the provisions of Articles of Association of the Company and pursuant to the recommendation of the Nomination and Remuneration Committee and approval of the Board of Directors of the Company, Mr. Abhay Bhutada (DIN: 03330542), who was appointed as an Additional Director in the capacity of Managing Director of the Company with effect from 1 June 2021, pursuant to the provisions of Section 161 of the Act to hold office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a Member proposing his candidature for the office of the Director, being eligible, be and is hereby appointed as the Director of the Company with effect from 1 June 2021;

RESOLVED FURTHER THAT pursuant to the provisions of Sections 196, 197, 198 and 203 read with Schedule V and all other applicable provisions, if any, of the Companies Act, 2013 ('the Act') and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and the rules, circulars and guidelines issued by RBI in this regard from time to time, other applicable laws and the provisions of Articles of Association of the Company and pursuant to the recommendation of the Nomination and Remuneration Committee and approval of the Board of Directors of the Company, the consent of the members be and is hereby accorded for appointment of Mr. Abhay Bhutada (DIN: 03330542), as Managing Director of the Company for a period of 5 (five) years with effect from 1 June, 2021 till 31 May 2026 (both days inclusive), who shall be liable to retire by rotation and on such terms and conditions including remuneration as set out in the Explanatory Statement annexed to the Notice convening this meeting (including remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the period of 3 years or during such financial years when the loss or inadequacy arises, whichever is lower), with liberty to the Board of Directors of the Company (including Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the said appointment and / or remuneration, from time to time, as it may deem fit and as may be agreed to between the Board of Directors and Mr. Abhay Bhutada provided that such alteration or variation, as the case may be, is within the overall limits as prescribed under Section 197 and/or Schedule V to the Act;

RESOLVED FURTHER THAT the Board of Directors or the Chief Compliance Officer or the Company Secretary of the Company be and are hereby severally authorized to sign and execute deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all such other acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this Resolution."

10. **To re-appoint Mr. Sanjay Chamria (DIN: 00009894) as Whole-time Director of the Company designated as Executive Vice Chairman**

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

"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198 and 203 read with Schedule V and all other applicable provisions, if any, of the Companies Act, 2013 **('the Act')** and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), and the rules, circulars and guidelines issued by RBI in this regard from time to time, other applicable laws and pursuant to the Articles of Association of the Company and pursuant to recommendation of Nomination and Remuneration

Committee and approval of the Board of Directors, the consent of the members be and is hereby accorded for re-appointment of Mr. Sanjay Chamria (DIN: 00009894), as the Whole-time Director of the Company for a period of five years with effect from 1 April, 2021 till 31 March 2026 (both days inclusive), (designated as Vice Chairman and Managing Director of the Company for the period from 1 April 2021 till 31 May 2021 and redesignated as Executive Vice Chairman of the Company for the period from 1 June 2021 till 31 March 2026), liable to retire by rotation and on such terms and conditions including remuneration as set out in the Explanatory Statement annexed to the Notice convening this meeting (including remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the period of 3 years or during such financial years when the loss or inadequacy arises, whichever is lower), with liberty to the Board of Directors of the Company (including Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the said appointment and / or remuneration, from time to time, as it may deem fit and as may be agreed to between the Board of Directors and Mr. Sanjay Chamria provided that such alteration or variation, as the case may be, is within the overall limits as prescribed under Section 197 and/or Schedule V to the Act;

RESOLVED FURTHER THAT the Board of Directors or the Chief Compliance Officer or the Company Secretary of the Company be and are hereby severally authorized to sign and execute deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all such other acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this Resolution."

11. **Payment of existing remuneration to Mr. Sanjay Chamria (DIN: 00009894), Whole-time Director of the Company presently designated as Executive Vice Chairman of the Company for the financial year 2020-21**

To consider and, if thought fit, to pass with or without modification(s) the following Resolution as a **Special Resolution: -**

"RESOLVED THAT pursuant to the provisions of Sections 197, 198 and other applicable provisions of the Companies Act, 2013 **("the Act")**, Schedule V of the Act read with the Rules made thereunder, Regulation 17(6)(e) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), and such other approvals as may be necessary in this regard, and based on the recommendation of the Nomination and Remuneration Committee and approval of the Board of Directors of the Company, consent of the members be and is hereby accorded for payment of existing remuneration as minimum remuneration to Mr. Sanjay Chamria, presently Executive Vice Chairman (erstwhile Vice Chairman and Managing Director) of the Company for the financial year 2020-21 in terms of the ordinary resolution passed by the shareholders of the Company at the 36th Annual General Meeting of the Company held on 19 September 2016 and revisions made pursuant to the same by the Board, subject to compliance of conditions specified in second proviso to item (B) of Section II of Part II of Schedule V of the Act.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such other acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this Resolution."

12. **Payment of existing remuneration to Mr. Mayank Poddar (DIN:00009409), erstwhile Whole-time Director of the Company for the period 1 April 2020 to 7 November 2020.**

To consider and, if thought fit, to pass with or without modification(s) the following Resolution as a **Special Resolution: -**

"RESOLVED THAT pursuant to Regulation 17(6)(e) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended and such other approvals as may be necessary in this regard, and approval of the Board of Directors of the Company, consent of the members be and is hereby accorded for payment of existing remuneration as minimum remuneration to Mr. Mayank Poddar, erstwhile Whole-time Director for the period from 1 April 2020 to 7 November 2020 in terms of the ordinary resolution passed by the shareholders of the Company at the 36th Annual General Meeting of the Company held on 19 September 2016, and revisions made pursuant to the same by the Board, subject to compliance of conditions specified in second proviso to item (B) of Section II of Part II of Schedule V of the Act;

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such other acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this Resolution."

By Order of the Board of Directors
For **Poonawalla Fincorp Limited**
(Formerly **Magma Fincorp Limited**)

Shabnum Zaman
Company Secretary
ACS :13918

Place: Kolkata
Date: 3 August 2021

NOTES:

1. The name of the Company **'Magma Fincorp Limited'** has been changed to **'Poonawalla Fincorp Limited'** with effect from 22 July, 2021, vide a fresh Certificate of Incorporation issued by the Ministry of Corporate Affairs, Registrar of Companies, Kolkata. Further, the name of **'Magma Housing Finance Limited'**, Wholly Owned Subsidiary of the Company has been changed to **'Poonawalla Housing Finance Limited'** with effect from 22 July, 2021, vide a fresh Certificate of Incorporation issued by the Ministry of Corporate Affairs, Registrar of Companies, Kolkata.

2. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs **('MCA')** has vide its General Circular No. 14/2020, General Circular No. 17/2020 and General Circular No. 20/2020 dated April 8, 2020, April 13, 2020 and May 5, 2020, respectively, and clarification Circular No. 02/2021 dated January 13, 2021 issued by the Ministry of Corporate Affairs **('MCA Circulars')** and Circular No. SEBI/HO/CFD/CMD1/CIR /P/2020/79 dated May 12, 2020, Circular No. SEBI/HO/CFD/ CMD2/CIR/P/2021/11 dated January 15, 2021 issued by the Securities and Exchange Board of India **('SEBI Circulars')** permitted the holding of the Annual General Meeting **('AGM')** through Video Conferencing **('VC')** or Other Audio Video Means **('OAVM')**, without the physical presence of the Members at a common venue. In compliance with the provisions of the Act, SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended (hereinafter referred to as **'Listing Regulations')** and the MCA and SEBI Circulars, the AGM of the Company is being held through VC / OAVM.

3. The Explanatory Statement pursuant to Section 102 and other applicable provisions of the Companies Act, 2013 **('the Act')** and rules made thereunder, with respect to Special Business set out in the Notice is annexed hereto and forms part of the Notice. In terms of the aforesaid circulars, the businesses set out in the Notice shall be transacted only through remote e-voting or through the e-voting system provided during the meeting while participating through VC facility.

4. Considering the remuneration for FY 2020-21 is paid to the executive directors viz. Mr. Mayank Poddar (upto 7 November 2020) and Mr. Sanjay Chamria in the scenario of inadequate profits under Schedule V, statement pursuant to Clause B(iv) of Section II of Part II of Schedule V of the Act in respect of payment of remuneration is provided as an Annexure to this Notice.

5. Brief profile and other information about the Directors proposed to be appointed as required under Regulation 36(3) of Listing Regulations and Secretarial Standard on General Meetings ('SS-2') are forming part of the explanatory statement of this Notice.

6. Since, the AGM is being conducted through VC/OAVM pursuant to MCA Circulars, physical attendance of Members has been dispensed with. **Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice**.

7. The Board of Directors has appointed Mr. Girish Bhatia, Practicing Company Secretary (CP No. 13792), as the Scrutinizer for scrutinizing the process of remote e-voting and e-voting during the Meeting in a fair and transparent manner. The Scrutinizer shall, immediately after the conclusion of the Meeting, unblock the votes cast through remote e-voting and e-voting done during the Meeting in presence of atleast two witnesses not in employment of the Company. The Scrutinizer shall submit a Consolidated Scrutinizer's Report of the total votes cast in favour of or against, if any, not later than 2 days after the conclusion of the Meeting.

8. Institutional/Corporate (i.e. other than individuals/HUF, NRI, etc.) members are requested to send a duly scanned certified copy (PDF/JPEG Format) of its Board or Governing body Resolution/Authorization pursuant to Section 113 of the Act/ Power of Attorney authorizing their representative(s) to attend the AGM through VC / OAVM on its behalf and to vote through remote e-voting. The said Resolution/Authorization shall be sent to the Scrutinizer by email through its registered email address to girishbhatia1956@gmail.com with a copy marked to evoting@nsdl.co.in

9. The Results of remote e-voting and voting at the Meeting shall be declared by the Chairman or by any other director duly authorised in this regard. The Results declared along with the Report of the Scrutinizer shall be placed on the Company's website www.poonawallafincorp.com and also be displayed on the Notice Board of the Company at its Registered Office for atleast 3 days and on the website of NSDL https://www.evoting.nsdl.com immediately after the results are declared and simultaneously communicated to the Stock Exchanges in compliance with Regulation 44(3) of the Listing Regulations.

10. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Act, and the Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Act read with rules issued thereunder will be electronically available for inspection by the members during the meeting. Furthermore, all documents referred to in the Notice and the certificate from Statutory Auditors certifying that the Company's Employee Stock Option Scheme is implemented in accordance with the

SEBI (Share Based Employee Benefits) Regulations 2014 will also be available for electronic inspection without any fee by the Members from the date of circulation of this Notice up to the date of AGM i.e. 28th August 2021.

Members seeking to inspect such documents can send an email to Company's investor email id: secretarial@poonawallafincorp.com mentioning their name, folio No./DP ID and Client ID and the documents that they seek to inspect, with a self -attested copy of their PAN card attached to the email.

11. Members seeking any information with regard to the accounts or any matter to be placed at the AGM, are requested to write to the Company on or before Tuesday, 24 August 2021 through email at shabnum.zaman@poonawallafincorp.com with their name, folio No./DP ID and Client ID. The same will be replied by the Company suitably.

12. Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.

13. Non-resident Indian shareholders are requested to inform about the following immediately to the Company or its RTA or the concerned Depository Participant, as the case may be:-

    a) the change in the residential status on return to India for permanent settlement, and

    b) the particulars of the NRE account with a Bank in India, if not furnished earlier

14. Members are requested to support the Green Initiative by registering/updating their e-mail addresses, with the Depository Participant (in case of Shares held in dematerialised form) or with RTA (in case of Shares held in physical form).

15. Members holding shares in physical form are requested to intimate change in their registered address or bank particulars, 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 RTA and in case of members holding their shares in electronic form, this information should be given to their Depository Participants immediately.

    As per Regulation 40 of the Listing Regulations, as amended, securities of listed companies can be transferred only in dematerialized form with effect from, 1 April 2019, except in case of request received for transmission or transposition of securities. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Members can contact the Company or RTA, M/s. Niche Technologies Private Limited, for assistance in this regard. Members may also refer to process for dematerialisation of shares available on Company's website at weblink i.e., https://poonawallafincorp.com/secretarial-documents.php#download. However, members can continue to make request for transmission or transposition of securities in physical form.

16. Members who are holding shares of the Company in physical form through multiple folios in identical order of names are requested to write to the RTA along with their share certificates, to enable the RTA to consolidate their holdings in to one folio.

17. As per the provisions of Section 72 of the Act, the facility for making nomination is available for the Members in respect of the shares held by them. Members who have not yet registered their nomination are requested to register the same by submitting Form No. SH-13 or SH-14 (Cancellation or Variation of Nomination) to the Company. The said form can be downloaded from the Company's website at weblink i.e., https://poonawallafincorp.com/pdf/secretarial-documents/Form-SH-13-and-SH-14.pdf.

18. The Company has entered necessary arrangement with NSDL and 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.

19. 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.

20. Members are requested to contact the Company's RTA for reply to their queries/ redressal of complaints, if any, or contact Ms. Shabnum Zaman, Company Secretary at email: shabnum.zaman@poonawallafincorp.com

21. Dispatch of Notice of AGM and Annual Report through Electronic mode:

    a. In compliance with the aforesaid MCA Circulars and SEBI Circulars, Notice of the AGM along with the Annual Report 2020-21 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/Depositories.

    b. Members may note that the Notice and the Annual Report 2020-21 will also be available on the Company's website www.poonawallafincorp.com, at weblink i.e. https://www.poonawallafincorp.com/investor.php#annual-report, websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively, and on the website of NSDL https://www.evoting.nsdl.com.

    c. For members who have not registered their email address, are requested to register their email IDs with the Company/Depository Participants before 21 August 2021. The Company shall send the Notice only to such members whose e-mail ids get registered within the aforesaid time enabling them to participate in the meeting and cast their votes.

d. Shareholders holding shares in physical mode and who have not updated their email addresses with the Company are requested to update their email addresses by writing to the RTA, Niche Technologies Pvt. Ltd. at nichetechpl@nichetechpl.com and the Company at secretarial@poonawallafincorp.com respectively along with the scanned copy of the request letter duly signed by sole/first shareholder quoting the Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self- attested scanned copy of PAN Card), Aadhaar (self-attested scanned copy of Aadhaar Card) for registering email address.

e. Shareholders holding shares in dematerialised mode are requested to register/update their email addresses with the relevant Depository Participants. In case of any queries/ difficulties in registering the e-mail address, Members may write to secretarial@poonawallafincorp.com

22. In compliance with the said MCA and SEBI Circulars, the Company has also published a public notice by way of an advertisement dated 31 July 2021 in 'The Financial Express' (English) and 'Aajkaal' (Bengali) along with their electronic editions, inter alia, advising the members whose e-mail ids are not registered with the Company, its RTA or Depository Participant(s) (DPs), as the case may be, to register their e-mail ids with them. Members not having their email ids registered are requested to download a copy of the Notice of AGM and annual report available at the website of the Company at www.poonawallafincorp.com, at weblink i.e. https://www.poonawallafincorp.com/investor.php#annual-report.

23. Shareholders unpaid/unclaimed dividend/shares related matters

a. In terms of Sections 124 and 125 of the Act read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules'), as amended from time to time, dividends which remain unpaid/unclaimed over a period of 7 years will have to be transferred by the Company to Investor Education and Protection Fund authority ('IEPF Authority') of the Central Government.

b. The Shareholders are requested to note that pursuant to the provisions of Section 124(6) of the Act, Listing Regulations and the IEPF Rules, all such shares in respect of which dividend has not been paid or claimed for seven consecutive years or more are also required to be transferred to IEPF Authority. In this regard the Company has sent individual notices on 09 June 2021 to the concerned shareholders for whom the dividend remains unclaimed and unpaid with the Company from FY 2013-14 onwards and also published notice in this regard in accordance with the IEPF Rules.

c. 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
2013-14	31 July 2014	05 September 2021
2014-15	01 August 2015	06 September 2022
2015-16	19 September 2016	25 October 2023
2016-17	02 August 2017	07 September 2024
2017-18	02 August 2018	07 September 2025
2018-19	01 August 2019	06 September 2026
2019-20	The Company did not declare any dividend for F.Y. 2019-20.	

The Company has uploaded the information in respect of the unpaid/ unclaimed dividend amounts lying with the Company, as on the date of the last meeting held on 31 August 2020, on the website of the IEPF viz., www.iepf.gov.in and under "Investors Section" on the website of the Company viz., www.poonawallafincorp.com.

d. Accordingly, all unpaid / unclaimed amounts in respect of dividends paid by the Company for the year ended 31 March 2014 have to be transferred to the said fund by 5 September 2021. Shareholders are requested to encash the dividend before the due date of transfer i.e., 5 September 2021.

e. The Shareholders of the Company can encash the unpaid Dividend Warrants for the year ended 31 March 2014 or any subsequent year, before transfer to the IEPF Authority by writing a request to the Company Secretary, Poonawalla Fincorp Limited (Formerly known as Magma Fincorp Limited), "Development House", 24, Park Street, Kolkata – 700 016. No claim will be entertained thereafter by the Company.

f. The Shareholder are being informed that the Company has transferred 4,17,384 Equity Shares to the IEPF Authority in accordance with the applicable provisions. The Company has also transferred an amount of ₹4,64,324/- to IEPF being the unclaimed dividend for the FY2012-13.

g. Once the unpaid/unclaimed dividend or the shares are transferred to IEPF Authority, the same may be claimed by the Members from the IEPF Authority by making an application in prescribed Form IEPF-5 online and sending the physical copy of the same duly signed (as per the specimen signature recorded with the Company) along with requisite documents to the Registered Office of the Company for verification of the claim.

h. The IEPF Rules and the application form (Form IEPF – 5), as prescribed by the MCA for claiming back of the shares/ dividend, are available on the website of the Company www.poonawallafincorp.com at its weblink i.e. https://www.poonawallafincorp.com/secretarial-documents.php#download as well as website of IEPF at www.iepf.gov.in.

24. SEBI vide its Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated 20th April, 2018 read with Regulation 12 and Schedule 1 of Listing Regulations has mandated that for making dividend payments, Companies whose securities are listed on the stock exchange shall use electronic clearing services as approved by the Reserve Bank of India. Further, pursuant to MCA General Circular No. 20/2020 dated 5th May, 2020, Companies are directed to credit the dividend of the members directly to the bank accounts of the members using Electronic Clearing Service.

    Hence, the members are requested to furnish/update their bank account name & branch, bank account number and account type along with other core banking details such as MICR (Magnetic Ink Character Recognition), IFSC (Indian Financial System Code) etc. at the earliest with:

    i. the respective Depository Participants (DP) (in case of the shares held in electronic mode)

    or;

    ii. the Company's Registrars and Transfer Agents (RTA) i.e. Niche Technologies Private Limited at 7th Floor, Room No.7A & 7B, 3A, Auckland Place, Kolkata — 700 017 or at nichetechpl@nichetechpl.com (in case of the shares held in physical form).

    In case of non-availability or non-updation of bank account details of the shareholders, the Company shall ensure payment of dividend to such members through other postal or courier services.

PROCEDURE FOR REMOTE E-VOTING:

1. The Members can join the AGM in the VC/OAVM mode 30 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available for 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.

2. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Act.

3. Pursuant to the provisions of Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of the Listing Regulations and the Circulars issued by the Ministry of Corporate Affairs dated April 08, 2020, April 13, 2020 and May 05, 2020 the Company is providing facility of remote e-Voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with National Securities Depository Limited (NSDL) for facilitating voting through electronic means, as the authorized agency. The facility of casting votes by a member using remote e-Voting system as well as venue voting on the date of the AGM will be provided by NSDL.

THE INSTRUCTIONS FOR MEMBERS FOR REMOTE E-VOTING AND JOINING ANNUAL GENERAL MEETING ARE AS UNDER:-

The remote e-voting period begins on Tuesday 24 August 2021 at 9:00 A.M. (IST) and ends on Friday 27 August 2021 at 5:00 P.M. (IST). The remote e-voting module shall be disabled by NSDL for voting thereafter. The Members, whose names appear in the Register of Members / Beneficial Owners as on the cut-off date i.e. Saturday, 21 August 2021 may cast their vote electronically. The voting right of shareholders shall be in proportion to their share in the paid-up equity share capital of the Company as on the cut-off date, being 21 August 2021.

How do I vote electronically using NSDL e-Voting system?

The way to vote electronically on NSDL e-Voting system consists of "Two Steps" which are mentioned below:

Step 1: Access to NSDL e-Voting system

A) Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode

In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Login method for Individual shareholders holding securities in demat mode is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL.	1. Existing **IDeAS** user can visit the e-Services website of NSDL Viz. https://eservices.nsdl.com either on a Personal Computer or on a mobile. On the e-Services home page click on the **"Beneficial Owner"** icon under **"Login"** which is available under **'IDeAS'** section , this will prompt you to enter your existing User ID and Password. After successful authentication, you will be able to see e-Voting services under Value added services. Click on **"Access to e-Voting"** under e-Voting services and you will be able to see e-Voting page. Click on company name or **e-Voting service provider i.e. NSDL** and you will be re-directed to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. 2. If you are not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select **"Register Online for IDeAS Portal"** or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp 3. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to **e-Voting website of NSDL** for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. 4. Shareholders/Members can also download NSDL Mobile App **"NSDL Speede"** facility by scanning the QR code mentioned below for seamless voting experience. **NSDL Mobile App is available on** App Store Google Play
Individual Shareholders holding securities in demat mode with CDSL	1. Existing users who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi. 2. After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of **e-Voting service provider i.e. NSDL**. Click on NSDL to cast your vote. 3. If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration 4. Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e., **NSDL** where the e-Voting is in progress.
Individual Shareholders (holding securities in demat mode) login through their depository participants	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. Upon logging in, you will be able to see e-Voting option. Click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022-23058738 or 022-23058542-43

B) **Login Method for e-Voting and joining virtual meeting for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.**

How to Log-in to NSDL e-Voting website?

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section.
3. A new screen will open. You will have to enter your User ID, your Password/OTP and a Verification Code as shown on the screen.

   Alternatively, if you are registered for NSDL eservices i.e., IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e., Cast your vote electronically.
4. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12************** then your user ID is 12**************
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 116630 then user ID is 116630001***

5. Password details for shareholders other than Individual shareholders are given below:

   a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.

   b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

   c) How to retrieve your 'initial password'?

   (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

(ii) If your email ID is not registered, please follow steps mentioned **below in process for those shareholders whose email ids are not registered**.

6. If you are unable to retrieve or have not received the " Initial password" or have forgotten your password:

   a) Click on **"Forgot User Details/Password?"** (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

   b) **Physical User Reset Password?"** (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

   c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address etc.

   d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.

Step 2: Cast your vote electronically and join General Meeting on NSDL e-Voting system.

How to cast your vote electronically and join General Meeting on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.

2. Select "EVEN" of company for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on "VC/OAVM" link placed under "Join General Meeting".

3. Now you are ready for e-Voting as the Voting page opens.

4. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.

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

6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

General Guidelines for shareholders

1. 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. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to girishbhatia1956@gmail.com with a copy marked to evoting@nsdl.co.in.

2. Any person holding shares in physical form and non-individual shareholders, who acquires shares of the Company and becomes member of the Company after the notice is send through e-mail and holding shares as of the cut-off date i.e. 21 August 2021, may obtain the login ID and password by sending a request at evoting@nsdl.co.in or Issuer/RTA. However, if you are already registered with NSDL for remote e-voting, then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" or "Physical User Reset Password" option available on www.evoting.nsdl.com or call on toll free no. 1800 1020 990 and 1800 22 44 30. In case of Individual Shareholders holding securities in demat mode who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date i.e., 21 August 2021 may follow steps mentioned in the Notice of the AGM under Step 1: "Access to NSDL e-Voting system" (Above).

3. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.

4. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800 1020 990 and 1800 22 44 30 or send a request to Mr. Amit Vishal, Senior Manager and/ or Ms. Pallavi Mhatre, Manager at evoting@nsdl.co.in

Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this notice:

1. In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAAR (self-attested scanned copy of Aadhaar Card) by email to secretarial@poonawallafincorp.com.

2. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAAR (self-attested scanned copy of a Aadhaar Card) to secretarial@poonawallafincorp.com. If you are an Individual shareholders' holding securities in demat mode, you are requested to refer to the login method explained at **step 1 (A) i.e., Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode**.

3. Alternatively, shareholder/ members may send a request to evoting@nsdl.co.in for procuring user id and password for e-voting by providing above mentioned documents.

4. In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are required to update their mobile number and email ID correctly in their demat account in order to access e-Voting facility.

THE INSTRUCTIONS FOR MEMBERS FOR e-VOTING ON THE DAY OF THE AGM ARE AS UNDER:-

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.

2. Only those Members/ shareholders, who will be present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.

3. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

4. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for Remote e-voting.

INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

1. Member will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned above for **Access to NSDL e-Voting system**. After successful login, you can see link of "VC/OAVM link" placed under **"Join General meeting"** menu against company name. You are requested to click on VC/OAVM link placed under Join General Meeting menu. The link for VC/OAVM will be available in Shareholder/ Member login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush.

2. Members are encouraged to join the Meeting through Laptops for better experience.

3. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.

4. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.

5. Shareholders who would like to express their views/ have questions may send their questions in advance mentioning their name demat account number/ folio number, email id, mobile number at shabnum.zaman@poonawallafincorp.com latest by 5 p.m. (IST) on Tuesday, 24 August 2021. The same will be replied by the Company suitably.

6. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.

7. When a pre-registered speaker is invited to speak at the meeting, but he / she does not respond, the next speaker will be invited to speak. Accordingly, all speakers are requested to get connected to a device with a video/ camera along with good internet speed.

8. The Company reserves the right to restrict the number of questions and number of speakers, as appropriate, for smooth conduct of the AGM.

9 Members who need assistance before or during the AGM, can contact Mr. Amit Vishal, Senior Manager, NSDL and / or Ms. Pallavi Mhatre, Manager, NSDL at evoting@nsdl.co.in or call 1800 1020 990 / 1800 22 44 30.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

As required under Section 102 of the Companies Act, 2013 (as amended) (the "Act") the following Explanatory Statement sets out all material facts relating to Item No. 4 to Item No. 12 of the accompanying Notice dated 3 August 2021.

ITEM NO. 4

The Members of the Company at the 36th Annual General Meeting ('AGM') held on 19th September, 2016 approved the re-appointment of M/s. B S R & Co. LLP, Chartered Accountants, as the Statutory Auditors of the Company for a period of 5 (five) years from the conclusion of the 36th AGM (for FY 2015-16) till the conclusion of the 41st AGM (for FY 2020-2021). M/s. B S R & Co. LLP will complete their present term on conclusion of the 41st AGM in terms of the said approval and Section 139 of the Companies Act, 2013 ('the Act') read with the Companies (Audit and Auditors) Rules, 2014. The present remuneration of M/s. B S R & Co. LLP for conducting the audit for the financial year 2020-21, as approved by the Members, is ₹85 Lakhs plus applicable taxes and reimbursement of out-of-pocket expenses incurred and excludes fees for services in the nature of certifications and other professional work.

In accordance with the Act, the Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated 27 April 2021 issued by Reserve Bank of India (RBI Guidelines), on the recommendation of the Audit Committee ('the Committee') and considering various parameters including , experience of Lead Audit partner, their clientele, industry experience and profile and knowledge in the financial services sector, the Board of Directors at their meeting held on June 19, 2021 considered, approved and recommended for approval of the Members of the Company, the appointment of M/s. Walker Chandiok & Co LLP (Firm Registration No. 001076N/N500013) as the Statutory Auditors of the Company for a period of three years i.e. from the conclusion of 41st AGM till the conclusion of 44th AGM of the Company.

M/s. Walker Chandiok & Co LLP was established on January 1, 1935 and converted to Limited Liability Partnership Firm on March 25, 2014. The firm is registered with The Institute of Chartered Accountants of India and empaneled on the Public Company Accounting Oversight Board and Comptroller and Auditor General of India. The firm provides professional services like auditing, taxation and management consultancy services to clients in India.

The members are requested to note that M/s. Walker Chandiok & Co LLP have consented to their appointment as Statutory Auditors of the Company vide letter dated 18 June 2021 and confirmed that their appointment, if made, would be within the limits specified under the Act and the RBI Guidelines and that they are not disqualified from being appointed as Statutory Auditors of the Company.

Members are requested to note that if appointed, M/s. Walker Chandiok & Co LLP shall be paid statutory audit fees of ₹77 Lakhs plus applicable taxes, and reimbursement of out-of-pocket expenses incurred, for performing the statutory audit of the Company for the financial year 2021-22. The fees for services in the nature of statutory certifications and other professional work will be in addition to the statutory audit fee as above and will be decided by the Company in consultation with the Auditors and will be subject to approval by the Board of Directors and / the Committee in the manner as mentioned in the resolution at Item No. 4 of the AGM Notice. The remuneration payable to the M/s. Walker Chandiok & Co LLP for their remaining tenure shall be decided by the Board of Directors of the Company or the Committee by resolution as set out in Item No. 4 of this AGM Notice.

The Board of Directors recommends the resolution set out in Item No. 4 of the AGM Notice to the Members for their consideration and approval, by way of an Ordinary Resolution.

None of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the **Ordinary Resolution** set out in **Item No. 4** of the AGM Notice.

ITEM NO. 5

The Board of Directors **('Board')** of the Company at its meeting held on 5 May 2021, pursuant to the recommendation of the Nomination and Remuneration Committee approved appointment of Mr. Sajid Fazalbhoy (DIN: 00022760) as an Additional Director of the Company. The Additional Director holds office only upto the date of this Annual General Meeting of the Company in terms of Section 161(1) of the Companies Act, 2013 **('the Act')** but is eligible for appointment as Director.

The Company has received a notice under Section 160(1) of the Act from a member signifying his intention to propose Mr. Fazalbhoy's appointment as a Director of the Company. Mr. Fazalbhoy has also given a declaration under section 149(7) of the Act that he meets the criteria for independence as provided under Section 149(6) of the Act and fulfils the conditions specified in the Act and the Rules framed thereunder and Regulation 16 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for appointment as Independent Director and he is independent of the management. The Board is also of the opinion that he fulfils the criteria for independence as required under the Act and applicable laws.

Brief Profile of Mr. Sajid Fazalbhoy:

Mr. Fazalbhoy (aged 41 years) has over 10 years of work experience in Private Equity and Venture Capital. Mr. Fazalbhoy is a Partner at growth stage venture capital fund, Iron Pillar. He was formerly engaged as Principal Investments and Venture Advisor at Blume Venture Capital and was also the founder CEO of Amedeo Software.

He has significant experience in deal sourcing, structuring, portfolio management, fund management and fundraising. He serves as an independent director of IVP Limited. He is a Business Management Graduate (BBA) from European Business School, London UK and Regents College London UK. Additionally, he has completed executive education courses on Private Equity and Venture Capital at the Indian School of Business (ISB).

The Board considers that induction of an eminent professional like Mr. Fazalbhoy would immensely benefit the Company and therefore, recommends obtaining approval of the Members as a Special Resolution for appointment of Mr. Fazalbhoy for a term of three years. Mr. Fazalbhoy is not disqualified from being appointed as Director in terms of Section 164 of the Act and satisfies the criteria of 'fit and proper' as prescribed by the Reserve Bank of India vide Master Direction No. DNBR. PD.008/03.10.119/2016-17 dated 1st September, 2016, as amended. Mr. Fazalbhoy along with his relatives do not hold any shares or for any other person on a beneficial basis in the Company.

Mr. Fazalbhoy is said to be concerned or interested in the proposed resolution as it relates to his own appointment. None of the other Directors and Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise in the said Special Resolution, set out at Item No. 5 of the AGM Notice. None of the Directors and Key Managerial Personnel of the Company are inter-se related to each other.

ITEM No. 6

The Board of Directors ('Board') of the Company at its meeting held on 5 May 2021, pursuant to the recommendation of the Nomination and Remuneration Committee, approved appointment of Mr. Prabhakar Dalal (DIN: 00544948) as an Additional Director of the Company. The Additional Director holds office only upto the date of the ensuing Annual General Meeting of the Company in terms of Section 161(1) of the Companies Act, 2013 ('the Act') but is eligible for appointment as Director.

The Company has received a notice under Section 160(1) of the Act from a member signifying his intention to propose Mr. Dalal's appointment as a Director of the Company. Mr. Dalal has also given a declaration under section 149(7) of the Act that he meets the criteria for independence as provided under section 149(6) of the Act and fulfils the conditions specified in the Act and the Rules framed thereunder and Regulation 16 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for appointment as Independent Director and he is independent of the management. The Board is also of the opinion that he fulfils the criteria for independence as required under the Act and applicable laws.

Brief Profile of Mr. Prabhakar Dalal:

Mr. Dalal (aged 68 years) is a highly experienced banker in commercial and development banking, with 37 years of experience and extensive international exposure across the globe. He has worked with Export-Import Bank of India (Exim Bank) for over three decades. He also served as the Executive Director on the Board of EXIM Bank for over 3 years. His expertise is in retail and wholesale banking, international trade and project financing, institutional and international relations, stress assets management, resource management, corporate and securities law and corporate governance. He has been serving as Independent or Nominee Director on the Boards of several companies/organizations in various sectors, including on the Board of West African Development Bank and has served as a Member of Jury for Business Excellence Awards. Mr. Dalal holds M. Com., L.L.B., CAIIB, FIIBF, PGDFERM and PGDSL qualifications.

The Board considers that induction of an eminent professional like Mr. Dalal would immensely benefit the Company and therefore, recommends obtaining approval of the Members as a Special Resolution for appointment of Mr. Dalal for a term of three years. Mr. Dalal is not disqualified from being appointed as Director in terms of Section 164 of the Act and satisfies the criteria of 'fit and proper' as prescribed by the Reserve Bank of India vide Master Direction No. DNBR. PD.008/03.10.119/2016-17 dated 1st September, 2016, as amended. Mr. Dalal along with his relatives do not hold any shares or for any other person on a beneficial basis in the Company.

Mr. Dalal is said to be concerned or interested in the proposed resolution as it relates to his own appointment. None of the other Directors and Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise in the said Special Resolution, set out at Item No. 6 of the AGM Notice. None of the Directors and Key Managerial Personnel of the Company are inter-se related to each other.

Mr. Fazalbhoy and Mr. Dalal are not debarred from holding the office of Director by virtue of any SEBI Order or any other such authority pursuant to circulars dated 20 June 2018 issued by BSE Limited and the National Stock Exchange of India Limited pertaining to enforcement of SEBI Order regarding appointment of Director by listed companies. Copy of the draft letter of appointment to be issued to Mr. Fazalbhoy and Mr. Dalal setting out the terms and conditions would be available for inspection, without any fee, by the Members on the website of the Company www.poonawallafincorp.com at its weblink i.e. https://www.poonawallafincorp.com/secretarial-documents.php#download or at the Company's Registered office on all the working days except Saturdays 10:00 A.M to 12:00 Noon up to the date of the Annual General Meeting.

ITEM NO. 7

As the members are aware that pursuant to preferential issue of Equity Capital, Rising Sun Holdings Private Limited (RSHPL) is the largest shareholder of the Company and has been classified as the Promoters of the Company w.e.f 21 May 2021 alongwith its existing promoters.

In accordance with the Agreement with RSHPL and based on the recommendation of Nomination and Remuneration Committee, the Board of Directors (Board) of the Company had appointed Mr.

Adar Poonawalla (DIN: 00044815) as an Additional Director in the capacity of Non-Executive Director designated as Chairman of the Company with effect from 1 June 2021. The Additional Director holds office only upto the date of this Annual General Meeting of the Company in terms of Section 161(1) of the Companies Act, 2013 ('the Act') but is eligible for appointment as Director. The Company has received a notice under Section 160(1) of the Act from a member signifying his intention to propose Mr. Poonawalla's appointment as a Director of the Company.

Brief Profile of Mr. Adar Poonawalla:

Mr. Poonawalla (aged 40 years) is the CEO of Serum Institute of India and Chairman of Poonawalla Finance Private Limited. Mr. Poonawalla has been engaged in developing affordable children's vaccines and having supplied the same across the globe. In 2013, Forbes India included Mr. Adar Poonawalla in the list of 'Four Scions to Watch Out For'. In 2018, he was accorded the Corporate Social Responsibility award by CNBC Asia. Further, the award-winning GQ magazine included Mr. Poonawalla in its elite list of 50 most influential young Indians. By way of educational background, Mr. Poonawalla is qualified in the field of Finance holding BBA- Finance (UK).

The Board considers that induction of an eminent professional like Mr. Poonawalla would immensely benefit the Company and therefore, recommends obtaining approval of the Members as an Ordinary Resolution for appointment of Mr. Poonawalla as Non-Executive Non-Independent Director of the Company. Mr. Poonawalla is not disqualified from being appointed as Director in terms of Section 164 of the Act and satisfies the criteria of 'fit and proper' as prescribed by the Reserve Bank of India vide Master Direction No. DNBR. PD.008/03.10.119/2016-17 dated 1st September, 2016, as amended. Mr. Poonawalla along with his relatives do not hold any shares or for any other person on a beneficial basis in the Company. He will be entitled to sitting fees as approved by the Board which will be within the limits specified in the Act.

Mr. Poonawalla is said to be concerned or interested in the proposed resolution as it relates to his own appointment. None of the other Directors and Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise in the said Ordinary Resolution, set out at Item No. 7 of the AGM Notice. None of the Directors and Key Managerial Personnel of the Company are inter-se related to each other.

ITEM No. 8

Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Company had appointed Mr. Amar Deshpande (DIN: 07425556), as an Additional Director in the capacity of a Non-Executive Director of the Company with effect from 3 June 2021. The Additional Director holds office only upto the date of the ensuing Annual General Meeting of the Company in terms of Section 161(1) of the Companies Act, 2013 ('the Act') but is eligible for appointment as Director. The Company has received a notice under Section 160(1) of the Act from a member signifying his intention to propose Mr. Deshpande's appointment as a Director of the Company.

Brief Profile of Mr. Amar Deshpande:

Mr. Deshpande (60 years) is a M. Sc. in Statistics and holds Diploma in Financial Management; and has over 36 years of experience in BFSI Sector mainly into NBFCs with an expertise in areas including Fund Mobilization, Corporate Funding, Project Finance, Debt Syndication, Credit Appraisal and Management Consultancy. He comes with long standing experience in Finance, Banking, Legal and Management spheres. He has spear-headed an arena of various departments such as Legal, Compliance, Operations, Finance, Treasury, Collections, etc. Mr. Deshpande has been a visiting faculty to NIBM (National Institute of Bank Management), Pune and Reserve Bank of India College of Agriculture Banking, Pune. He was awarded as the "Most influential CFOs of India" in the year 2015 by CIMA (Chartered Institute of Management Accounts).

The Board considers that induction of an eminent professional like Mr. Deshpande would immensely benefit the Company and therefore, recommends obtaining approval of the Members as an Ordinary Resolution for appointment of Mr. Deshpande as a Non-Executive Non-Independent Director. Mr. Deshpande is not disqualified from being appointed as Director in terms of Section 164 of the Act and satisfies the criteria of 'fit and proper' as prescribed by the Reserve Bank of India vide Master Direction No. DNBR. PD.008/03.10.119/2016-17 dated 1st September, 2016, as amended. Mr. Deshpande along with his relatives do not hold any shares or for any other person on a beneficial basis in the Company. He will be entitled to sitting fees as approved by the Board which will be within the limits specified in the Act.

Mr. Deshpande is said to be concerned or interested in the proposed resolution as it relates to his own appointment. None of the other Directors and Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise in the said **Ordinary Resolution**, set out at **Item No. 8** of the AGM Notice. None of the Directors and Key Managerial Personnel of the Company are inter-se related to each other.

Mr. Poonawalla and Mr. Deshpande are not debarred from holding the office of Director by virtue of any SEBI Order or any other such authority pursuant to circulars dated 20th June, 2018 issued by BSE Limited and the National Stock Exchange of India Limited pertaining to enforcement of SEBI Orders regarding appointment of Director by listed companies.

ITEM No. 9

Pursuant to the completion of the preferential issue of equity shares of the Company to Rising Sun Holdings Private Limited (RSHPL) along with Mr. Sanjay Chamria and Mr. Mayank Poddar, members of the promoter and promoter group of the Company, and completion of the open offer by the said allottees, RSHPL holds a controlling stake in the Company, has taken operational control of the affairs of the company and is classified as a 'promoter' of the Company, along with the existing members of the promoter and promoter group of the Company.

In accordance with the Terms of the Agreement with RSHPL, pursuant to the recommendation of the Nomination and Remuneration Committee and subject to the approval of the members, the Board of Directors of the Company at their meeting held on 31 May 2021 had appointed Mr. Abhay Bhutada (DIN: 03330542), as an Additional Director in the capacity of Managing Director of the Company with effect from 1 June 2021. The Additional Director holds office only upto the date of the ensuing Annual General Meeting of the Company in terms of Section 161(1) of the Companies Act, 2013 ('the Act') but is eligible for appointment as Director. The Company has received a notice under Section 160(1) of the Act from a member signifying his intention to propose Mr. Bhutada's appointment as a Director of the Company.

The Board has also appointed Mr. Bhutada as Managing Director of the Company for a period of five years from 1 June 2021 upto 31 May 2026, upon the terms & conditions hereinafter indicated, subject to approval of the Members. Mr. Bhutada shall be liable to retire by rotation

Brief Profile of Mr. Abhay Bhutada:

Mr. Bhutada (aged 36 years) is a qualified Chartered Accountant and a seasoned finance professional with over 15 years of diversified experience in the domain of commercial, housing and retail lending. He is passionate about using technology in financial services and has been instrumental in setting up the lending business of the Poonawalla group. His visionary thinking and flawless execution earned him the Young Entrepreneur of India 2017 bestowed upon by the Chairman of State Bank of India and Promising Entrepreneur of India of 2019 by The Economic Times. Asia One has recently felicitated him as "40 under 40 Most Influential Leader for 2020-21".

The main terms and conditions of appointment of Mr. Bhutada is given below:

I) **Basic Salary:** ₹1,666,667/- per month with an annual increment to be decided by the Board of Directors on merit at its absolute discretion, which shall however be only so done so as not to exceed the maximum permissible limits of Managerial Remuneration under the Act.

II) **Perquisites/ Benefits:** In addition to the above salary, Mr. Bhutada shall also be entitled to the following perquisites/ benefits:

   a. Housing Rent Allowance @ 40% of Basic Salary – ₹666,667/- per month

   b. Special Allowance – ₹1,753,205/- per month

   c. Gratuity: Gratuity payable shall not exceed half a month's salary for each completed year of service.

III) **Commission:** Not exceeding 1% of the Net Profits of the Company, payable annually, calculated in the manner laid down in section 198 of the Companies Act, 2013, after the approval of Annual Accounts at the Annual General Meeting of the Company, as may be recommended by the Nomination and Remuneration Committee of the Board of Directors of the Company.

IV) **ESOP/RSO:** Eligible to participate in the Company's RSO/ ESOP Plan and shall be granted such number of options as may be determined and recommended by the Company's Nomination and Remuneration Committee subject to applicable laws.

Minimum Remuneration: In the event of inadequacy of profits in any financial year during the tenure of Mr. Bhutada, he shall be entitled to remuneration for a period of 3 years by way of salary along with perquisites, benefits and other allowances not exceeding such sum as may be prescribed under Section 197 read with Section II of Part II of Schedule V to the Act and rules made there under or any statutory modification or re-enactment thereof for such financial year in which the inadequacy arises.

Mr. Bhutada will be eligible to all other benefits as per the Company's policy.

Mr. Bhutada will be subject to all other service conditions as per the Company's Policy.

Mr. Bhutada will not be entitled to any sitting fee for attending Meetings of the Board or any Committee thereof.

The above may be treated as a written memorandum setting out the terms of appointment of Mr. Bhutada under Section 190 of the Act.

The said resolution confers a power on the Board, or the Nomination and Remuneration Committee, to alter or vary the terms and conditions of appointment, including any variation in remuneration, provided such remuneration is within the limits laid in section 197/ Schedule V of the Act.

The Particulars of the information, pursuant to the provisions of Schedule V, Part II, Section II, clause (A) of the Act is as under:

I. General Information

1. **Nature of Industry:** The Company is a Non-Banking Financial Company (NBFC), engaged in retail financing.

2. **Date or expected date of start of Commercial Production:** The Company was incorporated in 1978, is a Systemically Important Non-Deposit Taking NBFC registered with the Reserve Bank of India. The Company is into retail financing business for over 3 decades with strong management team and extensive industry experience.

3. **In case of new companies expected date of commencement of activities as per project approved by Financial Institution appearing in the Prospectus:** Not Applicable

4. **Financial performance during the last 3 Financial periods:** ₹ In Lakh

Particulars	2017-18	2018-19	2019-20
Sales and Operating Income (Net)	206,318.09	223,114.60	217,754.56
Profit before Interest, Depreciation & Tax (incl. Exceptional Item)	129,862.56	147,067.55	122,979.54
Other Income	3,527.58	3,616.06	4,148.84
Profit Before Tax	23,708.70	40,287.91	3,418.30
Profit After Tax	20,122.54	27,512.87	(1,001.08)

Note: Standalone Financial

5. **Foreign investments or collaborations, if any:** While the Company has foreign investment in its Equity and Debt instruments, the Company has not made any foreign investments and neither entered into any collaborations during the last year.

II. Information about the Appointee

Particulars	Mr. Abhay Bhutada
1. Background details	
- Educational Qualification	Chartered Accountant
2. Past Remuneration for 3 years	Not applicable
3. Recognition or Awards	Mr. Bhutada's Visionary thinking and flawless execution earned him the Young Entrepreneur of India 2017 bestowed upon by the Chairman of State Bank of India and Promising Entrepreneur of India of 2019 by The Economic Times. Asia One has recently felicitated him as "40 under 40 Most Influential Leader for 2020-21"
4. Job Profile and his suitability	Over 15 years of diversified experience in the domain of commercial, housing and retail lending. Mr. Bhutada is Passionate about using technology in financial services and has been instrumental in setting up the lending business of the Poonawalla group. Taking into consideration his qualifications and expertise in relevant fields, Mr. Bhutada is best suited for the responsibilities currently assigned to him by the Board of Directors of the Company.
5. Remuneration	As mentioned above
6. Comparative remuneration Profile with respect to Industry, Size of the Company, profile of the position and person	Taking into consideration the size of the Company, the profile of the appointee, his responsibilities, the industry benchmarks, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies in the industry.
7. Pecuniary relationship directly or indirectly with the Company or relationship with managerial personnel, if any:	Apart from receiving remuneration as stated above Mr. Bhutada does not have any other pecuniary relationship with the Company or with the managerial personnel of the Company.

III. Other Information

1. Reason for inadequate profit	Economic slowdown, outbreak of COVID-19 pandemic and due to additional provision made for COVID - 19, the Company has incurred loss in the financial year 2020-21
2. Step taken or proposed to be taken for improvement	1. Prudent Liquidity management 2. Opex control 3. Portfolio quality 4. Capital preservation
3. Expected increase in productivity and profits in measurable terms	COVID-19 is once in a century event and its effect is beyond comprehension due to the uncertainty of its spread and availability of solutions to control the pandemic. While the external environment is uncertain, the Company has initiated various digitization and cost rationalization measures and expects significant benefits of cost reduction from the same. The Company expects the performance to improve progressively as the economic activity returns to pre COVID levels.

IV Disclosures:

Since the appointment of Mr. Bhutada as Managing Director is effective from 1 June 2021, the information and disclosures of the remuneration package of Mr. Bhutada as per the requirements of Section II of Part II of Schedule V of the Act is not mentioned in the Annual Report in the Corporate Governance Report Section.

Mr. Bhutada satisfies all the conditions set out in Part-I of Schedule V of the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for his appointment. He is not disqualified from being appointed as Director in terms of Section 164 of the Act and satisfies the criteria of 'fit and proper' as prescribed by the Reserve Bank of India vide Master Direction No. DNBR. PD.008/03.10.119/2016-17 dated 1st September, 2016, as amended.

Mr. Bhutada is not debarred from holding the office of Director by virtue of any SEBI Order or any other such authority pursuant to circulars dated 20th June, 2018 issued by BSE Limited and the National Stock Exchange of India Limited pertaining to enforcement of SEBI Orders regarding appointment of Director by listed companies. Mr. Bhutada along with his relatives do not hold any shares or for any other person on a beneficial basis in the Company.

Having regard to the expertise, knowledge and rich experience of Mr. Bhutada, the Board is of the view that his induction would be of immense benefit and value to the Company and pursuant to the recommendation of the Nomination and Remuneration Committee, recommends his appointment to the Members as Managing Director of the Company and obtaining approval of the Members as a Special Resolution set out at Item No. 9 of the AGM Notice.

Mr. Bhutada is said to be concerned or interested in the proposed resolution as it relates to his own appointment. None of the other Directors and Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise in the said **Special Resolution** set out at **Item No. 9** of the AGM Notice. None of the Directors and Key Managerial Personnel of the Company are inter-se related to each other.

ITEM No. 10

In terms of the Articles of Association of the Company, pursuant to the recommendation of the Nomination and Remuneration Committee and subject to the approval of the members, the Board of Directors of the Company at their meeting held on 6 February 2021 had re-appointed Mr. Sanjay Chamria as the Whole-time Director of the Company designated as the Vice Chairman and Managing Director of the Company for a period of 5 years with effect from 1 April 2021 to 31 March 2026.

Pursuant to the completion of the preferential issue of equity shares of the Company to Rising Sun Holdings Private Limited (RSHPL) along with Mr. Sanjay Chamria and Mr. Mayank Poddar, members of the promoter and promoter group of the Company, and completion of the open offer by the said allottees, RSHPL holds a controlling stake in the Company, has taken operational control of the affairs of the Company and is classified as a 'promoter' of the Company, along with the existing members of the promoter and promoter group of the Company.

In accordance with the Terms of the Agreement with RSHPL and based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Company had re-designated Mr. Chamria as Executive Vice Chairman with effect from 1 June 2021 to 31 March 2026 upon the terms and conditions hereinafter indicated subject to approval of the Members.

Mr. Chamria's office shall be liable to retire by rotation. The Company has received a notice under Section 160(1) of the Act from a member signifying his intention to propose Mr. Chamria's appointment as a Director of the Company.

The terms and conditions of re-appointment of Mr. Chamria, is given below:

I) **Basic Salary:** ₹746,667/- per month with an annual increment to be decided by the Board of Directors on merit at its absolute discretion, which shall however be only so done so as not to exceed the maximum permissible limits of Managerial Remuneration under the Act.

II) **Perquisites / Benefits:** In addition to the above salary, Mr. Chamria shall also be entitled to the following perquisites / benefits:

a. Housing Rent Allowance @50% of Basic Salary – ₹3,73,334/- per month

b. Special Allowance – ₹5,58,947/- per month

c. Leave Travel Concession: Reimbursement of all the expenses (like travel fare, lodging, boarding, conveyance and other expenses) incurred for self and family during the leave/ holiday travel period, whenever undertaken, once in a year, incurred in accordance with the Rules of the Company. In case Mr. Chamria does not go on leave travel the Company shall pay him the entire eligible amount by way of Leave Travel Allowance.

d. Club Membership: Reimbursement of membership fee including admission and annual membership fee for one club in India

e. Provident Fund: Contribution to Provident Fund not exceeding 12% of salary or such percentage limit as may be prescribed by Income Tax legislation.

f. Gratuity: Gratuity payable shall not exceed half a month's salary for each completed year of service.

g. Provision for use of telephones at residence (including payment for local calls and long-distance calls) and Company's car shall not be included in the computation of perquisites

Minimum Remuneration: In the event of inadequacy of profits in any financial year during the tenure of Mr. Chamria, he shall be entitled to remuneration for a period of 3 years by way of salary along with perquisites, benefits and other allowances not exceeding such sum as may be prescribed under Section 197 read with Section II of Part II of Schedule V to the Act and rules made there under or any statutory modification or re-enactment thereof for such financial year in which the inadequacy arises.

Perquisites shall be valued in terms of actual expenditure incurred by the Company in providing the benefits. However, in cases where the actual amount of expenditure cannot be ascertained with reasonable accuracy (including car provided for official and personal purposes) the perquisites shall be valued as per income tax rules.

Mr. Chamria will be subject to all other service conditions as per the Company's Policy.

Mr. Chamria will not be entitled to any sitting fee for attending Meetings of the Board or any Committee thereof.

The above may be treated as a written memorandum setting out the terms of re-appointment of Mr. Chamria under Section 190 of the Act.

The said resolution confers a power on the Board, or the Nomination and Remuneration Committee, to alter or vary the terms and conditions of appointment, including any variation in remuneration, provided such remuneration is within the limits laid in section 197/ Schedule V of the Act. Particulars of the information, pursuant to the provisions of Schedule V, Part II, Section II, clause (A) of the Act is provided below.

Mr. Sanjay Chamria satisfies all the conditions set out in Part-I of Schedule V of the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for his re-appointment. He is not disqualified from being appointed as Director in terms of Section 164 of the Act and satisfies the criteria of 'fit and proper' as prescribed by the Reserve Bank of India vide Master Direction No. DNBR. PD.008/03.10.119/2016-17 dated 1st September, 2016, as amended.

Mr. Chamria is not debarred from holding the office of Director by virtue of any SEBI Order or any other such authority pursuant to circulars dated 20th June, 2018 issued by BSE Limited and the National Stock Exchange of India Limited pertaining to enforcement of SEBI Orders regarding appointment of Director by listed companies. Except 1,78,57,143 shares, Mr. Chamria along with his relatives do not hold any shares or for any other person on a beneficial basis in the Company.

Considering Mr. Chamria' s business acumen, vast knowledge of various aspects relating to the Company's affairs and rich experience for more than three decades in the NBFC sector, the Board is of the view that his continuation would be of immense benefit and value to the Company and pursuant to the recommendation of the Nomination and Remuneration Committee, recommends his re-appointment to the Members as Vice Chairman and Managing Director for the period 1 April 2021 to 31 May 2021 and thereafter Executive Vice Chairman of the Company for the period 1 June 2021 to 31 March 2026 and obtaining approval of the Members as a Special Resolution set out at Item No. 10 of the AGM Notice.

Mr. Chamria is said to be concerned or interested in the proposed resolution as it relates to his own re-appointment. None of the other Directors and Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise in the said **Special Resolution** set out at **Item No. 10** of the AGM Notice. None of the Directors and Key Managerial Personnel of the Company are inter-se related to each other.

ITEM No. 11

Mr. Sanjay Chamria (DIN: 00009894) was re-appointed as Vice Chairman and Managing Director of the Company for a period of 5 years w.e.f. 01 April 2016 till 31 March 2021 in terms of ordinary resolution passed by the shareholders at the Annual General Meeting held on 19 September 2016.

The details of the remuneration approved by the shareholders of the Company and revisions made pursuant to the same by the Board, is enumerated in the table given below.

During the financial year 2020-21 due to economic slowdown, outbreak of COVID-19 pandemic and due to additional provision made for COVID - 19, the Company has decided to make provision and consequently has incurred loss in the financial year 2020-21 for the purpose of managerial remuneration in terms of Section 197 of the Companies Act, 2013. Now, due to loss, approval of the Members is being sought by Special Resolution for the payment of existing remuneration to Mr. Sanjay Chamria, presently Executive Vice Chairman (erstwhile Vice Chairman and Managing Director) of the Company for the period from 1 April 2020 to 31 March 2021 pursuant to Section II of Part II of Schedule V to the Companies Act, 2013 as amended from time to time.

This approval is also taken as an approval under Regulation 17(6)(e) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended, as applicable. The explanation in this regard has been clubbed with the next item of business as given below.

Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Company at their meeting held on 31 May 2021 has approved the proposal to seek approval of the shareholder by way of Special Resolution.

Mr. Chamria is said to be concerned or interested in the proposed resolution as it relates to his own remuneration. None of the other Directors and Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise in the said **Special Resolution**, set out at **Item No. 11** of the AGM Notice. None of the Directors and Key Managerial Personnel of the Company are inter-se related to each other.

ITEM No. 12

Pursuant to Regulations 17(6)(e) of SEBI (Listing Obligations and Disclosure Requirements Regulations) 2015 ('Listing Regulations'):

"the payment of any fees or compensation to executive directors who are promoters or members of the promoter group, shall be subject to the approval of the shareholders by special resolution, if:

a) the annual remuneration payable to such executive director exceeds ₹5 crore or 2.5 percent of the net profits of the listed entity, whichever is higher; or

b) where there is more than one such director, the aggregate annual remuneration to such directors exceeds 5 percent of the net profits of the listed entity."

For the FY 2020-21, there were two executive promoter directors on the Board of Directors of the Company, viz., Mr. Mayank Poddar, erstwhile Whole Time Director and Mr. Sanjay Chamria, presently Executive Vice Chairman (erstwhile Vice Chairman and Managing Director) of the Company and they are falling under the above amended provisions of the Listing Regulations.

The shareholders have approved remuneration payable to them at the time of approving their re-appointment on 19 September 2016 via Ordinary Resolution as per the Companies Act, 2013. Now, due to loss, the Company is seeking approval of the shareholders by way of special resolution for payment of remuneration as per existing terms and conditions from 1 April 2020 till 7 November 2020 for Mr. Poddar and for financial year 20-21 for Mr. Chamria respectively, in order to comply with the Regulation 17(6)(e) of the Listing Regulations.

Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Company at their meeting held on 31 May 2021 has approved the proposal to seek approval of the shareholder by way of Special Resolution.

Mr. Poddar is said to be concerned or interested in the proposed resolution being a promoter. None of the other Directors and Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise in the said **Special Resolution**, set out at **Item No. 12** of the AGM Notice. None of the Directors and Key Managerial Personnel of the Company are inter-se related to each other.

The details of the remuneration of Mr. Chamria for the period 1 April 2020 to 31 March 2021 and Mr. Poddar for the period 1 April 2020 to 7 November 2020:

Particulars	Mr. Mayank Poddar (₹ In Lakh p.a) (for the period 01.04.2020 to 07.11.2020)	Mr. Sanjay Chamria (₹ In Lakh p.a) (for the period 01.04.2020 to 31.03.2021)
Basic Salary	40.51	89.60
Housing Rent Allowance @50% of Basic Salary	20.25	44.80
Special Allowance	30.32	67.07
Leave Travel Concession	Reimbursement of all the expenses (like travel fare, lodging, boarding, conveyance and other expenses) incurred for self and family during the leave/ holiday travel period, whenever undertaken, once in a year, incurred in accordance with the Rules of the Company. In case they do not go on leave travel the Company shall pay him the entire eligible amount by way of Leave Travel Allowance	
Club Membership	Reimbursement of membership fee including admission and annual membership fee for one club in India	
Provident Fund	Contribution to Provident Fund not exceeding 12% of salary or such percentage limit as may be prescribed by Income Tax legislation.	
Gratuity	Gratuity payable shall not exceed half a month's salary for each completed year of service.	
Other terms	Provision for use of telephones at residence (including payment for local calls and long-distance calls) and Company's car shall not be included in the computation of perquisites. Not Entitled to any sitting fee for attending Meetings of the Board or any Committee thereof	
Service Contract Notice Period	Mr. Chamria for a period from 1st April 2016 to 31 March 2021 and Mr. Poddar for a period from 1 July 2016 to 7 November 2020. [Mr. Poddar was designated as Non-Executive Director w.e.f. 8 November 2020 and resigned w.e.f. 7 June 2021]	
Severance Fees	As per Company's Rules	
Stock Options	NIL	

STATEMENT PURSUANT TO CLAUSE A AND B (iv) OF SECTION II OF PART II OF SCHEDULE V OF THE COMPANIES ACT, 2013

The Particulars of the information, pursuant to the provisions of Schedule V, Part II, Section II, clause (A) of the Act for re-appointment of Mr. Sanjay Chamria are enumerated hereunder. Since the payment of remuneration to Executive Directors being made under Part II Section II, the following disclosure is also being given to comply with the provisions of Schedule V:

I. General Information

1. **Nature of Industry:** The Company is a Non-Banking Financial Company (NBFC), engaged in retail financing.

2. **Date or expected date of start of Commercial Production:** The Company was incorporated in 1978, is a Systemically Important Non Deposit Taking NBFC registered with Reserve Bank of India. The Company is into retail financing business for over 3 decades with strong management team and extensive industry experience.

3. **In case of new companies expected date of commencement of activities as per project approved by Financial Institution appearing in the Prospectus:** Not Applicable

4. **Financial performance during the last 3 Financial periods:** ₹ In Lakh

Particulars	2017-18	2018-19	2019-20
Sales and Operating Income(Net)	206,318.09	223,114.60	217,754.56
Profit before Interest, Depreciation & Tax(incl. Exceptional Item)	129,862.56	147,067.55	122,979.54
Other Income	3,527.58	3,616.06	4,148.84
Profit Before Tax	23,708.70	40,287.91	3,418.30
Profit After Tax	20,122.54	27,512.87	(1,001.08)

Note: Standalone financial

5. **Foreign investments or collaborations, if any:** While the Company has foreign investment in its Equity and Debt instruments, the Company has not made any foreign investments and neither entered into any collaborations during the last year.

II. Information about the Appointee

Particulars	Mr. Mayank Poddar (till 7 November 2020)	Mr. Sanjay Chamria
1. Background details		
- Educational Qualification	Bachelor of Commerce	Chartered Accountant
2. Past Remuneration paid for 3 years	*2020: ₹32.13 Lakh 2019: ₹168.40 Lakh 2018: ₹150.00 Lakh	*2020: Salary: ₹42.82 Lakh Commission: Nil 2019: Salary: ₹224.40 Lakh Commission: ₹270 Lakh 2018: Salary: ₹200 lakh Commission: ₹230.00 Lakh
3. Recognition or Awards	N.A	N.A
4. Job Profile and his suitability	More than 35 years' experience in finance business. Contributes in policy formulation and provides overall support and guidance to the Board and Management.	He provides inputs to the Board and guidance to the management team.
5. Existing/Proposed Remuneration	Existing Remuneration i.e. ₹112.71 Lakh for the period from 1 April 2020 to 7 November 2020	Existing and Proposed Remuneration i.e. ₹224.40 Lakh p.a.

*Considering the inadequate profits of the Company for FY 2019-20, the remuneration was paid to executive Directors within the limits prescribed under the Listing Regulations i.e. 5% of the net profits.

Particulars	Mr. Mayank Poddar (till 7 November 2020)	Mr. Sanjay Chamria
6. Comparative remuneration Profile with respect to Industry, Size of the Company, profile of the position and person	The remuneration being paid is in line with the remuneration being paid by the companies of comparable size	The remuneration being paid is in line with the remuneration being paid by the companies of comparable size.
7. Pecuniary relationship directly or indirectly with the Company or relationship with managerial personnel, if any:	Apart from receiving remuneration as stated above Mr. Poddar does not have any other pecuniary relationship with the Company or with the managerial personnel of the Company.	Apart from receiving remuneration as stated above Mr. Chamria does not have any other pecuniary relationship with the Company or with the managerial personnel of the Company.

III. Other Information

1. Reason for inadequate profit	Economic slowdown, outbreak of COVID-19 pandemic and due to additional provision made for COVID - 19, the Company has incurred loss in the financial year 2020-21
2. Step taken or proposed to be taken for improvement	1. Prudent Liquidity management 2. Opex control 3. Portfolio quality 4. Capital preservation
3. Expected increase in productivity and profits in measurable terms	COVID-19 is once in a century event and its effect is beyond comprehension due to the uncertainty of its spread and availability of solutions to control the pandemic. While the external environment is uncertain, the Company has initiated various digitization and cost rationalization measures and expects significant benefits of cost reduction from the same. The Company expects the performance to improve progressively as the economic activity returns to pre COVID levels.

IV. Disclosures:

The information and Disclosures of the remuneration package of all Directors have been mentioned in the Annual Report in the Corporate Governance Report Section under the Heading "Details of Remuneration paid to Directors for the Financial Year 2020-21".

Information as required under Companies Act, 2013, Regulations 26(4) and 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and applicable Secretarial Standard for appointment/ re-appointment of the Director, a statement containing details of the concerned Director as on date of the Notice is given hereunder:

Name	Mr. Sajid Fazalbhoy	Mr. Prabhakar Dalal	Mr. Adar Poonawalla	Mr. Amar Deshpande	Mr. Abhay Bhutada	Mr. Sanjay Chamria
DIN	00022760	00544948	00044815	07425556	03330542	00009894
Age	41 years	68 years	40 years	60 years	36 years	56 years
Date of first appointment on the Board	May 5, 2021	May 5, 2021	June 1, 2021	June 3, 2021	June 1, 2021	September 28, 1993
Qualification	B.B.A from Regents Business School London (Regents College) European Business School London Indian School of Business (ISB)-Private Equity and Venture Capital	M. Com., L.L.B., CAIIB, FIIBF, PGDFERM and PGDSL	BBA- Finance (UK).	M. Sc. in Statistics & Diploma in Financial Management	Chartered Accountant	Chartered Accountant
Expertise in specific functional area	Over 10 years of work experience in Private Equity and Venture Capital. He has significant experience in deal sourcing, structuring, portfolio management, fund management and fundraising.	Highly experienced banker in commercial and development banking, with 37 years of experience and extensive international exposure across the globe. His expertise is in retail and wholesale banking, international trade and project financing, institutional and international relations, stress assets management, resource management, corporate and securities law and corporate governance.	He has been engaged in developing affordable children's vaccines and having supplied the same across the globe. In 2013, Forbes India included him in the list of 'Four Scions to Watch Out For'. In 2018, he was accorded the Corporate Social Responsibility award by CNBC Asia. Further, the award-winning GQ magazine included him in its elite list of 50 most influential young Indians	Over 36 years of experience in BFSI Sector mainly into NBFCs with an expertise in areas including Fund Mobilization, Corporate Funding, Project Finance, Debt Syndication, Credit Appraisal and Management Consultancy. He comes with long standing experience in Finance, Banking, Legal and Management spheres. He has spear-headed an arena of various departments such as Legal, Compliance, Operations, Finance, Treasury, Collections, etc	Over 15 years of diversified experience in the domain of commercial, housing and retail lending. He is passionate about using technology in financial services and has been instrumental in setting up the lending business for the Poonawalla group.	He provides inputs to the Board and guidance to the management team.
Terms and conditions of appointment or re-appointment along with details of remuneration sought to be paid	Mr. Sajid Fazalbhoy will be appointed as a Non-Executive Independent Director of the Company w.e.f. 5 May 2021 for a term of 3 years and is not liable to retire by rotation. He is entitled to sitting fees and commission, if any.	Mr. Prabhakar Dalal will be appointed as a Non-Executive Independent Director of the Company w.e.f. 5 May 2021 for a term of 3 years and is not liable to retire by rotation. He is entitled to sitting fees and commission, if any.	Mr. Adar Poonawalla will be appointed as a Non-Executive Director designated as Chairman of the Company w.e.f. 1 June 2021 and is liable to retire by rotation. He is entitled to sitting fees	Mr. Amar Deshpande will be appointed as a Non-Executive Director of the Company w.e.f. 3 June 2021 and is liable to retire by rotation. He is entitled to sitting fees.	As given in the statement of resolution no. 9	Mr. Chamria retires by rotation at the ensuing AGM and being eligible, seeks re-appointment. Further his terms of re- appointment is given in the statement of resolution no. 10
Remuneration last drawn by such person, if applicable, (As per last audited balance sheet dated 31 March 2021)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	₹224.40 lakh. The payment of remuneration for FY 20-21 is subject to shareholders approval as the Company has incurred loss during the financial year 2020-21

Name	Mr. Sajid Fazalbhoy	Mr. Prabhakar Dalal	Mr. Adar Poonawalla	Mr. Amar Deshpande	Mr. Abhay Bhutada	Mr. Sanjay Chamria
*List of outside Directorships held in listed entities	1. IVP Limited 2. #Poonawalla Housing Finance Limited (Formerly Magma Housing Finance Limited)	1. Ajanta Pharma Limited 2. Poonawalla Housing Finance Limited (Formerly Magma Housing Finance Limited)	Poonawalla Housing Finance Limited (Formerly Magma Housing Finance Limited)	Poonawalla Housing Finance Limited (Formerly Magma Housing Finance Limited)	Poonawalla Housing Finance Limited (Formerly Magma Housing Finance Limited)	Poonawalla Housing Finance Limited (Formerly Magma Housing Finance Limited)
**Chairman/Member of the Committee of the Board of Directors of other Companies in which he/she is a Director	Member of Audit Committee: 1. IVP Limited	Member of Audit Committee: 1. Ajanta Pharma Limited 2. Poonawalla Housing Finance Limited (Formerly Magma Housing Finance Limited).	NIL	Member of Audit Committee: 1. Poonawalla Housing Finance Limited (Formerly Magma Housing Finance Limited).	NIL	Member of Audit Committee: 1. Magma HDI General Insurance Company Limited
Shareholding in the Company	Nil	Nil	Nil	Nil	Nil	1,78,57,143 shares
No. of Meetings of the Board attended during the year	No. of meeting held post his appointment: 5 No. of meeting attended: 5	No. of meeting held post his appointment: 5 No. of meeting attended: 5	No. of meeting held post his appointment: 3 No. of meeting attended : Nil	No. of meeting held post his appointment : 3 No. of meeting attended: 3	No. of meeting held post his appointment: 3 No. of meeting attended: 3	No. of meeting held: 7 No. of meeting attended: 7
Relationship with other Directors, Manager and other Key Managerial Personnel of the Company	No	No	No	No	No	No
Listed entities from which the Director has resigned in the past three years	None	Zicom Electronic Security Systems Limited	None	None	None	None
Skills and capabilities required for the role and the manner in which the proposed Independent Director meets such requirements	Based on the qualifications and expertise, the proposed independent directors meet the core skills / expertise / competencies as identified by the Board for efficient functioning of the Company in the present business environment as mentioned in the Corporate Governance Report Section under the heading "Skills/Expertise/ Competence of the Board of Directors".		N.A	N.A	N.A	N.A

*Includes Directorships in Listed entities (including debt listed).

** Includes only Audit Committee and Stakeholders' Relationship Committee.

The name of Magma Housing Finance Limited has been changed to Poonawalla Housing Finance Limited w.e.f. 22 July 2021.

By Order of the Board of Directors
For **Poonawalla Fincorp Limited**
(Formerly **Magma Fincorp Limited**)

Shabnum Zaman
Company Secretary
ACS :13918

Place: Kolkata
Date: 3 August 2021

GAME CHANGER

Poonawalla Fincorp Limited
(Formerly Magma Fincorp Limited)

Annual Report 2020-21

Contents

Our big numbers for FY21

Operating profit	Cost of funds	Net interest margin
21% increase	**36 bps** decline	**62 bps** increase

Operating expenses (excludes CGS premium)	Opex (excludes CGS premium) to AUM%	Disbursements
19.8% decline	**50 bps** decline	**43%** decrease YoY

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed 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 'anticipates', 'estimates', '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 achievement of results is 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 bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information.

*Corporate **Information**

Board of Directors

Mr. Adar Poonawalla
Chairman and Non-Executive Director
[w.e.f. 01.06.2021]

Mr. Sanjay Chamria
Executive Vice Chairman
[redesignated w.e.f. 01.06.2021]

Mr. Abhay Bhutada
Managing Director [w.e.f. 01.06.2021]

Mrs. Vijayalakshmi Rajaram Iyer
Non Executive Independent Director

Mr. Bontha Prasada Rao
Non Executive Independent Director

Mr. Prabhakar Dalal
Non Executive Independent Director
[w.e.f. 05.05.2021]

Mr. Sajid Moorad Fazalbhoy
Non Executive Independent Director
[w.e.f. 05.05.2021]

Mr. Amar Deshpande
Non Executive Director [w.e.f. 03.06.2021]

Mr. Narayan K Seshadri
Non Executive Independent Director [upto 31.08.2020]

Mr. V K Viswanathan
Non Executive Independent Director [upto 08.02.2021]

Mr. Sunil Chandiramani
Non Executive Independent Director [upto 03.06.2021]

Mr. Mayank Poddar
Non Executive Director [upto 07.06.2021]

Group Chief Executive Officer

Mr. Vijay Deshwal *[w.e.f. 21.06.2021]*

Group Chief Financial Officer

Mr. Sanjay Miranka *[w.e.f. 02.07.2021]*

Chief Financial Officer

Mr. Kailash Baheti *[upto 01.07.2021]*

Company Secretary

Ms. Shabnum Zaman

Bankers

- Punjab National Bank (Lead Banker)
- State Bank of India
- ICICI Bank Limited
- UCO Bank
- IDBI Bank Ltd
- Indian Bank
- Bank of Baroda
- Union Bank of India
- Canara Bank
- Indian Overseas Bank
- IDFC First Bank Limited.
- Bank of Maharashtra
- NABARD

Statutory Auditors

B S R & Co. LLP
Chartered Accountants
Firm's Registration No.-101248 W/W-100022
Maruthi Info-Tech Centre
11-12/1 Inner Ring Road
Koramangala, Bangalore- 560071

Secretarial Auditor

M/s. MKB & Associates
Practicing Company Secretaries
Manoj Kumar Banthia (Partner)
COP No.-7596
Shantiniketan, 5th Floor, Room No. 511,
8, Camac Street, Kolkata-700017

Registered Office

"Development House"
24, Park Street, Kolkata-700 016
Tel: +91 33 4401 7350
Email Id: secretarial@poonawallafincorp.com
Website: www.poonawallafincorp.com

Correspondence Address

Ecospace Business Park, Premises No.501
Block-4A, 5th Floor, Rajarhat, New Town
Kolkata - 700 160, West Bengal

Corporate Office

601, 6th Floor,
Zero One IT Park, Sr. No. 79/1, Ghorpadi,
Mundhwa Road, Pune- 411036
Tel No.: (020) 6780 8090

Registrar and Share Transfer Agent

Niche Technologies Private Limited
(Shares and Debentures through private placement)
3A, Auckland Place, 7th Floor,
Room No. 7A & 7B
Kolkata - 700 017
Tel No.: +91 33 2280 6616/6617/6618
Fax No.: +91 33 2280-6619
Email Id : nichetechpl@nichetechpl.com

KFin Technologies Private Limited
(Retail Debentures)
"Selenium Tower - B",
Plot No. 31-32, Financial District,
Nanakramguda, Serilingampally,
Hyderabad - 500032
Telangana | India
Tel: +91 40 6716 2222
E-mail: einward.ris@kfintech.com
Website: www.kfintech.com

**In view of the acquisition of the Company by Poonawalla Group, the name of the Company has been changed to Poonawalla Fincorp Limited with effect from 22 July 2021 and accordingly Corporate Information has been updated.*

Gamechanger

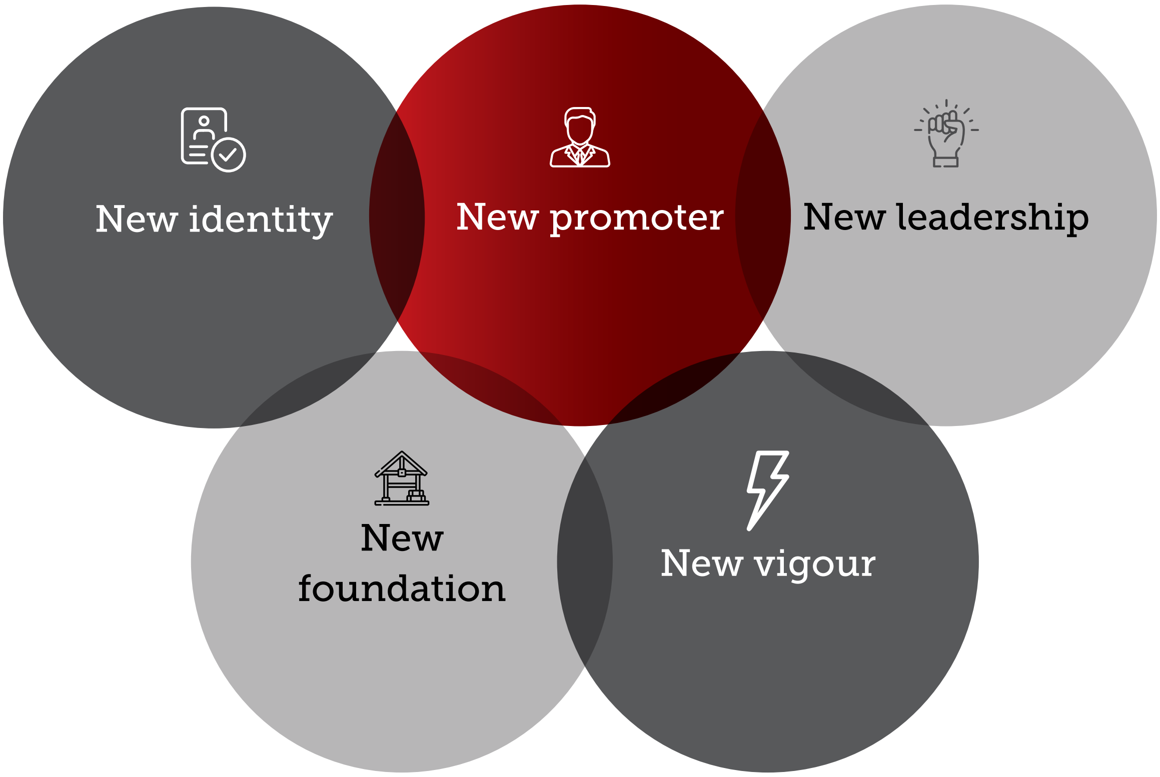
At Magma Fincorp Limited, the most defining initiative in our existence transpired in the fourth quarter of FY 2020-21.

The majority stake in our company was acquired by Rising Sun Holdings Private Limited, a Poonawalla Group Company.

In a business where the principal resource is a deployable corpus, the induction of the large and liquid Poonawalla Group as the principal promoter is a decisive advantage. This induction will strengthen our brand, Balance Sheet, direction and velocity.

This development will not only help our company play the game better; it will empower us to change the game.

Magma Fincorp Limited. Same trusted face. New dynamic personality



The exciting world of Magma Fincorp Limited

Inspiring trust. Empowered by values

Vision

To become India's largest retail asset finance company

Mission

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

Our culture code

Integrity: Do the right thing

Collaboration: Invite ideas and inspiration from all

Respect: Treat people equally

Our track record: Robust foundation

Magma Fincorp Limited went into business in 1988. In more than three decades, the company has emerged as a trusted NBFC, addressing the growing and widening needs of more than 5 Mn customers (largely rural / semi-urban). The company is a Mumbai-based non-deposit taking non-banking finance company (NBFC), registered with the Reserve Bank of India.

Our promoters: Rich entrepreneurial achievement

The Poonawalla Group of Companies acquired a majority stake in Magma Fincorp Limited in the first quarter of FY 2021-22, following which it emerged as the promoter group in the company. The new promoter owns 60% of the company's equity. The erstwhile management continues to be associated in a managerial and minority shareholding position in the company, ensuring continuity.

Our new promoter: Credible and trusted face

The Cyrus Poonawalla Group of Companies, headquartered in Pune, India, is a diversified conglomerate with business interests that include pharmaceuticals & biotechnology, finance, clean energy, hospitality, realty and aviation.

In 1966, Dr. Cyrus Poonawalla founded Serum Institute of India (SII) with the aim of manufacturing life-saving immuno-biologicals in India. Serum Institute of India is now ranked as India's number one biotechnology company and the world's largest vaccine manufacturer (by number of doses produced and sold globally). Chief Executive Officer Adar Poonawalla expanded Serum's global footprint by getting new products licensed and pre-qualified by the World Health Organization for supply to United Nations agencies, including UNICEF and PAHO. It is estimated that about 65% of the children in the world across 170 countries receive at least one vaccine manufactured by SII.

Poonawalla Finance Private Limited (formerly known as Adar Poonawalla Finvest Private Limited) is a financial services company that provides loans to consumers and small businesses in 23 cities across the country. Registered with the Reserve Bank of India as a Non-Deposit Accepting Systemically Important Non-Banking Financial Company (NBFC), Poonawalla Finance is headquartered in Pune. Poonawalla Finance stands for Trust and Passion for Business and Excellence.

Our product portfolio: Relevant and economy-driving

Magma possesses a diversified product portfolio: asset-backed finance (UV/cars, commercial vehicles, construction equipment, pre-owned assets, agri finance), SME finance, mortgage finance and general insurance.

Our footprint: Proximate to customers

The Company's branch network stood at 297 across 21 States in India. The Company addressed a dedicated base of ~2.3 Mn active customers and a loan book of ₹14,225 Cr. The company's physical presence was complemented by a digital footprint that empowered field executives to conduct business from channel and customer locations, enhancing sales productivity, deepening market coverage and improving the channel / customer experience.

Our people: Drivers of our business

The Company comprises competent and qualified professionals like Chartered Accountants, Company Secretaries and MBAs, reinforcing a culture of outperformance. The Company comprised ~7,600 employees as on 31 March, 2021.

Our market capitalization

The Company is listed on the Bombay Stock Exchange Limited and National Stock Exchange in India. The market capitalization of the Company stood at ~₹2,964 Cr on 31 March, 2021.

Our performance

The Company's revenues decreased 8% on account of the pandemic and related challenges; however the decline in profit after tax was considerably sharper at 2166% on account of the most conversative provisioning standards being employed. The Company's gearing was 4.75, net interest margin 8.2% and delinquent net assets a mere 1.2% of the Company's loan book during this challenging year.

Our rewards and recognition

Corporate social responsibility

- Magma received 15 awards since 2015 for various CSR activities
- Magma's Highway Heroes entered the prestigious *Limca Book of Records* for the largest road safety training programme for truck drivers in March 2020
- Hyderabad Best CSR Practice Awards 2020 for innovation in CSR (Magma Highway Heroes) from Institute of Public Enterprise

Information Technology

- Excellence in Technological Innovation at BIG25 NBFC Excellence Awards 2019
- Thought Leaders of IT Award at the 8th BFSI IT Summit 2019

Corporate communication

- Magma received League of American Communications Professionals (LACP) Spotlight Awards for its Annual Report Design in November 2019

24.39
Promoters' holding, 31 March, 2021 (%)

18.87
Institutional holding, 31 March, 2021 (%)

2,964
Market capitalization, 31 March, 2021 (₹ Cr)

The big numbers

21
Number of States where Magma was present, FY 2020-21

297
Number of branches as on 31 March, 2021

~2.3
Mn, Magma's active customers as on 31 March, 2021

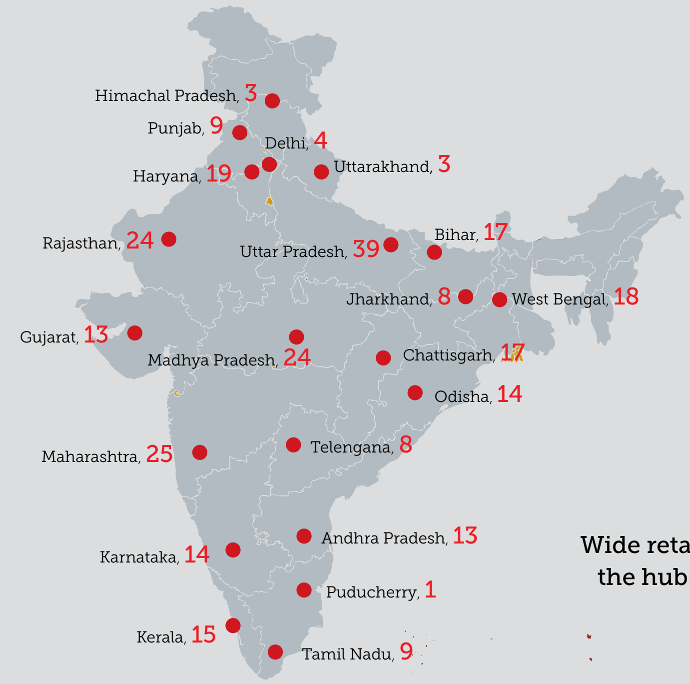
14,225
₹ Cr, Assets under Management

2,194
₹ Cr, net worth as on 31 March, 2021

7,600+
Employees as on 31 March, 2021

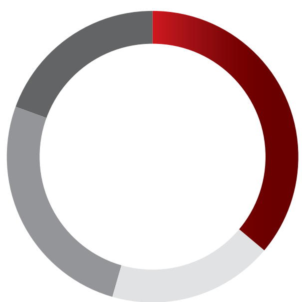
17.4
% Tier-1 CRAR as on 31 March, 2021

Pan-India presence: 297 Branches as on 31 March, 2021

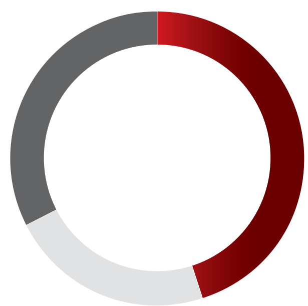


Wide retail presence through the hub-and-spoke model

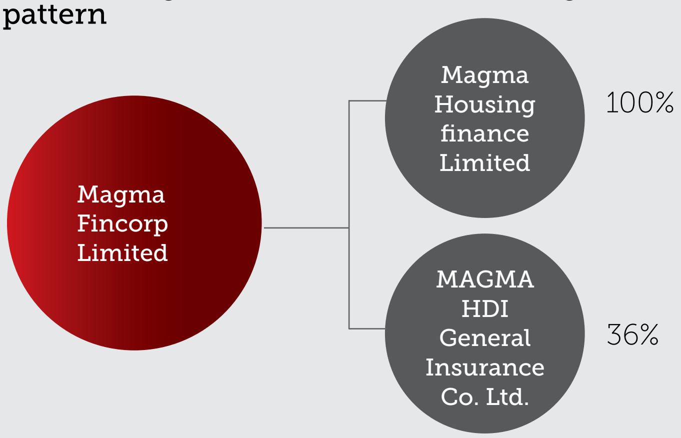
Zone wise breakup



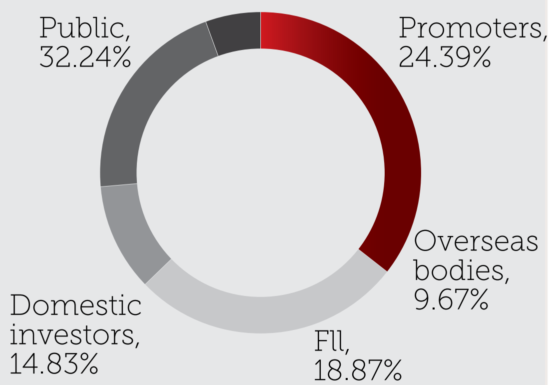
Rural-urban breakup



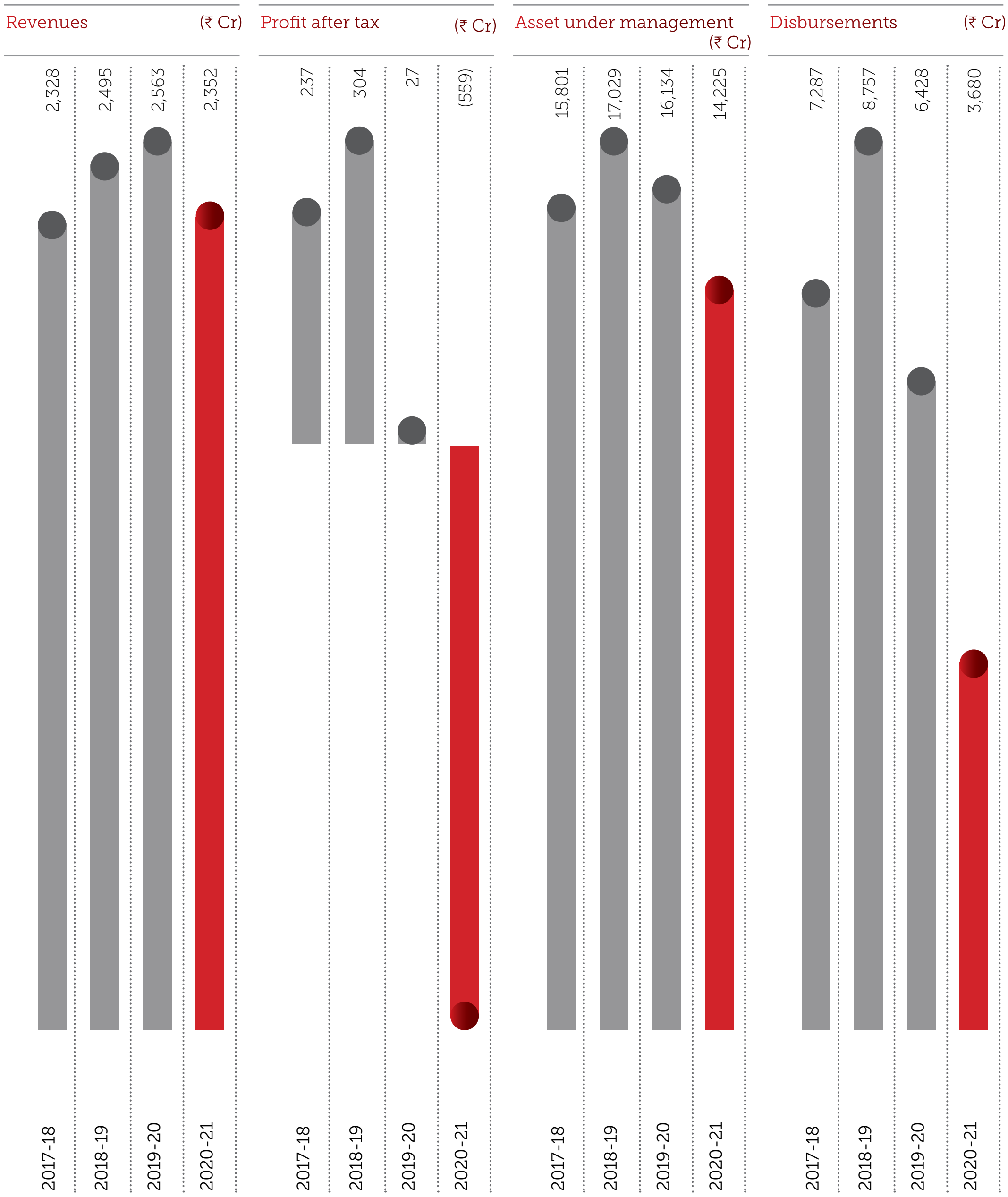
Our holding structure and shareholding pattern

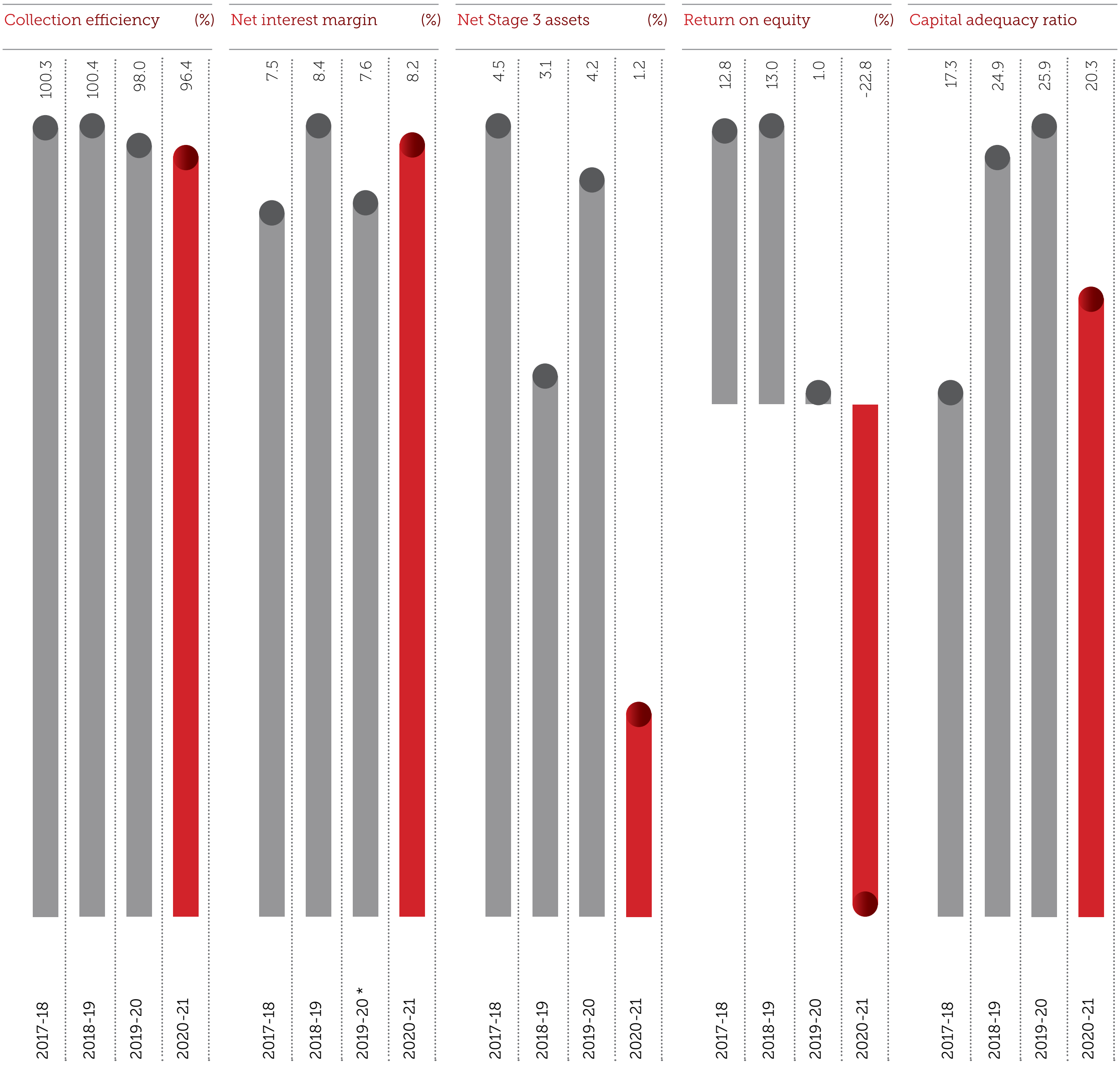


Our shareholding (As on 31 March, 2021)



How we performed across the years





*Re-classified

Our 'Survive-Revive-Thrive' approach in FY 2020-21

Survive

Challenges

Pandemic: The onset of the pandemic promoted a number of intending seekers of financing to defer their decision, resulting in a decline in new financing instances for our company.

Lockdown: The imposition of the lockdown across India brought transportation to a standstill, enhanced apprehension and threatened loan repayments

MSMEs in financial stress: A sharp decline in consumer offtake had a back-to-back impact on the country's economy and heath of MSMEs, affecting their loan repayment capacity.

Measures

Customer connect: The company immediately launched a customer survey starting April 2020 with the objective to establish connect and understand their pain

Customer support: The company extended to customers government support provisions like a moratorium and interest subvention

Right sizing: The company reduced overheads in line with the moderated size of the business, strengthening its capacity to resist the sharp economic downturn in the first quarter of FY 2020-21

Digitalization: The company's progressive investment in digitalization enhanced productivity and moderated costs.

Revive

Challenges

Liquidity for MSMEs: The company encountered a decline in liquidity among its MSME customers

Asset quality: There was a growing apprehension about the company's asset quality following slower repayments

Stressed P&L account: An increase in gross non-performing assets leading to stressed profitability

Measures

Liquidity support: The company provided funding to customers under the ECLG scheme in addition to providing top-loans that enhanced their liquidity and business confidence

Credit advisory model: The company's Credit Advisory Model for MSMEs proved timely; it comprised business-strengthening insights and knowledge (related to manufacturing, marketing or financial best practices) to customers, enhancing their competitiveness and, in turn, enabling them to repay on schedule

One-time restructuring: The company provided restructuring option to service distressed customers, resulting in a win-win – better liquidity among customers and stronger repayment visibility for the company

Thrive

Challenges

Credit selection: There was a need to change credit selection and loan appraisal parameters with speed in view of a stressed economy

Additional capital: The company was required to provide additional capital in line with pandemic-related issues

Measures

Revisiting credit screens: The company revisited its credit screens in line with the evolved industry environment

Deep promoter pockets: The company inducted the cash-rich and respected Poonawalla Group as the new promoter with a majority stake (controlling interest)

Additional capital: The company mobilized additional equity equivalent to ₹3,456 cr following the induction of a new promoter, helping resize the Balance Sheet

How we performed in FY 2020-21

Our strategy

- Focused on strengthening the Balance Sheet through superior collections, operating expense control and strong provision buffers.
- Focused on deploying fresh funds in products generating a high Return on Assets (pre-owned assets, agriculture vehicles, automobile lease, small and medium enterprises and affordable housing).
- 97% receivables were either secured by collaterals or enjoyed a sovereign guarantee cover.
- Leveraged FinTech solutions and data analytics to enhance sourcing and faster underwriting that helped reduce operating expenditure and provide a differentiated experience to the semi-urban/rural customer base.

Business

- FY 2020-21 disbursements were 43% lower than FY 2019-20
- Release of capital from non-focus products was redeployed in higher Return on Assets alternatives

Liquidity management

- Cost of funds declined 36 bps over the previous year
- Achieved comfortable liquidity of ₹ 2,002 Cr at the close of FY 2020-21. A further infusion of ₹3,456 Cr of fresh equity was completed on 6 May 2021

Portfolio behavior

- Improvement in collection efficiency from 84.5% in September 2020 to 101.8% in March 2021
- Stage 1 and 2 provision coverage ratio was at 7.2% as on 31 March, 2021 (2.2% as on 31 March, 2020)
- Made a pandemic provision for COVID Wave 2 of ₹621 Cr (4.4% of AUM) at the year-end, adequately covering the residual risk

Operating expenditure management (excludes CGS premium)

- Opex was lower by ₹134 Cr (~20%) at year-end; Opex to AUM was 3.6% during the year
- Opex ratio reduced ~50 bps YoY.

Profitability and Balance Sheet strength

- Consolidated Profit / (Loss) Before Tax declined YoY by ~1016% to ₹(749) Cr
- Strong Capital Adequacy ratio of 20.3% (Tier-1 capital at 17.4%); increased to ~69.8% (Tier 1 capital increased to ~66.8%) upon capital infusion of ₹3,456 Crore on 6 May 2021.
- Reported Gross Stage 3 and Net Stage 3 at 3.7% and 1.2% as against 6.4% and 4.2% in the previous year

Magma Vision 2025

Poised to enhance stakeholder value and emerge as a unique NBFC

Vision 2025

To become the most trusted financial service provider in India

To emerge among the three leading NBFCs for consumer and small/ medium business finance

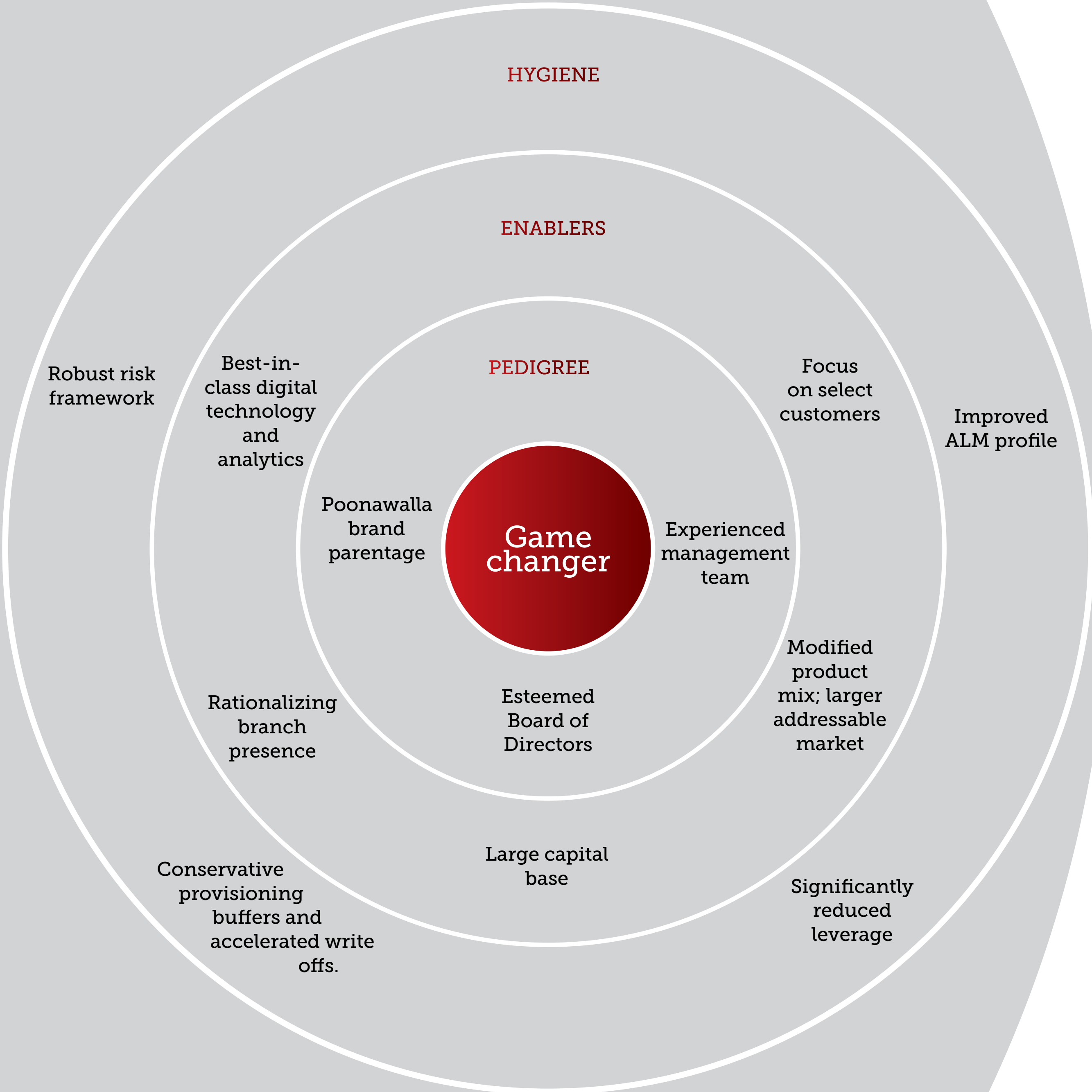
Accelerated growth with calibrated underwriting approach (~3x of current AUM)

Lowest cost of funds in the industry (200-250 bps reduction)

Extensive provisioning to minimize performance shocks (net NPAs sub-1%)

Use of cutting-edge technologies; emerge as a 'key opinion leader' for technology in NBFCs

Accelerate growth of subsidiary followed by value unlocking (IPO)


HYGIENE
ENABLERS
PEDIGREE
Game changer
Robust risk framework
Best-in-class digital technology and analytics
Focus on select customers
Improved ALM profile
Poonawalla brand parentage
Experienced management team
Modified product mix; larger addressable market
Rationalizing branch presence
Esteemed Board of Directors
Large capital base
Conservative provisioning buffers and accelerated write offs.
Significantly reduced leverage

Gamechanger: New identity and stronger credentials

The entry of a new promoter in Magma Fincorp represents the coming together of rich pedigree and a new vigour

Overview
The most defining event at Magma Fincorp was the entry of a new promoter in in FY 2021-22.

Rising Sun Holdings Private Limited acquired a controlling stake in Magma Fincorp Limited.

Allotment: Magma made a preferential allotment for an aggregate value of ₹3,456 Cr and allotted 45,80,00,000 shares to Rising Sun Holdings (and also 3,57,14,286 shares to Sanjay Chamria and Mayank Poddar). The new promoters infused fresh capital of ₹3,206 Cr while the existing promoters injected fresh capital of ₹250 Cr, making Magma Fincorp one of the best capitalized NBFCs in India.

Ownership: The preferential allotment represents 64.68% of Magma Fincorp's enhanced equity share capital (following the issue). Based on the shareholding at the end of the first quarter of FY 2021-22, Rising Sun Holdings held 60% stake in the entity following issuance; the stake of the existing promoter group reduced to 13.3%.

Re-branding: Magma Fincorp Ltd and its subsidiaries have been renamed and rebranded under the Poonawalla brand.

Restructuring: Following the preferential allotment, the financial services business of Poonawalla Finance to be consolidated into Magma Fincorp.

Leadership: Mr. Adar Poonawalla assumed position as the Chairman of the Board of Directors and Mr. Abhay Bhutada took over as Managing Director from 1 June 2021. Mr. Sanjay Chamria continues as Executive Vice Chairman. Mr. Vijay Deshwal has been appointed CEO from July 2021.

Foundation: The net worth of Magma Fincorp increased from ₹2,194 Cr as on 31 March, 2021 to ₹5,650* Cr as on 30 June, 2021 following equity infusion.

*Net Worth as on 30 June, 2021 has been computed as Net worth of 31 March, 2021 plus Capital Infusion of ₹3,456 Cr

Gamechanger: The introduction of a new management will redefine the company's growth story

Liquidity: Strengthened the company's Capital Adequacy Ratio from 20.3% to ~69.8% as on 15th May 2021 (post equity infusion), 4.65x the mandated minimum RBI requirement

Impact: Can potentially strengthen the credit rating, resulting in access to a lower cost of funds

Customer mix: Strengthens the company's ability to service a wider customer blend, especially the urban affluent possessing better credit backgrounds (instead of largely seeking to finance the unbanked)

Impact: Enhanced safety of the overall loan book, strengthening lender confidence and profitability

Loan value: Reconfigures to products with a higher loan component

Impact: Better yields, strengthening RoCE and the capacity of the company to reinvest

Product mix: Being widened to finance consumer durables, medical equipment, equipment loans and merchant cash advances by March 2022

Impact: Wider landscape to address the growing needs of a modernizing India

Velocity: Faster year-on-year growth

Impact: Possibility of sustained outperformance over the retrospective corporate growth average and the sectorial average

Addressable market: Created a foundation to graduate to the league of larger NBFCs

Impact: Extension beyond the ₹15-20,000 Cr AUM trap; to grow rapidly to the desired ₹50,000 Cr AUM segment

Credit rating: Prospective improvement in credit-rating from the existing AA-

Impact: Probable improvement could widen access to external funds and moderate costs

Identity: New corporate brand could help attract specialized talent and enhance corporate respect

Liquidity: Stronger knowledge and experience pool

CHAIRMAN'S PERSPECTIVE

The Magma Version 2.0 vision is to grow our company in a decisive and sustainable way across the foreseeable future

Dear Shareholders,

This is my first communication with you following the induction of a new management at the company.

I am excited to be the Chairman of your Company as we embark on Magma 2.0 and have Magma under the Poonawalla aegis. I am confident that as digital India continues to grow, financial services growth will be even more accelerated.

The Indian retail lending market will continue to offer immense opportunities in the medium to long-term and we look forward to being a part of this journey. With the capabilities that we have now, of not just reach and market understanding but also of capital and a strong brand, we are poised to leverage the opportunities in India's retail lending space.

There were disturbances in the markets due to the pandemic, but we believe that the current markets are more of an aberration, and that the markets will bounce back fast.

The direction

The new management has outlined a focused direction for the Company.

One, Magma Fincorp will be a professionally run organization under a new leadership team fully supported by the existing leadership.

Two, the Company will seek to capitalize on a large capital base and strong parentage.

Three, the Company will realign its product and geographic focus.

Four, the Company will practice conservative accounting practices, addressing asset quality challenges through accelerated write-offs and prudent provision buffers.

Five, the Company will develop a robust asset-liability match profile.

Six, the Company will continue to invest in best-in-class risk management and data analytics.

I am confident that the interplay of these realities should translate into enhanced value for all stakeholders associated with our company.

Our aspirations

We are driven by the vision of creating India's most trusted financial services brand.

We seek to touch the lives of our customers by integrating into their ecosystems and emerging as a full-stack financial services provider.

We desire to evolve into a consumer- and MSME-driven company, two areas marked by a growing appetite for timely financing.

We are focused on building a digital-led omnichannel presence.

We intend to stay relevant to transforming external realities through a culture of ongoing innovation resulting in best-in-class solutions to our customers.

Time to execute

The year gone by has been tough, which has bought us a lot of learnings. Now is the time to execute; we have on board a strong and committed leadership team, which is working on executing this vision into a reality. We continue to work with a single objective of building a sustainable business. We are sure that as Covid-19 subsides and the economy continues on a recovery path, businesses with a clear vision, strong foundation, clear focus and strong governance will outperform others, and your company is one of them. We continue to commit towards creating value for all our stakeholders and adhering to the highest standards of corporate governance.

Based on these realities, our vision is to grow Magma in a decisively sustainable way across the foreseeable future.

Yours sincerely,

Adar Poonawalla
Chairman

We desire to evolve into a consumer- and MSME-driven company, two areas marked by a growing appetite for timely financing.

Magma: Now better positioned after the induction of a new promoter to address India's 'next billion' opportunity

Overview

Magma was started in the late Eighties with three employees and a dream to make a difference.

More than three decades later, that one business has grown to three, the number of branches to around 300 and employees to over 7600.

During this period, the company has encountered liberalization, globalization, two seminal meltdowns, a number of economic slowdowns and sectorial sluggishness.

The reason Magma endured across these challenging phases is that it stayed responsive to evolving environments.

The decision of Magma's management to induct a new promoter represents yet another manifestation of the company's capacity to remain relevant within a fast-evolving industry environment.

The decision to induct a new promoter is validated across various levels.

Let me start with the philosophical. When we went into business, we were the small stream that moved with speed and in line with the gradient of its terrain. Over time, this stream converged with other streams, became larger, carried more water and emptied into a river. The river ran its course across the plains, winding through various geographies. The time has come for the river to meet the ocean.

This process of convergence and evolution is about yielding one's identity and, in doing so, graduating into a larger reality with lasting possibilities. As a company dedicated to enhancing value, we see the transmutation of one's identity as a step towards what we had fundamentally desired anyway – to build a company that would last. I am convinced that we have moved in the right direction; the induction of the new management represents a gamechanger that will not only grow our company around a robust foundation but will do so faster. We are now positioned to enhance shareholder value in an attractively sustainable manner across the foreseeable future.

This induction was necessary for another reason. During the last decade, Magma acquired a well-rounded personality. If there was a gap in our operating model, it was just one: the company was constrained by access to high cost capital, which limited its presence in only a few spaces. This prevented Magma from the large universe of financing opportunities in a modernizing India. Over time, this constraint would have stagnated the growth of assets under our management and eroded competitiveness.

By inducting a new promoter, we have plugged that missing gap. With a corpus of ₹5,650 Cr on our books (existing net worth of the business as at end of FY 2020-21 plus fresh infusion by the new promoter), the company is now more complete than at any time in its existence.

I am more optimistic about the company's prospects now than ever. The company is present in three attractive segments – financing of assets and small-medium enterprises, housing finance and insurance. These businesses now enjoy access to proprietary funds that could empower them to grow faster and effectively address the widening needs of India's next billion (millennials and those with growing incomes).

I have always believed that the success of any organization is when it is built with the perspective of outlasting the life of its founder. By inducting a new promoter, we have ensured that our company will outlast the existence of the two individuals who started the company.

This will be the most effective means of enhancing value in the hands of all those associated with our company.

Sanjay Chamria
Executive Vice Chairman

By inducting a new promoter, we have ensured that our company will outlast the existence of the two individuals who started the company.

MAGMA
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MANAGING DIRECTOR'S PERSPECTIVE

We will build an institution with strong foundations which stands the test of time

Overview

This is my first interaction with you and I hope that you and your loved ones are safe in this pandemic. The COVID-19 pandemic has impacted the entire society and economy this year. The sheer magnitude of impact and the associated changes triggered by it have made it a defining event for not just individuals but also enterprises and the nation.

The pandemic has been an acid test of character in terms of foundations and resilience. As realities gradually start returning to normalcy, one thing is clear: organizations with strong foundations, exemplary leadership and the ability to take bold steps will not just survive, but thrive and come out stronger in this new normal.

We have taken some bold decisions, which not only shows our commitment to creating an institution for the future but also positioning us well to address the financing needs of the new India.

Economy and behavior

The pandemic has impacted economies at large across the globe. The interconnectedness of economies could be clearly seen as the pandemic encompassed almost all economies, large or small, and across sectors from manufacturing to services. The resurgent nature of the pandemic, in the form of new waves, added not just to the complexity but also increased uncertainty regarding the pace of recovery.

The Indian economy was not an exception and saw a similar impact. Growth and employment have taken a hit. Governments and regulators have done their bit to control it and have been proactively managing it to the best of their abilities. While the crisis seems to be going away slowly, the telling impact that it had on the economies will take some time to recover.

The Covid-19 pandemic bought huge changes in the behaviour of not just individuals but also organizations. The technology adoption time graphs have contracted, with a spike in adoption rates. Virtual engagements have seen a tremendous spike; the way employees work from home has become a new norm. The increased adoption of e-commerce, e-payments, e-learning and a host of other technology-enabled services has meant that the social construct has undergone a big change. This is something that will need to be a consideration set going forward.

The biggest hallmark of the Indian economy has been the resilience that it has exhibited over the years, and it continues to demonstrate that. The retail consumer and MSME segments have started showing signs of a recovery; we are confident that with our deep understanding of these segments, coupled with technology and prudent risk management, we will create a strong play for ourselves in these segments.

The Company's perspective

Your Company has an active customer base of nearly 2.3 Mn customers, presence across 21 States in India through 297 branches and employment of more than 7,600 people (as on 31 March, 2021). It has an active presence in Business loans, Affordable Housing loans, pre-owned car loans and General Insurance.

The pandemic put the company and the sector through difficult times, with businesses taking a hit, consumers holding back purchasing decisions. Different State governments imposed their own set of relaxations and restrictions, which presented challenges to business continuity. We believe these guidelines were necessary for taming the pandemic.

Your Company responded to the difficulties presented by the current situation by rationalizing costs, making an optimum use of technology, adopting conservative accounting policies and creating a prudent provision buffer, among other initiatives.

Given the challenges, your company made an optimum use of technology for Digital Payments to reduce the need of branches for the purpose of collections. This was done to ensure business continuity while ensuring social distancing, contactless customer interaction and the safety of employees and customers. Cost rationalization is an ongoing process and will continue even after the pandemic subsides. A sustainable, long-term, risk-adjusted RoE would be closely looked at to monitor the progress of cost rationalization.

We want to build an institution on a solid foundation that can stand the test of time. In line with that, effective Q4, FY 2020-21, your Company adopted one of the most conservative policies in the industry for technical write-offs. Accordingly, for each of the product segments, we revised the write-off policy. For asset-backed finance, the write-off policy was revised from 730+ DPD to 180+ DPD. For SMEs, this was revised from 450+ DPD to 90+ DPD. For Affordable housing, we have introduced write-off at 730+ DPD. This policy change resulted in a one-time write-off impact of ₹274 Cr in Q4, FY 2020-21 and for FY 2020-21. Considering the unknown character of COVID, the Company additionally created management overlay provisions of ₹621 Cr in Q4, FY 2020-21 for COVID Wave Two.

The pandemic has thrown numerous challenges at us and we have not left any stone unturned to turn these adversities into opportunities for bettering our processes, tightening our expenses and improving our focus.

Your Company's performance

During FY 2020-21, the consolidated disbursements declined by 43%, i.e., from ₹6,428 Cr in FY 2019-20 to ₹3,680 Cr in FY 2020-21. The decline was mainly due to disruptions in business, induced by the pandemic. Within the Company, there was a focus on maintaining portfolio quality in the light of adverse economic trends. Hence, the Company followed a cautious policy with respect to lending.

Assets Under Management declined 12%, i.e., from ₹16,134 Cr in FY 2019-20 to ₹14,225 Cr in FY 2020-21. As on 31 March, 2021, the company had a well-diversified AUM product mix – distributed across Affordable Housing, Pre-owned Assets, CV/CE, Auto lease and SMEs etc.

During the year, housing finance disbursement declined 5%, from ₹1,315 Cr in FY 2019-20 to ₹1,251 Cr in FY 2020-21. Given the hostile operating environment, we believe this was a steady performance.

The Gross Written Premium for the general insurance business grew 4% during the year.

We wish to thank all our employees, stakeholders and management team for their support and motivation in this difficult year. I am confident that we will not just tide through these tough times but emerge stronger.

Optimism

My optimism comes from the recognition that India's financial services industry is still underpenetrated and there are large unmet consumers and MSME financing needs of a growing India. The objective is to ensure that we are in the right position to address the financing needs of the India of tomorrow.

In this environment, a company like Magma that possesses a multi-segment experience, pan-India presence and a credible Balance Sheet is poised and positioned to make a decisive impact.

We believe that the two segments - consumer and MSME – enjoy a niche presence, are marked by opportunity and hold out considerable prospects. To succeed in these spaces will not just require the usual competencies; players will need digital capabilities, Balance Sheet robustness and a multi-decade experience of market cycles.

Magma now possesses these competencies, which provides me with the optimism that we can transform with speed around evolving realities and enhance stakeholder value.

Shareholder value

The world is transforming across multiple fronts. There is a premium on the need for an integrated approach leading to consistent and attractive value-creation.

Magma's Balance Sheet strengths will enhance capital supply side efficiencies. Magma's re-positioned customer segment focus will moderate credit losses. The company's focus on digital changes will empower a shift in operational efficiencies.

At Magma, we believe that gains arising from these shifts will not be incremental; their cumulative impact can be hydraulic; the outcome of their moving parts can generate an exponential impact that translates into superior shareholder value.

Conclusion

This is the time to look at the opportunities that exist and start our journey towards building a sustainable business to create an exemplary institution.

Our time starts now.

Abhay Bhutada
Managing Director

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Investing in the smallest dream

Game-changer. Our company affirms its commitment to create long-term value for all its stakeholders

The company is committed to enhance value across business segments and market cycles

How we expect to continue creating value for our stakeholders

Our customers
- Empower urban and semi-urban customers with some credit history
- Provide timely financing to the MSME sector, India's economic backbone
- Provide customers with a seamless experience; provide innovative financial products

Our employees
- Create career-enhancing opportunities
- Provide superior opportunities for lateral and vertical growth
- Provide a fair, sensitive, diverse and inclusive work environment

Our communities
- Energize local economies through timely financing and recruitment
- Contribute to the government exchequer (through taxes)
- Reinforce society through civil society engagement and development

Our investors and financiers
- Focus on shareholder value creation and distribution
- Create a robust business model; graduate to a better credit-rating
- Communicate transparently; timely debt servicing

The value we shared with our stakeholders in FY 2020-21

Customers
3,680
₹ Cr, cumulative debt disbursed during FY 2020-21 (43% less than the previous year)

1349
₹ Cr, insurance gross written premium in FY 2020-21 (4.26% more than the previous year)

Financiers
2,895
₹ Cr, (drawn from banks/FIs in FY 2020-21, 55% less than the previous year)

Community
6.83
₹ Cr, spent towards CSR activities in FY 2020-21

Employees
382
₹ Cr, paid out as employee remuneration in FY 2020-21 (15% less than the previous year)

We protected our stakeholders during the Covid-19 pandemic

We moved with speed to protect our eco-system during one the most challenging years in living memory

Stakeholder	Initiatives	Responses
Customers	• New financing requirements were affected owing to business closures during the lockdown •There was a crisis of confidence among customers, affecting repayment	• The company engaged with more than 2.5 Lac customers pan-India during the lockdown • The company counselled, appraised and enhanced their confidence • The engagement reduced the seeking of moratoriums and enhanced recovery • The engagement of the senior leadership team helped assuage the fears of customers (mainly first-time customers) in semi-urban and rural geographies.
Employees	• Keeping employees secure and motivated was a priority • Protecting productivity became important	• The company discontinued corporate office attendance during the lockdown • The company transitioned to working strictly from home • The company's safe working environment comprised thermal screening, regular sanitation and social distancing
Investors	• Sustaining topline and protecting the bottomline was a challenge • There was a threat of rising non-performing assets	• The company rationalized costs, de-risking the business • The Company went one step ahead and made large additional provision for likely impact of COVID wave 2, in addition to moving to stringent write off policy; in the process significantly strengthening its Balance Sheet. • Net Stage 3 Assets of 1.2% was less than the industry average
Community	• The company's offices are in 297 locations • Local communities were affected as most people lost their jobs • The local communities needed to be educated about proper sanitation	• The company engaged and supported peripheral communities • CSR spending was ₹6.83 Cr in FY 2020-21

Our environment-social-governance (ESG) culture

We moved with speed to protect our eco-system business during one the most challenging years in living memory

The big message

Our governance comprises a commitment to be responsible in resource preservation on the one hand and remain alive to growth opportunities on the other, with the objective to enhance organizational value

Our company and ESG

A culture of environment-social-governance (ESG) represents the heart of our business.

We deepened our commitment to ESG through the creation of a Board Strategy Group to address the slowdown impact with strategic clarity, systems orientation, periodic performance appraisal, checks and balances as well as sustained digitalization investments.

We believe that this commitment is critical considering that we are engaged in a business that warrants the mobilization and deployment of large funds, putting a premium on customer credibility, loan recovery and debt repayment.

Our environment component ensures that we finance environmentally responsible assets in addition to moderating our carbon footprint through a lower consumption of finite resources across our offices.

Our social component addresses a proactive investment in talent, relationships (customers, lenders and vendors) and corporate social responsibility. .

Our governance component indicates strategic clarity, conduct codes, Board composition, alignment with UNGC principles and extensive de-risking, among others.

This comprehensive platform – environment, social and governance – makes it possible to generate long-term growth across market cycles, enhancing value for all stakeholders.

Our Social commitment

Our business transformation and related competitiveness are derived from a passionate people ferment, touching a range of stakeholders.

Employees: We invested in a culture of excellence, marked by resource productivity, continuous cost competitiveness, timely talent investments (recruitment, retention and training) and safety. The Company fostered people capital through an exciting workplace, delegation, empowerment and accountability. The Company remained a stable and ethical employer in times of external stress, which strengthened its brand among prospective employees and helped build team morale. The Company's 'Rebound' programme re-skilled more than 500 sales employees (out of 7000), halving the attrition rate. The Company provided opportunities for career growth, micro-learning, structured on-boarding cum integration, leadership depth, succession planning, talent management, access to real time dashboards leading to informed decisions and structured Performance Review Programmes.

Customers and vendors: We grew our stable eco-system of vendors (companies manufacturing the assets that we finance). The company derived an attractive proportion of revenues from repeat customers..

Community: The company engaged with the community around its locations, widening its circle of prosperity in line with the United Nations' Sustainable Development Goals. The company responded to address community needs arising out of the pandemic, safety initiatives addressing truck drivers, relief for those affected by natural disasters, scholarships for the marginalized and health care support for the needy.

Our Governance commitment

Our governance platform comprises a clarity on the way we will grow our business. This enhances organizational predictability and stability. Our governance architecture has been influenced by the following priorities given alongside.

Board of Directors: Our strategic direction is influenced by our Board of Directors, who comprise professionals and industrialists of standing and have enriched our multi-sectorial business understanding and strategic direction. .

Positioning: We have positioned ourselves not as a financing company but as a responsible solutions provider. This positioning has enhanced our strategic clarity, opening us to opportunities, attracting knowledge professionals and strengthening our product / process research.

Conservatism: The company's governance is most visibly reflected in its commitment to make provisions with speed and extent. The result is a Balance Sheet that can be completely trusted. The Company adopted one of the most conservative policies and holds provision of ₹1,192 Cr as on 31 March, 2021 to counter the COVID-related impact on our prospective profitability. The result: as of March 2021, the coverage ratio for Stage 1 & 2 assets and Stage 3 assets was a robust 7.2% and 68.6% respectively. Besides, 97% of Magma's portfolio receivables had been secured by collateral or a sovereign guarantee cover.

Brand-driven growth: We believe the biggest asset in our business (brand) is not reflected in our Balance Sheet. Over the years, we have built our brand through patient investments in technology, digitalization and robust asset quality. The one word that encapsulates all that we are and all that we do is 'trust'.

Our Governance commitment

Long-term competitiveness: We have invested in our business around a long-term commitment cascading to allocations towards the highest standards of assets, technologies, brands, people, locations, lenders, products and trade partners.

Controlled growth: We invested debt and accruals in our business to capitalize on fleeting market realities. Further supported by a equity infusion of ₹3,456 crore, much of our growth will be derived from the prudent use of capital accruals or low-cost debt without stretching the Balance Sheet.

Data-driven: We are an increasingly analytics-driven organization based around informed decision-making.

National alignment: Our strategic framework is aligned with national priorities when it comes to the selection of businesses we are in; what is good for India is therefore good for our company. As an extension, 28% of our portfolio was covered by the interest subvention scheme as on 31 March, 2021.

Provisions: We possess a discipline to make adequate provisions for adverse developments (if any, on account of the lockdown impact on portfolio quality and profitability) to protect the integrity of the Balance Sheet.

Repayment clarity: We did not seek a repayment moratorium from lenders and sent a suo moto communication to all lending banks of our intent to pay as per the agreed repayment schedule.

Strategic responsiveness: We shifted our focus from the financing of new vehicles to pre-owned equivalents. The business model was pivoted towards secure and profitable products, regions and customer categories, influencing a reallocation of capital. The Company focused on timely collection with the objective to moderate NPAs and preserve portfolio quality.

Digitalization: The Company invested in a digitalization programme called Navoday with the objective to digitalize the entire loan origination and loan servicing process, provide an end-to-end digital customer experience, extend from transactions to advice-based solutions, moderate customer acquisitions costs, replace routine manual jobs with robotic process automation and emerge as a digitally-assisted retail finance player.

Outcomes

The outcome of these initiatives has been an appreciable increase in the pre-owned asset business under management, increase in the unsecured MSME book with an improved RoA, growth in the affordable housing business and the establishment of a robust funding pipeline leading to a decline in cost of funds.

Our 5P's Sustainability Platform

Our commitment to environment responsibility has been centred round the 5 P's: People, Product, Process, Profit and Planet. The 5P's represent a platform for business sustainability, our commitment to reconcile growth with a moderated carbon footprint.

1 People

A preferred employer among midsized NBFCs in India

Protected employee morale in a challenging phase

Driven by grit and determination in a challenging year

Result: Increased productivity and outperformance

2 Products

Mortgage and financing products plugging market gaps

Structured around customer needs

Range of products directed to enhance customer business and interests

Product plus empathy, positioning the company as a friend-philosopher-guide

Result: Strong customer traction, retention and referral

3 Process

Driven by systems and processes

Focus on stretch target, measurement and outperformance

Institutionalized digitalized approach

Combination of strategic aggression and tactical conservatism

Result: Endurance across multi-market cycles

4 Profit

Trusted brand; credible Balance Sheet

Credible rating of AA-

Strong funding lines from lenders

Strong asset quality

Result: Robust launching pad

5 Planet

Focus on clean assets and businesses

Preference for financing customers using fuel-efficient vehicles, cleaner fuels, resources and processes

Result: Greater assets stability

MAGMA
Investing in the smallest dream

Our four-pronged strategy to enhance long-term competitiveness

The company has progressively reinforced the building blocks of its business to enhance competitiveness

4 strategies to enhance our competitiveness across market cycles

Strengthening our cost management	Customer engagement and support	Digitalization	Growing around actionable data intelligence

Enhancing long-term competitiveness

One. Strengthening our cost management

Objective: To be counted among the cost leaders in India's NBFC sector, strengthening our resilience in difficult markets and our margins in buoyant phases

Overview

In an uncertain time for the NBFC sector when virtually no fresh business was booked for around two months and there was no clarity of when the business would normalize, there was a premium on cost austerity.

The company moderated its operating expenditure by quantum, operating expenditure as a proportion of assets under management and operating expenditure as a percentage of revenues during the year under review. This moderation has lowered the company's cost of staying in business, strengthening its ability to negotiate business cycles.

Initiatives

The company moderated its operating cost structure through four initiatives:

- **Improved business efficiency:** Straight-through-processing for instant loan approvals
- **Improved operating efficiency:** Introduced Robotic Process Automation to conduct routine and repetitive activities; centralized digital processing enhanced economies of scale
- **Bring-your-own-device:** Empowered employees to use their smartphones and laptops to access corporate applications in a secure manner
- **Digitalization:** Increased digitalization made it possible to reduce feet-on-street for marketing new cases and collections

The result is that the company's operating expenditure was considerably lower than the budgeted estimate for FY 2020-21. previous year and even lower than the budgeted estimate for FY 2020-21.

Big numbers

Operating expenditure (excludes CGS premium)

676
₹ Cr, FY 2019-20

542
₹ Cr, FY 2020-21

Operating expenditure (excludes CGS premium) as a % of AUM

4.1
%, FY 2019-20

3.6
%, FY 2020-21

Operating expenditure (excludes CGS premium) as a % of net revenues

53.5
%, FY 2019-20

43.3
%, FY 2020-21

How enhanced cost competitiveness is strengthening our company

Questioning every practice and expense → Lower cost structure → Lower break-even point → Stronger margins following revenue growth → Increased reinvestment → Better coverage of fixed costs

Enhancing long-term competitiveness

Two. Customer engagement and support

Objective: To pleasantly surprise customers with speed, format and convenience of response

Overview

In a business marked by the need for a prompt addressal of financing cases and a widening number of engagement platforms, there was a priority to reconcile format with speed (lower turnaround time). During the year under review, the company strengthened its customer engagement through the following initiatives:

Customer approach: In the asset-backed business, the company outlined a decision to change its product mix and address a wider cross-section of customers. In the housing finance business, the company was driven by the commitment to go direct, virtual and digital. The company structurally realigned its asset-backed financing business across vehicle finance and agri finance to enhance focus.

Two direct engagements: The company reached out to more than 2.5 Lac customers in two separate engagements across three months with the objective to understand their challenges, prospects and timely repayment possibilities. We engaged with more than 90% customers through direct engagement, working relentlessly during the pandemic to send over 1,571 Pradhan Mantri Avas Yojana cases to National Housing Bank (in our housing finance business) so that our customers get their PMAY subsidy, strengthening our customer bonds and asset quality. Following the announcement of a moratorium on EMI repayments, we granted a moratorium to around 84% of our customers in Phase-I. Our ability to counsel and support resulted in a significant decline in those seeking Moratorium 2.0 from ~64% in April 2020 to 45% in June and 40% in July 2020.

M-Score: The Company leveraged its proprietary model M-Score to grade the customer's risk profile, making it possible to estimate the number who would be beneficiaries under the Atmanirbhar and ECLGS government programmes.

Scheme support: The Company helped customers seeking additional working capital, which gained impetus with individual salaried and self-employed customers (under ECLG Scheme) being covered; this helped customers address a period of low revenues and low capacity utilization

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Customer relationship management: Omni-channel 360-degree view of the customer comprising engagements through branch, SMS, e-mail, call centre, WhatsApp, Facebook, LinkedIn, Twitter WhatsApp and website

Digital engagement: Communicated with customers in 10 vernacular languages. Deepened engagements through end-to-end digital loan processing, automated workflows, credit rule engine-based decisions and eSign

New sales platforms: Integrated API with online ecosystem partners (aggregators/ marketplaces), resulting in instant approvals and lead generation

Collections: The company strengthened its team to manage collections in a span of 18 months and when the overall bounce exceeded 13%. It separated the housing and SME collection teams in mature markets. This helped strengthen recoveries in 90+ day pass due in the MSME segment.

Engagement: The senior leadership team engaged deeper with employees through regular connect sessions and a digital format to build a strong national franchise.

Key achievements, FY 2020-21

- The company continued to moderate its turnaround time through automated straight-through processing
- The company continued to report best-in class net promoter scores (NPS) in the asset finance business
- The company engaged in analytics-derived insights to cross-sell products and enabled pre-approved hassle-free vehicle and business loans to existing customers to support them through tough times.
- The company launched a ***Know Your Customer*** campaign, an initiative where the leadership team engaged in one-on-one conversations with customers.
- Our ***Atithi Devo Bhava*** campaign was launched to drive customer-centric behaviour at branches, widely appreciated by customers.
- The company introduced multiple customer awareness campaigns to enhance protection from fraud.
- The company strengthened controls to prevent frauds in No Objection Certificate (NOC) through digital initiatives.

Big numbers

Turnaround time (TAT)

89.1
% of new cases financed in 15 days or less, FY 2019-20

88.4
% of new cases financed in 15 days or less, FY 2020-21

Average turnaround time (TAT)

5
Turnaround time (days), FY 2019-20

6
Turnaround time (days), FY 2020-21

80
%, cross-sell volumes.

Inspite of the Covid-imposed lock down, our Cross Sell business touched 80% (in units) of our pre-Covid throughput.

Preferred customers in Magma 2.0

- MIG and above with some credit history
- Urban and semi-urban domicile
- Aspirational and hardworking
- Tech savvy customer with digital footprint

Our PTCS customer value proposition in Magma 2.0

Price | Turnaround | Convenience | Service

Price: Competitive and transparent pricing

Turnaround: Responsive turnaround to customers backed by agility and technology

Convenience: Enhanced product and process convenience integral to offerings.

Service: Unparalleled service; to graduate the company to a generic name for 'financial service products'

How enhanced customer service is strengthening our company

Invested in robust templates and scorecards to appraise credit profiles → Invested in technology to shrink turnaround time → Engaged with customers across engagement formats → Retained customers through the loan life cycle → Moderated customer-accretion marketing costs → Enhanced cross-sale

Enhancing long-term competitiveness

Three. Digitalization

Objective: To emerge as a futuristic company in a conventional business, eliminating redundant processes, increasing response speed, moderating costs and enhancing stakeholder delight

Overview

We believe that the customers of the future are not likely to be derived from a rate advantage alone; they are likely to be attracted, retained and grown through a holistic experience. At the heart of this holistic experience will lie a sense of how quickly and seamlessly the customer was treated. Magma is positioned as a digital lender, helping take the country ahead

It is with this perspective that Project Navodaya was launched in January 2019: to evolve the company from a moderate digital presence to a progressively digital personality (with a complementary physical presence) as opposed to the other way round. In the short space of a couple of years, the company has emerged as an NBFC-tech organization with digital loan appraisal and disbursal capabilities.

The company's capabilities comprise a paperless KYC process, Cloud-based loan origination and a credit approval engine (rule-based decision making). The introduction of scorecard-based lending for the auto and SME loan businesses (comprising robotic automation processes) accelerated decision-making and liberated human engagement from routine work.

The initiatives that strengthened digitalization comprised the following:

Digitalization: End-to-end digital loan processing, automated workflows, credit rule engine-based decisions and eSignature

New sales platforms: New sales platforms: API was integrated with online ecosystem partners (aggregators/ marketplaces) resulting in instant approvals and lead generation

The technological empowerment of sales and customer service teams reduced turnaround time, improved decision-making, enhanced productivity and strengthened service. A mobile application that linked Credit Bureau data led to informed decision-making for sales officers.

The analytics-based automated credit engine enhanced decision-making consistency and credit risk assessment efficiency for SME customers. The credit engine was integrated with the new loan origination solution on Cloud, strengthening decision-making for SME loan products.

Automated data analytics helped create a mini-data warehouse comprising demographic, financial, customer risk and service data.

The Company expects to expand its digital funnel, add digital partners, invest in artificial intelligence and moderate operating expenditure.

The outcomes of the digitalization direction comprised the following:

- Quicker turnaround time across businesses by shifting routine operations to robotic automation
- Leaner organization with human productivity improving 22-40% across segments

How deeper digitalization is strengthening our company

Made digitalization an overarching culture → Questioned every manual practice → Replaced paper with digital alternatives → Moderated time and cost → Enhanced systemic predictability, accuracy and delight → Strengthened business sustainability

- Sharp increase in products cross-sale, strengthening the Company's positioning as a financial solutions provider
- Moderated customer acquisition costs by integrating its app into the mobile phone of employees with security safeguards (reducing tablet purchase costs).

Going ahead, the company intends to leverage technology to reduce costs, enhance transparency and strengthen customer connect. The increased use of digital interventions is likely to reduce customer interaction time across all stages of the customer life cycle. The use of advanced analytics is likely to lead to better customer profiling and enduring engagement.

Digitally transforming the Company

- From paper to scans
- From email to digital workflows
- From manual data collection to third party APIs for data collection
- From localized processing to centralized processing

Digitalization taking Magma ahead

Business growth: Enhanced team productivity and new sales platforms

Superior outcomes: Enhanced efficiency (end-to-end loan digitalization-driven processing, digital collections, lead-to-disbursal turnaround time reduction and robotic process automation)

Employee empowerment: Empowerment through 'bring-your-own-device' to access corporate applications

Actionable Data Intelligence: Initiatives comprising scorecard lending, Credit Rule Engine and Data Warehouse

Customer service: Initiatives like Customer Relationship management, chatbots and digital document delivery.

Security: Work from Home through secured infrastructure encompassing hardened laptops, firewalls, virtual private network, mobile device management and 24x7 Security Operations Center

End-to-end digital engagement

Paperless KYC → Documentation → Credit analytics → Agreement signing → Collection

Big numbers

Digitalized decision-making MSME

0

% of digitalized decision-making, FY 2016-17

100

% of digitalized decision-making, FY 2020-21

Digitalized process for new business MSME

0

% of MSME business though paperless engagement, FY 2016-17

50

% of MSME business though paperless engagement, FY 2020-21

Digitalized decision-making at Magma Housing Finance

0

% of digitalized decision-making, FY 2016-17

100

% of digitalized decision-making, FY 2020-21

MAGMA
Investing in the smallest dream

Enhancing long-term competitiveness

Four. Growing around actionable data intelligence

Objective: To build a culture of informed decision-making based on the ability to mine data from within the business, sector and economy

Overview

The success of most businesses will be increasingly determined by not how many people we have recruited; it is likely to be influenced by how much we know. In turn, how much we know will be influenced by the extent of data that we can mine from our prevailing realities.

In view of this, the company embarked on an initiative to mine data from within its business. The ability to 'read' data generated insights into market trends, customer realities and sectoral developments.

This investment in data analytics is increasingly relevant in a business marked by a widening access to information, which needs to be methodically harnessed to generate insights on prospective customer behaviour.

The company's focus in this regard translated into the following business-strengthening initiatives:

Scorecard-based lending: The company has taken the bias out of lending decisions through the use of structured scorecards that leverage organic, multi-bureau and surrogate sources of data

Credit Rule engine: The company prioritized the employment of rigorous loan appraisal templates; two-thirds of all credit underwriting will be straight-through decisions based on scorecards

Data warehouse: The company has invested in the structured harnessing of data through data marts that facilitate risk analytics, cross-sales and financial analytics

This emphasis has deepened the culture of data-based analysis and decisions, reducing the role of arbitrary human intervention. In turn, this has established a uniform basis for decision-making, making it possible to correct organizational directions and desired outcomes following changes in the template derived from data management.

Going ahead, we believe that data mining will indicate probable defaults well before they transpire, making it possible to initiate remedial action. In tun, this is expected to strengthen the quality of the company's loan book, a critical determinant in strengthening credit-rating, accelerating the virtuous cycle.

How stronger data mining is creating a more informed company

Engaged data analytics professionals → Invested in technologies to mine data → Drew on external and internal data sources → Generated precious trend leads → Strengthened the business with informed data-based decision making

Magma's core strategic pillars

Building a company sustainable across market cycles

Capital and parentage:
Significant benefits to arise from a large capital base leading to reduced fund costs, coupled with an improved credit rating

Professional management:
Invested deeper in a professionally managed organization coupled with timely leadership changes

Product strategy:
Product design focus around 'select' customers, graduating the company from its erstwhile 'bottom of the pyramid' approach

Increased operating efficiencies:
Phased rationalization of branches; increased use of technology to optimize distribution

Superior asset quality:
Accelerated write-offs and prudent provisions buffer

Risk:
Stronger risk management framework

Technology
Accelerated digitalization; best-in-class technology and analytics

Benefits of a larger capital base

- Capital infusion of ₹3,456 Cr and the backing of a strong parent
- Stronger confidence for all stakeholders; increased comfort to the regulator
- Strong growth tailwind; lower leverage; longer tenor liability products; adequate provisions buffer
- Superior credit rating; lower fund costs

Professionally run organization with certain leadership changes

- Mr. Abhay Bhutada appointed Managing Director (post-Balance Sheet development)
- New CEO appointed (post-Balance Sheet development)
- Experienced professionals identified from reputed financial institutions for senior management positions
- The induction of a new promoter to graduate the Company into a preferred employer
- Attractive compensation cum ESOP to attract and retain talent

Superior product strategy

- Company to address a wider universe of products and consumers
- Revision in product portfolio; extension from 'bottom of pyramid' to bulge and apex
- New product suite to comprise pre-owned car loans, business loans, housing finance (affordable and non-affordable segments), small ticket loans against property, loans to professionals, personal loans and SME LAP
- Additional products / services to comprise co-branded credit card, loans for consumer durables, EMI card, medical equipment loans, equipment loans, insurance cross-sale, merchant cash advance and digital lending products

Branch-light model

- Phased rationalization of branches based on location, suitability to revised product suite and branch viability
- Proposed alliances with large, pan-India players and influencer network
- Increased use of technology/digital payments
- Pre-qualified offer base generation for straight-through processing
- Automated calling solutions for contact centres

Robust risk framework

- Independent risk management function
- Invest in risk assessment, review and control
- Supported by an independent audit function

Stronger digital and technology focus

- Technology, risk analytics and digital priorities
- Investment in a strong analytics team
- Focus on technology-enabled product innovation
- Focus on direct customer acquisition through digital means
- Increased proportion of 'Do It Yourself' customer solutions
- Creation of an additional technology center in Pune

Our principal focus: Graduating our Balance Sheet to the next level

Our objective: To create a Balance Sheet that is respected for liquidity, asset quality and low funds cost, a credible foundation on which to build the business.

The big message

Over the years, we have prided on the quality of our Balance Sheet. In a business that has been in a slowdown for the last few years and encountered its biggest trough during the year under review (first quarter), our biggest shock absorber has been the strength of our Balance Sheet.

Despite the year under review being unusually challenging, the company emerged with a Balance Sheet marked by a capital adequacy ratio higher than that mandated by the Indian central bank, relatively low delinquency when compared with the Indian average for undocumented customers and multi-year business sustainability better than the broad sectorial average.

The company protected the integrity of its Balance Sheet with adequate cash on the books, unutilized credit limits and a strong disbursements pipeline that could be growth-ready at all times.

In turn, the credibility of our Balance Sheet has been influenced by an exposure to productive assets, funding consortium strengths, multi-segment exposure, positive asset-liability profile, low average ticket size across businesses, absence of non-synergic investments, diversified risk profile and a low average ticket size across businesses.

By close of the year under review, even as the impact of equity infusion by the new promoters was yet to become evident, the nature of our Balance Sheet was attractive enough, a hedge against the possibility of banks turning wary of lending to the NBFC sector. The result is that the company ended the year under review with a foundation (cash flows and unutilized credit lines) to capitalize on opportunities.

Balance Sheet fundamentals

Liquidity:

The Company ended FY 2020-21 with ₹414 Cr cash, unutilized credit limits of ₹1,588 cr from a working capital financing consortium and a new borrowing disbursal pipeline of ₹790 Cr. The Company's repayment obligation during the first two quarters of 2021-22 was more than covered by cash inflows and corpus.

Resource pipeline:

The Company's banking sector relationships comprise engagements with 23 commercial banks and four financial institutions. The Company's new promoter infused ₹3,206 Cr by way of fresh equity capital, which strengthened the Balance Sheet. The Company added 11 lenders from foreign and domestic private banks in FY 2020-21. The Company built a pipeline of term loans, PTC and securitized direct assignment, partial credit guarantee scheme with the Government of India and long-term funding from multilateral agencies.

Asset-liability profile:

A reasonably balanced asset-liability profile protected the Company from a long-term liquidity deficit. In turn, this protected the company from refinancing loans at periodic intervals. The result is that the company's assets had been financed across an average 79.4 months as on 31 March, 2021, while liabilities extended across an average 24.5 months as on that date, the basis of its long-term sustainability.

Retail-focused lending:

The Company broadbased its financing book across retail customers (no large companies). This protected it from the possibility of defaults affecting its overall profitability.

Safe and modest exposures:
The Company financed assets in relatively safe segments; it avoided exposure to corporate and construction finance. The Company invested in affordable housing finance and the general insurance businesses. The Company focused on small loan sizes of ₹10 Lac and lower; these accounted for 88.7% of the Company's asset-backed finance book during the year under review. This protected the company from impairment following probable defaults and the capacity to absorb setbacks.

Moderate funds cost:
Fund costs moderated ~36 bps in FY 2020-21; the Company renegotiated fund costs when the Reserve Bank of India announced a decline in the cost of funds during the lockdown.

The quality of our loan book (assets under management)

Mortgage AUM

24
% of AUM of mortgage customers, FY 2019-20

31
% of AUM of mortgage customers, FY 2020-21

Restructured AUM

4.3
% of AUM where the company provided restructuring, FY 2020-21

Building a safer Balance Sheet

624
₹ Cr, provisions as on 31 March, 2020

1,192
₹ Cr, provisions as on 31 March, 2021

4.4
% of Provision Coverage Ratio (PCR) as on 31 March, 2020

9.5
% of Provision Coverage Ratio (PCR) as on 31 March, 2021

4.4
x, the number of times our AUM was leveraged, compared to our equity, FY 2019-20

4.8
x, the number of times our AUM was leveraged, compared to our equity, FY 2020-21

How a robust Balance Sheet will strengthen our foundation for sustainable growth

Promoter infused sizable net worth → Resized and re-balanced the Balance Sheet → Moderated the weighted average cost of funds → Reduced the break-even point → Strengthened prospective sustainability

Robust Balance Sheet
- Asset-liability balanced
- Retail-focused lending
- No large customer exposure
- No volatile sector exposure
- Comfortable liquidity
- Protected Book Value

Quality of our Balance Sheet

74
% of relationships with funding agencies that exceeded ten years as on 31 March, 2021

83
% of long-term loans on the Company's books with maturity in excess of 24 months as on 31 March, 2021

1
% of long-term loans perpetual in nature as on 31 March, 2021

239
₹ Cr, line of credit from National Housing Bank as on 31 March, 2021

10
Funding consortium members, FY 2020-21

Shock absorbers of our Balance Sheet

Comfortable liquidity

2,002
₹ Cr, cash in hand + unutilized credit limits
(₹414 Cr + ₹1,588 Cr),
31 March, 2021

1,527
₹ Cr, cash in hand + unutilized credit limits
(₹226 Cr + ₹1,301 Cr),
31 March, 2020

Broad-based customer risk profile

53.9
% of the loan book comprising an average loan size of ₹10 Lac or lower, 31 March, 2021

53.5
% of the loan book comprising an average loan size of ₹10 Lac or lower, 31 March, 2020

Liquidity

96.4
% collection efficiency, for the year ended 31 March, 2021

98.0
% collection efficiency, for the year ended 31 March, 2020

Weighted average cost of debt

9.70
%, average debt cost, 31 March, 2021

10.06
%, average debt cost, 31 March, 2020

Priority sector lending

Prudently cautious approach

Comfortable resource pipeline

Modest funds cost

Competitive advantage

The broad-based portfolio of our business

The big message

The company is present in business verticals that are likely to grow faster than national growth, catalysing shareholder value

Overview

The company has selected to build its financing business in spaces marked by extensive under-penetration when compared with peer countries. These spaces are dependable proxies of humankind's need for better living and aligned with the government's growth blueprint.

As India graduates towards a USD 5 Trn economy, the sectors where the company is present are expected to grow faster than the national growth average, validating the company's presence in them.

1 **Asset-backed finance business:** The Company is engaged in the financing of vehicles, the backbone of the country's consumption engine. The business is usually the first to revive when economic conditions recover. The Company diversified its asset-backed financing business across commercial vehicles (pre-owned and new), passenger car and utility vehicles, construction equipment, agriculture vehicles and commercial equipment.

2 **MSME lending:** The Company is engaged in the mortgage financing needs of small and medium-sized businesses comprising collateral-free loans, loans for the self-employed and express business loans.

3 **Subsidiary and joint venture:** The Company is engaged in the business of general insurance (through a joint venture) and affordable housing finance through step-down subsidiary.

Addressing sectors critical to national progress

Transportation: Facilitates the pan-national transfer of products

Agriculture: Engaged in feeding the second most populous country

MSME: Backbone of national commercial activity

Protection: Growing need for general insurance in an increasingly uncertain world

Home ownership: Fundamental building block of any society

Assets under management

16,134
₹ Cr, Assets under management, 31 March, 2020

14,225
₹ Cr, Assets under management, 31 March, 2021

Business-wise assets under management

8,350
₹ Cr, Asset-backed financing business, 31 March, 2021

10,395
₹ Cr, Asset-backed financing business, 31 March, 2020

1,423
₹ Cr, MSME business, 31 March, 2021

1,859
₹ Cr, MSME business, 31 March, 2020

4,453
₹ Cr, Affordable Housing business, 31 March, 2021

3,880
₹ Cr, Affordable Housing business, 31 March, 2020

Our portfolio snapshot

- Four businesses of presence
- Presence in segments of national economic importance
- Segments considered societal building blocks
- Segments marked by extensive under-penetration
- Prospects of multi-year growth higher than GDP growth average
- Preference for business niches or differentiators
- SBU-based and subsidiary-based segregation

Number of customers

Business segment #1: Asset-Backed Finance (ABF)

The company's asset-backed financing business financed passenger cars, commercial vehicles, tractors and construction equipment in the past; the business will focus largely on financing pre-owned cars going ahead

272,940

Asset-backed financing business (by the close of FY 2020-21)

333,972

Asset-backed financing business (by the close of FY 2019-20)

Overview

Magma's asset-backed financing (ABF) business is the largest, accounting for 59% of the Company's overall assets under management (March 2021).

The entire ABF business comprises retail customers with an average ticket size of ~₹3 Lac, which helped broad-base the risk arising from large credit losses.

Strengths

- More than three decades of experience of financing assets to first-generation rural entrepreneurs (low or no income documentation)
- Strong and stable senior leadership with extensive experience of the financial services industry
- Enduring brand around trust, dependability and timely service
- Specialization in rural and MSME segments
- New customer accretion and service facilitated by digitalization
- Widespread level distribution and collection reach across 21 States

Challenges and counter measures

The lockdown delayed repayments that needed to be provisioned

The Company engaged with each customer, understanding the business reality and indicative repayment possibility; this moderated the number seeking a moratorium on repayments or interest payments, strengthening inflows and protecting the Balance Sheet

Credit quality was under threat in the commercial vehicle segment

Magma slowed fresh disbursals in the commercial vehicle segment during the vulnerable period and enhanced its focus on collections

Highlights, FY 2020-21

- Asset-backed business disbursements de-grew 55% from ₹4,055 Cr in FY 2019-20 to ₹1,812 Cr in FY 2020-21
- Assets under management declined 20% from ₹10,395 Cr as on 31 March, 2020 to ₹8,350 Cr as on 31 March, 2021
- Responded with one of the most conservative provisioning approaches; introduced 100% provisioning and write-off of all accounts at 180+ DPD in vehicle financing (as against the erstwhile 730+DPD); employed the 90+ DPD in the unsecured SME lending segment from the retrospective 450+ DPD and 730+ DPD in the affordable housing space, which resulted in a one-time impact on the Profit & Loss account of ₹274 Cr in the fourth quarter.
- Altered underwriting parameters helped moderate financing in the stressed commercial vehicles segment; the Company reduced its exposure to risky collaterals
- Increased pre-owned vehicle distributor channel strength from

Why we are increasing weight of the pre-owned cars financing in our portfolio

Financing penetration is ~20% of overall sales, which is less than one-third of the new cars value sold under finance (75%).

Only 30% of the pre-owned car market access is organized; with the digitization of sale of products, focus of OEMs on second-hand asset sales and increase in formal financing, the market is getting organized.

Magma touched an estimated 7% market share in the organized pre-owned car financing segment

The Company is positioned to grow the pre-owned car universe based on a low cost of funds.

3600 to more than 4500, strengthening focus and market penetration

- Increased cross-sale; focused on top-ups and new loans to existing customers
- Enhanced technology use, reduced the turnaround time in servicing new loan requests
- Leveraged credit bureau information, strengthening customer onboarding

Outlook

The company is optimistic of growing the business faster than the retrospective average following sizable net worth infusion in the current financial year. The company intends to right-size its portfolio following products being discontinued (pre-owned trucks, pre-owned construction equipment, tractors and auto leads). The business will focus on the pre-owned car segment; which is growing at 10-11% CAGR with increasing demand from the middle-income customers upgrading from TW or first-time buyers finding a value proposition in pre-owned cars. The pre-owned car market is expected to cross the seven million mark in the next four years. The company intends to strengthen collections to address challenges posed by the lockdown of the first quarter of the current financial year. The company expects to stay prepared through a widening market presence, quicker service and stronger credit lines.

Benefits of financing pre-owned vehicles

- Segment largely unaffected during the slowdown
- Lower depreciation has enhanced valuation
- Valuation loss lower for vehicles
- Higher risk-adjusted yields

Growth in disbursements

Pre-owned vehicle business de-grew 35% from ₹2,426 Cr in FY 2019-20 to ₹1,586 Cr in FY 2020-21.

In FY 2018-19, pre-owned vehicle business stood at ₹2,190 Cr and focused products at ₹2,926 Cr.

Growth in AUM

Pre-owned vehicle AUM grew 1% from ₹3,969 Cr in FY 2019-20 to ₹4,028 Cr in FY 2020-21.

In FY 2018-19 pre-owned vehicle business stood at ₹3,256 Cr and focused products at ₹5,396 Cr.

De-risking

~100% business derived from retail customers of a small average ticket size

Asset-backed finance and auto lease

Year	Assets under management (₹ Cr)	Customers (Active)	Disbursements (₹ Cr)	Net non-performing assets (%)	Average ticket size (₹ Lac)
FY 2020-21	8,350	272,940	1,812	1.4%	3.00
Change over FY 2019-20	20%	18%	55%	390 bps	29%

Disbursement declined by 55%, from ₹405,497 Lac in FY 2019-20 to ₹181,172 Lac in FY 2020-21. H1 FY 2020-21 disbursals were impacted by the lockdown since March 2020.

- ~100% disbursals from focused products (pre-owned assets, auto lease and tractors) in FY 2020-21.
- Focused products AUM contribution increased from 53% in FY 2019-20 to 61% in FY 2020-21
- Direct sourcing contribution increased from 26% in FY 2019-20 to 51% in FY 2020-21. FY 2020-21 direct% increased on account of low volumes and disbursals under ECLGS schemes.

ABF business modified the portfolio by enhancing support of concentrated products, realizing pragmatic outcomes.


445
POWERTRAC

Our business

Number of customers

Business segment #2: Housing finance business

Magma has emerged as a national scale affordable housing finance company, providing dignity of living to customers in the low to mid income group

36,546

Customers live as on 31 March, 2021

27,747

Customers 'live' as on 31 March, 2020

Overview

Magma Housing Finance Limited (MHF) is a 100% subsidiary of the company. MHF is a national scale affordable housing financing company with a presence across 16 States and a well-diversified portfolio. MHF drives its business through a value-driven direct relationship model with our customers, which ensures a superior quality of assets.

Despite being marred by the pandemic through the first half of the year, the Company saw a consistent increase in disbursals each quarter. The Company disbursed ₹1,251 Cr in FY 2020-21, which was 95.1% of the previous year. The Company's PBT stood at ₹14 Cr; had the Company not moved to a more stringent write-off at 730+ DPD and not taken the additional Covid provision impact, the Profit before Tax for the year ended 31 March, 2021 would have been ₹64 Cr. As on 31 March, 2021, AUM stood at ₹3,978 Cr, reporting a 21% YoY growth.

Under the Go-Direct strategy, the Company sourced 75% of loans and ratio of Home Loans in fresh disbursals increased to 71% in FY 2020-21. For the year, the business entailed a minimal construction risk with under-construction builder properties constituting only 2% of disbursements.

The Company strives to accomplish the objective of financial inclusion by serving first-time borrowers with limited / no access to formal credit by our deep presence in semi-urban and rural segments. Women borrowers constituted 97% of the total loan originations and a majority of the customers sourced in FY 2020-21 were new to credit. The Company is committed to contribute to the government's objective of Housing for All by facilitating our customers to avail benefit of a Credit Linked Subsidy Scheme (PMAY). In FY 2020-21, the Company enabled 1,814 customers to avail PMAY benefits and filed 6000+ PMAY customer applications with NHB.

The 'bucket zero' collection efficiency reached the long-term average of 98% by the end of year. The Company maintained asset quality as in the previous fiscal with Stage 3 assets at 1.6%. The Provision Coverage Ratio of the Company stood comfortably at 51.79%.

With the efficient use of technology and stringent control, the Company reported a reduction in the operating expense ratio from 3.6% in FY 2019-20 to 2.8% in FY 2020-21. Capital Adequacy ratio for the Company was at 30.50% for FY 21 which showed that the Company was above the minimum required level of 15%.

We aim to become India's best-in-class digitally-efficient affordable housing finance company. Accordingly, the company kickstarted its AI journey by collaborating with Scienaptic AI for the deployment of AI-powered predictive modelling platform for use across the loan cycle. The company aims to enhance business and portfolio quality with a best-in-class customer experience.

Over the next year, the company shall continue to generate quality growth and build on a national franchise with a focus on semi-urban and rural India.

With the efficient use of technology and stringent control, the Company reported a reduction in the operating expense ratio from 3.6% in FY 2019-20 to 2.8% in FY 2020-21. Capital Adequacy ratio for the Company was at 30.50% for FY 2020-21 which showed that the Company was above the minimum required level of 15%.

Opportunities, Challenges and Outlook

Strengths

- Direct sourcing relationship-driven model leads to a better portfolio quality. As at FY 2020-21 end, direct sourcing stood at 75%. Our Home Loan ratio in fresh disbursements was 71% in FY 2020-21.

- The Company has a pan-India presence across 16 States with West and North India contributing a majority of the business, in line with our affordable housing strategy. We continue to enhance productivity across regions with potential.

- Dedicated Collections Team helped bring Collection Efficiency to pre-COVID levels.

- Asset quality remained at similar levels. Despite the pandemic, the Company maintained its asset quality. Stage 3 Assets stood at 1.59% as of March 2021.

Challenges

- The Company operated in the affordable housing segment with customers belonging to the self-employed and informal categories. Such customers are at the receiving end of multiple restrictions and health crises, which impacts their income and debt serviceability. However, the Company maintained an average Loan to Value ratio in the range of 55-65% and most assets were self-occupied and tied with moral obligations to pay.

Opportunities

- Building lasting relationships with customers through PMAY was an opportunity. Our PMAY penetration stood at 58% of all fresh home loan cases for FY 2020-21. We intend to deepen this in FY 2021-22.

- Cost of funds is expected to moderate given the excess liquidity in the economy due to various measures taken by RBI. We expect to enjoy a cost-effective access to funds following improved performance. We intend to expand our relationships with public as well as private lenders (banks), DFIs and multilateral institutions, diversifying our lender base.

- We intend to increase market share and enhance presence in high demand locations, especially in Tier 2 and Tier 3 cities, by expanding our direct relationship with customers and using technology for best-in-class sourcing.

Threats

- **Asset quality:** This continues to remain the biggest concern, given the second wave of the pandemic. The affordable housing segment may witness an increase in delinquencies with a loss in business and slowdown in economic activity especially in the first quarter of FY 2021-22.

  With an underlying moral obligation to pay, most home borrowers will prioritize home loan payments, with businesses coming back to normalcy.

  To enhance collections during the pandemic and increase efficiency, the Company took proactive steps, leveraging technology to provide ease of payment access..

- **Future lockdown and successive waves of COVID-19:** With the second wave of COVID-19 wreaking havoc across the country, there was a decentralized lockdown and restricted mobility in different parts of the country. Collection efforts were impacted. Later in the year, there could be a resurgence of COVID-19 in the form of successive waves. However, our analytics team will work on customer data to identify risks early and mitigate them.

Outlook

Despite the pandemic, the Company was able to withstand challenges and continued to deliver business performance on the back of its direct sourcing deep customer connect model.

The Company has a comfortable liquidity position with available funds of ₹477 Cr in March 2021. The Company availed NHB refinance assistance of ~₹560 Cr and will keep securing NHB refinancing facilities.

Over the next year, under the 'Go Digital' approach, the Company will continue to leverage technology to increase operational efficiencies. With the AI model going 'live', the Company will usher in a phase of quality credit underwriting and improved portfolio quality. The Company is implementing cloud-enabled data marts, which accelerate the delivery of business insights and performance reporting.

The Company expects to implement learnings from COVID-19 to undertake a strategy for FY 2021-22, reducing the risks arising out of successive pandemic waves of COVID and uncertainty.

Post-Balance Sheet developments

- Magma Fincorp infused ₹500 Cr of equity into Magma Housing Finance on 31 May 2021, strengthening the latter's net worth to around ₹1,000 Cr

- Statutory approvals were received for a change in the company's name to Poonawalla Housing Finance Limited

- Capital infusion resulted in a healthy Tier-1 capital adequacy ratio (~53.3%)* as on 31 May 2021; leverage was an attractive 2.5x

Outperformance

21.17
% growth in Magma's AUM, FY 2020-21

9.6
% growth in the industry, FY 2020-21

(Source: Economic Times)

0.77
%, Magma's net Stage 3 assets

~4
%, industry's net NPA

(Source: Business Standard)

De-risking

100% business derived from retail customers of a small average ticket size

How we have grown this business

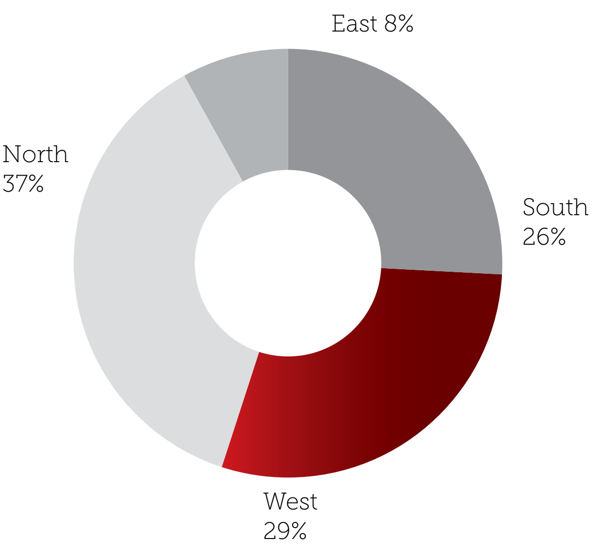
247
₹ Cr, revenues, FY 2018-19

356
₹ Cr, revenues, FY 2019-20

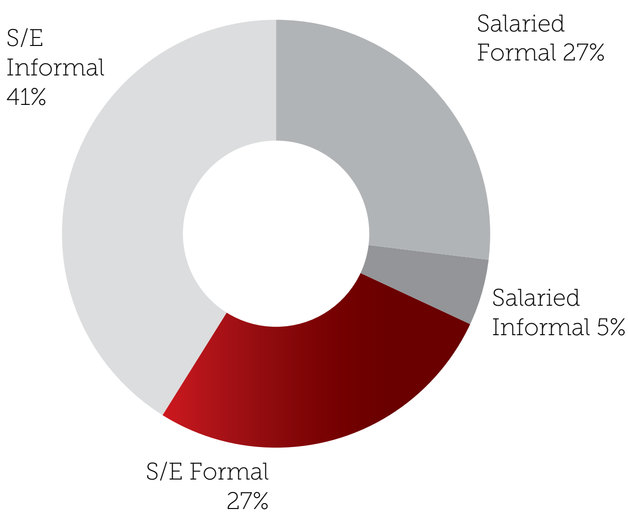
473
₹ Cr, revenues, FY 2020-21

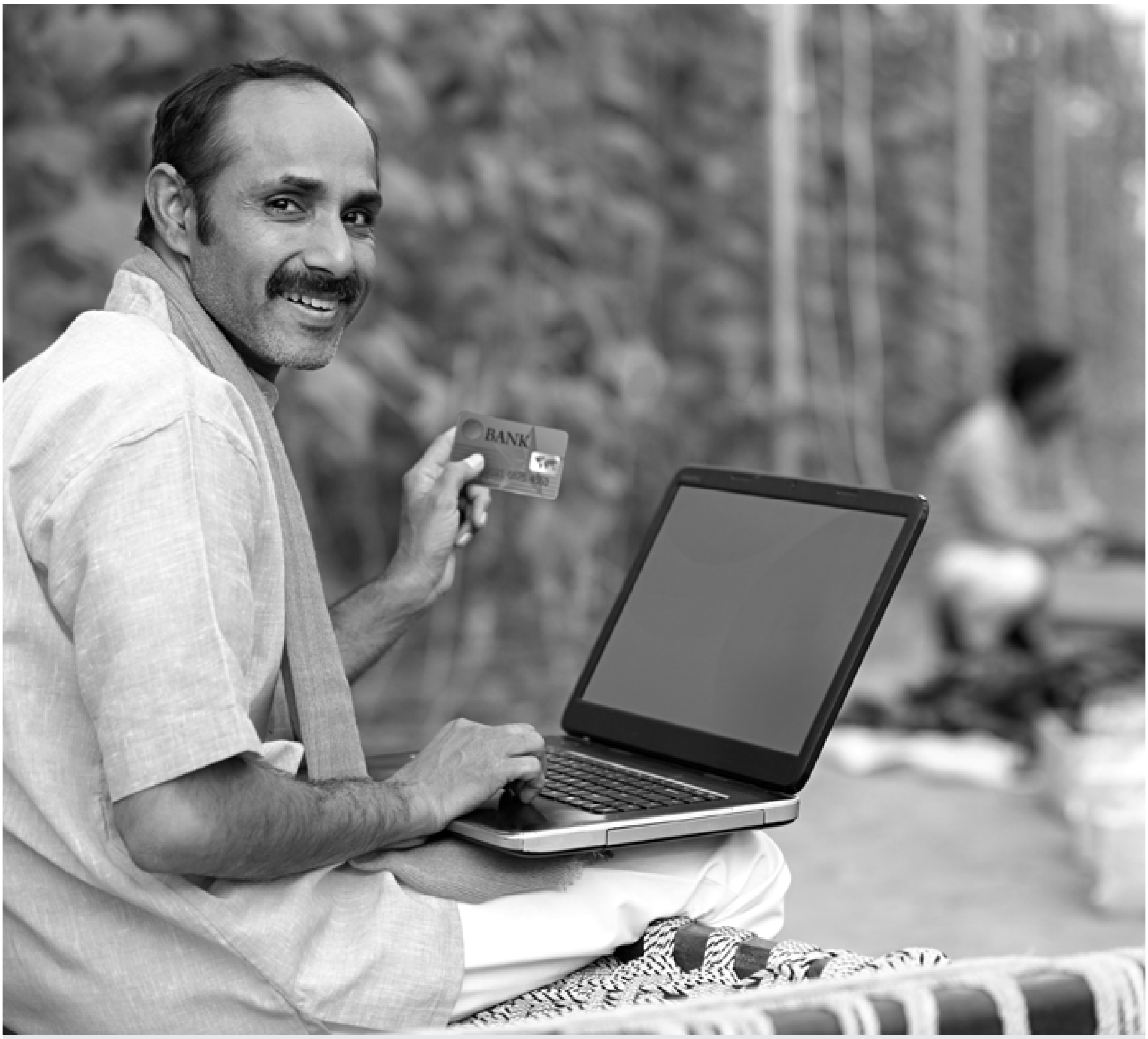
	AUM	Customers	Disbursements	NNPA
FY 2020-21	₹3,978 Cr	36,546	₹1,251 Cr	0.77%
Change over FY 2019-20	21% ▲	32% ▲	5% ▼	20 bps ▼

Disbursement – Zonal Distribution



Customer Mix





Business segment #3:
Medium and small enterprise financing

Magma provides collateral-free business loans to SME business owners, financing the broad platform of national grassroots economic growth. Magma supports SMEs for their working capital and business expansion needs and has been a consistent player in the SME space since 2008

Overview

The Company's customer segment comprises micro, small and medium-sized manufacturers, distributors, dealers, traders / shop owners and service providers engaged across industries. In FY 2020-21, the company implemented its proprietary digital under-writing algorithmic model called M-score, designed by deploying over 1 Mn data points spanning across 40,000+ customers across 71 cities and towns. The customer segment comprises the informal sector that is not serviced by conventional channels. Over the years, Magma developed distinctive skills to appraise these informal customers. The Company's average ticket size of ₹16 Lac indicated that the company addressed a large number of small customers, while broad basing its risk across India.

Initiatives

- API enabled the end-to-end digital workflow
- Strong coverage across the country, pan-India network of 59 branches
- Credit Rule engine-driven underwriting
- Deep customer-connect benefitted 4,000 MSME customers by providing emergency credit under ECLGS.

Challenges and counter measures

- Stress caused due to the COVID-19 pandemic; however collection efficiency improved significantly prior to the second pandemic wave, indicating a strong bounce-back in the sector
- With a view to de-risk the portfolio, the company launched MSME Secured business across five regions during FY 2020-21.

Highlights, FY 2020-21

- Conscious slowdown in disbursal given the Covid environment and focus on improving the asset quality, reduced disbursals by 41% from ₹1,018 Cr in FY 2019-20 to ₹601 Cr in FY 2020-21
- Over 83% portfolio covered under CGTMSE/NCGTC scheme
- Focused on onboarding quality assets in an environment of stretched working capital cycles
- Improved collection efficiency post-COVID with a near pre-COVID achievement
- Assets under management decreased by 23.5% from ₹1,859 Cr as on 31 March, 2020 to ₹1,423 Cr as on 31 March, 2021.

Outlook

Magma will accelerate growth with a calibrated underwriting approach and state-of-the-art, cutting-edge technology to provide a seamless end-to-end experience to customers.

The Company will continue its transformation journey with key strategic themes: Go-Direct, Go-Secured, and Go-Digital.

- Deeper penetration across geographies; plan to reach a distribution network of 100+ by end of FY 2021-22
- Improved turnaround through various API integrations and robust processes to deliver an enhanced customer experience
- Build a network of third-party distribution and strategic alliances to widen reach
- Digital sourcing initiatives to improve last mile connectivity with potential clients

	AUM	Customers	Disbursements	NNPA	Branches
FY 2020-21	₹1,423 Cr	16,522	₹601 Cr	0.5%	59
Change over FY 2019-20	23.5% ▼	8% ▼	41% ▼	100 bps ▼	18% ▼

Business segment #4:
General Insurance –
Magma HDI General Insurance

Overview

Magma HDI General Insurance (Magma HDI) is a joint venture between Magma Fincorp Limited and HDI Global SE, Germany. It offers an array of general insurance products for retail and institutional clients. Products for the retail segment include insurance for motor, health, individual personal accident and home insurance, and for institutional customers, property insurance, marine cargo insurance, liability insurance and other products. Magma HDI has 133 branches, more than 1,000 employees and had serviced over 46 Lac customers by the close of FY 2020-21. Magma HDI General Insurance is among India's five leading general insurance companies measured by claims settlement ratio within 30 days and the least number of complaints intimated per 10,000 policies issued.

Recognition

Magma HDI has been conferred awards and recognized at prestigious platforms:

- Golden Peacock Award 2019 for Risk Management
- Rising Star Company of the Year at India Insurance Awards 2020
- Outstanding use of AI & Robotics at BFSI Excellence Awards 2020
- Included in the list of Best BFSI Brands by *The Economic Times* in 2019

The insurance business was created with a vision to emerge as the most preferred, vibrant and responsible general insurance company, fulfilling the general insurance needs of customers. The insurance company has strong fundamentals and its year-on-year growth in the last three years has been impressive.

Magma HDI has been one of the fastest growing companies in the General Insurance sector, with a CAGR of 34% in the last three years. The company recorded a Profit after Tax of ₹19.4 Cr on a Gross Written Premium (GWP) of ₹1,349 Cr compared to a ₹6 Cr PAT on a GWP of ₹1,294 Cr in the previous year. The company's solvency margin stood at 1.79 times as on 31 March, 2021 as against the required regulatory solvency of 1.5 times.

Strengths

- Revenue growth from ₹560 Cr in FY 2017-18 to ₹1,026 Cr in FY 2018-19 to ₹1,294 Cr in FY 2019-20 to ₹1,349 Cr in FY 2020-21
- On the investment portfolio of ₹2994 Cr, more than 95% of the investments were rated AA+ and above
- The Company has a strong panel of reinsurers, with a credit rating from internationally reputed credit rating agencies. All our current panel for FY 2020-21 were rated A and above, apart from GIC Re, the national reinsurer, who was rated B++
- Capital burn ratio was among the lowest in the second wave of private players
- The investment leverage ratio of 6.9 as at 31 March 2021 was among the highest in the second wave private players
- The Motor portfolio continued to enjoy one of the lowest Own Damage loss ratios in the industry. The portfolio was diversified across vehicle categories and geographies

Key challenges and counter measures

The insurance company needed to raise funds to grow: The Board of Directors of Magma HDI approved the preferential offer of ₹250 Cr and secondary sale of ₹275 Cr subject to statutory and regulatory approvals. The primary issue and secondary sale is proposed to be made to India Advantage Fund S4 I and Dynamic India Fund S4

Achieving industry benchmarks

Amongst Top 5

Motor Own Damage Claims Settlement within 30 days at 87.57%

Amongst Top 4

Least number of complaints intimated per 10,000 policies issued

Sizable Investment book

The investment book size grew to ₹2,994 Cr which is a growth of 31% over FY 2019-20

US I (collectively acting through a special purpose vehicle), both funds managed/advised by ICICI Venture Funds Management Company Limited, NHPEA Trisul Holding B.V. (an investment holding Company controlled by funds managed by Morgan Stanley), Cyza Chem Private Limited, Techpro Ventures LLP and QRG Investments and Holdings Limited.

Diversification of business sourcing channels

The Company increased its digital-derived business from ₹13 Cr in FY 2019-20 to ₹36 Cr in FY 2020-21. The Company tied up with various NBFCs and co-operative banks for bancassurance business.

Segment wise performance FY 2020-21

- Magma HDI's gross direct premium income (GDPI) grew 4.8%, which was in line with the growth of the general insurance industry during the pandemic-hit year.
- The portfolio mix for Motor-Commercial-Health segments improved from 80%-16%-4% in FY 2019-20 to 72%-22%-6% in FY 2020-21
- The Commercial portfolio grew 41% and contributed 22% to the GWP
- The number of automobile OEM alliances increased from 6 in FY 2019-20 to 14 in FY 2020-21
- The number of network hospitals for cashless insurance coverage increased from 4,686 on 31 March, 2020 to 6,125 as on 31 March, 2021
- The company increased the number of agents, points of sale and motor insurance service providers from 6,558 in FY 2019-20 to 7,614 in FY 2020-21
- The insurance company leveraged the video-streaming based online claims assessment without the physical presence of a claim assessor, which resulted in enhanced customer convenience and better efficiency
- The Health & Personal Accident portfolio was marked by initiatives like dedicated agency health channel, cross-sell through tele-sales to an existing customer database and training to partner field executives

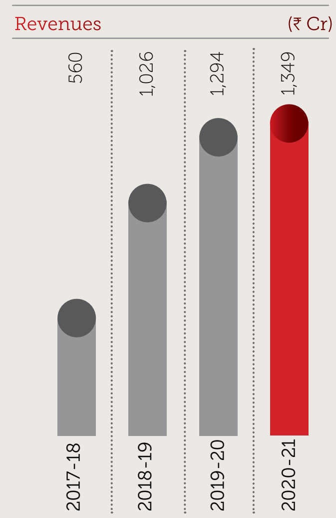
Outlook

The Company's insurance business enjoys attractive headroom on account of a superior products proposition and cross-sell opportunities with a professional team.

Offerings

Motor insurance	Liability insurance	Fire insurance	Engineering insurance
Marine insurance	Burglary insurance	Health insurance	

How the business has grown over years



593 (83%)
Number of districts where policies were issued (as a % of India's total districts)

576 (80%)
Number of districts where claims were serviced (as a % of India's total districts)

Capital mobilization

The Board of Directors of Magma HDI approved a preferential offer of ₹250 Cr and secondary sale of ₹275 Cr subject to statutory and regulatory approvals.

How we strengthened our business in FY 2020-21

Distribution

- Accelerated growth through new OEM tie-ups and a widening of the geographical reach
- Investment in the health segment, which will help diversify the product mix and reduce concentration on the Motor segment

Digital

- Focus on digital collection, which includes integration with major wallets in the country for premium acceptance, which resulted in 77.6% of collections through all digital modes combined in FY 2020-21 against 48% in FY 2019-20.

Our community commitment

Swayam – COVID-19 relief activity

- Magma Fincorp Ltd. has contributed ₹4 Cr to the PM Cares Fund
- Provided 2,000 PPE kits and 11 UV-based disinfection tunnels to Kolkata Police for police stations and training centres / administrative buildings
- Distributed dry rations to around 15,000 families affected by the pandemic

Magma Highway Heroes

- Reported a significant reduction in CO_2 emission and diesel consumption
- Conducted medical camps and provided training to around 190,000 truck drivers across 190 locations in association with PCRA, Government of India
- The project has been featured in the *Limca Book of Records* for training the maximum number of drivers on road safety

Mid-day meals, M-education

- In FY 2020-21, we distributed happiness kits consisting of dry ration, exercise books, stationery, masks and sanitizers to 5,000 students of government schools in West Bengal, National Capital Region, Maharashtra, Jharkhand, Andhra, Haryana and Rajasthan

Magma M- Scholar

- Magma M Scholar offers scholarships to meritorious students from marginalized families
- Considering the ongoing pandemic, we increased our student intake and enrolled 250 fresh students for scholarships in 2020, which will increase our student tally to 650
- Students from 2015 and 2016 batches completed their college and received job offers from prestigious corporate houses

Magma M-Care – Mobile health Camps

- Conducted M Care health camps in rural areas, which lacks basic health infrastructure or clinics
- In FY 2020-21, we conducted 150 health camps and treated around 11,000 patients

Swayam - Others

These projects were undertaken by the company for the betterment of society in FY 2020-21:

- Contributed towards the construction of a 120-bed super speciality hospital in West Bengal
- Contributed towards the construction of a shelter home and old age home for women in West Bengal
- Contributed towards the construction of a school for marginalized children in West Bengal
- Set up a digital lab for marginalized children studying in Coimbatore
- Distributed masks and sanitizer bottles to the marginalized at 45 locations across the country
- Sponsored cataract surgery and distribution of spectacles to poor in West Bengal

Our risk management framework

How we manage risks in our business

Overview

At Magma Fincorp, business sustainability is derived through the identification of probable business downsides and their proactive de-risking. This aspect is gaining relevance in a world where businesses and realities are marked by a larger number of uncertainties (Black Swans). The more competently we manage these risks, the stronger our capability to weather market cycles and the various unforeseens. The 'how' influences the 'what': the process influences the effectiveness of risk mitigation at our company.

At Magma, we believe that this consistency is derived from a corporate consistency: the enunciation of a stable corporate strategy, focus on long-term business sustainability over short-term profitability and a clear understanding across all stakeholders of the doables and non-doables within the company's operating matrix.

At Magma, our risk management practices are founded on our guiding principles, which we consistently apply across our risk categories. The purpose of Company's Risk Management Committee is to ensure that the executive management team has a risk management framework in place that includes policy, procedures and assessment methodologies that helps the Company monitor and manage organizational risks.

This predictability has enhanced process stability, effort outcomes and strengthened corporate sustainability. In view of this, risk management is not peripheral to the company's existence but integral to it; it is not just a short-term priority but a long-term essential.

Blueprint

At Magma Fincorp, we believe that a documented framework represents the heart of our governance commitment.

This documentation of our intent is a statement of all that we stand for on how we intend to conduct business. Over the years, we have documented this intent through various policies addressing all our stakeholders. On the one hand, we have created an overarching conduct on how we – collectively and individually – will engage across a range of operations. On the other hand, we have identified all process interventions, codified them and laid down multi-step guidelines on their how these processes need to be conducted. Besides, we have dovetailed this process roadmap with an extensive documentation discipline that has not only enhanced traceability but also strengthened a review process that has helped correct deviations with speed, shrunk the learning curve, enhanced process predictability and identified benchmarks leading to sustainable improvement. The result is a systems-driven organization, enhancing business sustainability.

This content is shared with employees when they join our company as a part of their training orientation; we periodically renew this training, helping graduate a work ethic from something that is passively observed to something that is actively lived.

This extension of our risk management commitment to everyday practices represents a competitive differentiator.

Over the years, the Company instituted a systematic risk management approach. This comprised the creation of a Risk Management Team to periodically appraise various changes in the external and internal environment and suggest commensurate counter-measures. In line with this, the company's Risk Management Framework is reviewed periodically and modified as and when required.

At our company, we have extended our understanding of risks from the strategic and the macro to the micro – right down to the transaction level. In so doing, the company has widened the understanding of risk from the Board to the individual employee level, strengthening preparedness and mitigation.

Risk management organization, roles and responsibilities

At Magma Fincorp, the corporate policy (and our ability to manage organizational risk) is framed by our Board of Directors, comprising esteemed professionals with vast industry experience. Our governance principles, including overall risk tolerance, are directed by the Board of Directors. Our Board is assisted by various committees with specific functions like Risk Management Committee, Audit Committee, Stakeholders' Relationship Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee, which also includes Board member(s) who report their findings to the Board of Directors. As a governance initiative, we ensure that members within our risk management structure are well-versed with our risk strategy and processes, ensuring complete transparency as well as improved ability to manage everyday risks. Our risk governance boosts the development and maintenance of an effective risk and control culture.

Strategic implementation and the risk management cycle

The Company has two Functional Risk Management Committees for the successful implementation of risk management at the operational level - risk identification, measurement, analysis and assessment; our risk reporting, limitation (reduction to a level we have deemed appropriate) and monitoring enables us to closely follow all major risks.

Risk identification

At Magma, risks are identified with the help of relevant systems and indicators (quantitative component). Besides, our intrinsic reporting protocol makes it possible for our executives to report risks as and when they recognize.

Risk measurement

We consistently reinforce our risk measurement tools for each business function. The risks are measured at organizational and functional levels based on the risk perception of the functional teams.

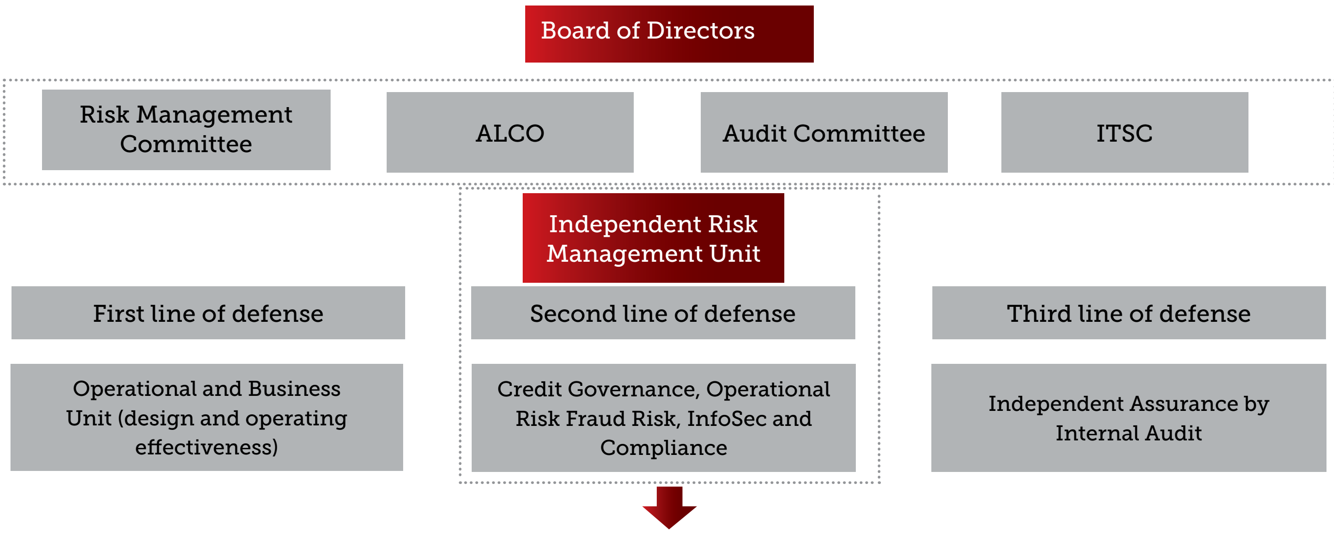
Analysis and assessment

At Magma, it is vital that our risk management practices are efficient enough to enhance our financial performance. In this way, our financial performance is a testimony of the efficiency of our risk management and operating model.

Risk reporting

At Magma, we periodically evaluate and report the effectiveness of our risk management to the Risk Management and other Committees covering category wise risk and the overall risks. This will potentially generate early alerts that make it possible to engage proactively in initiatives to counter the risks.

Our risk management architecture



Components of Risk Management	Overarching principles and execution
Risk governance	• Risk Appetite Statement and Strategic Risk Assessment set the guardrails • Quarterly Committee meetings to assess enterprise risk profile • Well-defined risk policies and standards
Operating controls and compliance	• Comprehensive Risk library. Regular monitoring of key risk indicators. • Internal Financial Controls (IFC) standards as mandated by Companies Act
Credit underwriting strategies	• Decision-making platforms based on segmental behaviour and risk-based pricing • Automated Credit Rule Engine with connectivity to bureau and fraud systems
Analytics driven portfolio management	• Statistically derived Early Warning Indicators (EWI) and Continuous Portfolio Monitoring Indicators (CPMI) • Robust PD and LGD models guide consistently accurate loss forecasting
Capital and Liquidity Management	• Proactive management of ALM mismatch in each time bucket • Prudent capital and liquidity buffers for stress resilience

Risk strategy to deal with the COVID-19 pandemic

At the end of the financial year under review, we were faced with an unprecedented health and economic crisis on account of the second surge of the COVID-19 pandemic. We responded to this reality through a responsive risk management strategy.

Minimum disruption of activities	• Being a geographically-neutral team, which can work from a non-office location without disruption, the Risk team ensured minimum disruption in activities during the crisis
Risk team initiatives	• Conducted planned risk activities (risk reviews, IFC exercise, KRI monitoring, committee meetings) as per the plan • Developed an events risk register to monitor new risks and corresponding controls • Participated in COVID-19-specific webinars to derive insights into related risks • Intensified surveillance by FRM; engaged in deeper training for better fraud prevention • Reassessed pre-approved customers • Engaged in customer surveys to understand how they were affected with the objective to improve credit processes / re-design lending and collection
Road ahead	• Increased the use of secured technology tools to conduct risk activities • Identified and eliminated redundant processes • Leveraged telephonic and electronic means for investigations and cross-verifications

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Board Report and Management Discussion & Analysis

Dear Shareholders

Your Directors have pleasure in presenting the 41st Annual Report along with the Audited Financial Statements of the Company for the financial year ended 31 March, 2021.

FINANCIAL HIGHLIGHTS

(₹ in lakh)

Particulars	Standalone		Consolidated	
	FY2020-21	FY2019-20	FY2020-21	FY2019-20
Total income	187,685.10	221,903.40	235,247.75	256,287.78
Profit before interest and depreciation	15,409.97	122,979.54	40,245.35	145,139.63
Less: Interest and finance charges	87,459.56	112,397.10	110,045.40	129,382.18
Less: Depreciation	5,215.44	7,164.14	5,625.29	7,478.99
Profit before tax	(77,265.03)	3,418.30	(75,425.34)	8,278.46
Share of profit of joint ventures	-	-	548.48	(100.72)
Tax Expense	(19,428.95)	4,419.38	(18,980.42)	5,472.40
Profit after tax	(57,836.08)	(1,001.08)	(55,896.44)	2,705.34
Add: Other Comprehensive Income/ (loss)	294.16	(617.26)	57.85	(82.99)
Total Comprehensive Income	(57,541.92)	(1,618.34)	(55,838.59)	2,622.35
Profit available for appropriation				
Profit after tax	(57,836.08)	(1,001.08)	(55,896.44)	2,705.34
Balance of profit for earlier years	28,653.27	32,540.96	45,911.39	46,965.00
Profit available for appropriation	(29,182.81)	31,539.88	(9,985.05)	49,670.34
Add: Other Comprehensive Income/ (loss)	197.88	(288.96)	208.25	(308.33)
Transfer to statutory reserve	-	-	(608.67)	(852.97)
Less: Dividend paid	-	(2,597.65)	-	(2,597.65)
Balance carried forward	(28,984.93)	28,653.27	(10,385.46)	45,911.39

ECONOMIC AND INDUSTRY OVERVIEW

Global Economic Overview

The coronavirus pandemic, or COVID-19, has had a significant impact on the global economy. In Calendar Year (CY) 2020, the global economy contracted by 3.3% compared to growth of 2.8% in CY2019 and 3.6% in CY2018, the decline being the biggest since the Great Depression of the 1930s. The global trade contracted by 8.5% in CY2020 due to border closures as countries around the world imposed lockdowns. Supply disruptions interrupted the international provision of goods and services. The impact of the pandemic on merchandise trade volumes differed across regions in 2020, with most regions recording large declines in both exports and imports. Merchandise trade volumes have now more or less returned to pre-pandemic levels. Cross-border trade in services remains subdued.

With COVID-19 pandemic still spreading across the world, and caseloads reaching record levels in many economies, the global outlook will remain heavily dependent on the pandemic's evolution. The widespread deployment of effective vaccines will play a key role in halting the pandemic's progression, and is also expected to strengthen economic activity by raising confidence and improving financial market conditions.

The International Monetary Fund's (IMF) recent report on World Economic Outlook projects 6% growth for the global economy in CY2021, reflecting additional fiscal support in a few large economies and the anticipated vaccine-powered recovery in the second half of the year.

Indian Economic Overview

The implementation of a national lockdown on March 24, 2020 (i.e. on the eve of the new FY21 fiscal year), brought economic activity to a halt, affecting both production and consumption. India's GDP growth was negative in the first half of the fiscal year (April to September 2020) and only modestly positive in the second half. Over the entire FY21, India's economy is estimated to have contracted by ~8%.

The response of the Government to the COVID-19 outbreak has been swift and comprehensive. A national lockdown to contain the health emergency was complemented by a comprehensive policy package to mitigate the impact on the poorest households (through various social protection measures) as well as on small and medium enterprises (through enhanced liquidity and financial support).

India seemed to have evolved through the pandemic on the back of strong policy initiatives by the government, along with an optimistic outlook for economic recovery. Structural reforms initiated by the government have helped restrict the fatality rate in India to 1.2%— one of the lowest in the world. After some success in curbing the virus considerably, India's economy had returned to functioning normally by the second half of 2020. However, over recent months, the unexpected second wave of the virus has started spreading rapidly which could impact recovery pace of the Economy. The RBI has projected FY22 GDP growth at 10.5%, while IMF and World Bank put it at 12.5% and 10.1% respectively.

Industry Overview

NBFC Sector

Non-banking finance companies (NBFCs) play an important role in nation building and financial inclusion by complementing the banking sector in reaching out credit to the unbanked segments of society, especially to the micro, small and medium enterprises (MSMEs), which form the cradle of entrepreneurship and innovation.

India's non-bank lending sector was hit by a crisis in 2018 when a large financier unexpectedly defaulted. Further, contraction of activity in 2020 on account of COVID-19 Pandemic led to incremental slowdown. To mitigate the impact of COVID-19 on NBFC sector, the government of India and Reserve Bank of India (RBI) came up with stimulus package and announced various schemes such as Emergency Credit Line Guarantee Scheme (ECLGS), Partial Credit Guarantee Scheme (PCGS), Special Liquidity Scheme (SLS), extension of Credit Linked Subsidy scheme for MIG under PMAY(U), Targeted Long-Term Repo Operations (TLTRO), Moratorium etc., clearly laying down the vision for NBFCs and thus facilitated a strong recovery in second half of the year.

Adhoc Line of Credit and Guaranteed Emergency Credit Line scheme provided timely relief to MSME sector/business community by providing them much needed liquidity during the crisis period. Similarly, for the NBFC sector, the partial credit guarantee scheme helped them to tide over liquidity crisis. These measures helped in not only providing the much-needed liquidity but also ensuring a path of stability for the NBFC sector.

The overall loans and advances contracted in H1FY21 due to weak demand on the back of nationwide lockdown. However, as the economic activities gradually resumed, loan disbursements gained momentum in H2FY21. Collection efficiency also gradually improved to be near normal in Q4FY21.

The growth in FY22 is envisaged to be driven by the improvement in demand from all key target segments vis-à-vis the current fiscal, which was impacted by the Covid-19 related lockdown. Growth would be contingent upon the access to adequate funding lines i.e. incremental bank loans to non- banks, which would in turn depend on overall bank credit growth. However, all this is contingent on successful implementation of the vaccination programme and the ability of government agencies to arrest the rising infections in the near term.

Overview of underlying asset class

Automobile sector

- The Indian automobile industry made a stellar comeback in the second half of FY21 despite the adverse impact of the Covid-19 induced economic downturn as sales surged due to better than expected economic recovery and shift in customer preference towards personal mobility. Overall decline in volumes have been substantially less than what was expected by analysts and industry experts at the start of the pandemic.
- The passenger vehicles domestic sales reached nearly same levels as last year in FY21 (-2.3% Y-o-Y) as per a CARE ratings report.
- Tractor sales remained unaffected through the year and in fact, FY21 was one of the best years for this segment.
- The commercial vehicles segment, which was the first to be affected by lockdowns saw Q1FY21 as a complete washout by witnessing just 30,000 units of domestic sales. However, as the economy opened up, their sales grew and in the last quarter it clocked 2.1 lakh units of sales, the highest since Q4FY19. On a cumulative basis, commercial vehicles segment reached 80% of last year's volumes.
- Used vehicle is considered as one of the least impacted segment as consumers prefer more personal yet affordable mobility solutions during the pandemic. The online used car market is seeing an increased uptake, online used car marketplaces and platforms have seen a growth of 17-18% in FY21, according to a Deloitte report.

SME Sector

- MSME sector was directly impacted due to lockdown and the uncertain economic situation.
- Uncertainties in cash flows in MSME sector are likely to remain in the short to medium term and recovery is expected to be slow owing to the second wave of pandemic and uncertainties around opening up of lockdown restrictions in major states. However, measures from RBI and Government are likely to expedite the recovery process post opening up of the economy.
- Disruptions caused by the Covid-19 pandemic have impacted MSMEs' earnings by 20-50%. MSMEs faced lots of difficulties due to interrupted supply chain systems and intrastate lockdown provisions. Consequently, asset quality concerns for NBFCs having MSME exposures have increased and are expected to pose challenge over the next few quarters.
- The Budget 2021-22 doubled the allocation to the MSME sector to INR 15,700 crores (vs. INR 7,572 crores allocation in Budget 2020-21). In addition to the increased allocation, the Budget has also focused on promoting domestic manufacturing that benefits the MSME sector. Increased thrust on the Atmanirbhar Bharat program is also expected to promote the domestic manufacturing industry and ensure import substitution. The Budget also provides for the introduction of a special framework for debt resolution in respect of MSMEs. These measures should pave the way for higher role, growth and employment of MSMEs in India.

Mortgage Sector

- The significance of owning a home to avoid the uncertainties of living in a rented accommodation was reinforced during the pandemic and work from home era. The desire to own a home is perhaps now stronger than ever.
- This pent-up demand combined with increased affordability due to extremely low mortgage interest rates and stagnant property price since past few years has resulted in revival of real estate sector during 2nd half of FY21. Furthermore, the market is also witnessing renewed interest from Non-Resident Indians (NRIs) apart from end user demand.
- In FY22, a further improvement in sales across all housing segments is expected. However, development focus on mid and affordable segments is expected to continue. Last year, more than 80% of the new launches were in the sub ₹10 million category. Moving ahead, new launches are expected to remain concentrated in these price segments with developers trying to reap the benefits of strong pent up demand in these segments.
- The government is also committed towards boosting affordable housing. The recent Union Budget has extended the benefit of additional interest deduction on home loans for first time home buyers in the affordable segment. Further, there is a time extension to claim the tax holiday on profits from affordable housing projects until March 2022.
- As delivery timelines remain a key concern even now, demand for ready to move in homes is likely to be remain strong. However, the effective and uniform implementation of RERA across all States/UTs in India is expected to improve the confidence of homebuyers and ultimately, lead to greater sales traction in under construction residential projects.

OVERVIEW OF COMPANY'S PERFORMANCE

In volatile economic environment, the Company focused on capital preservation, collections, stringent operating expenses management and strengthening Balance Sheet.

The new initiatives undertaken by the Company continues to show positive impact in all areas during the current year.

Disbursements and Loan Assets

The standalone disbursements for the year declined from ₹511,319 lakh in FY2019-20 to ₹242,962 lakh in FY2020-21. Similarly, the consolidated disbursements declined from ₹6,42,832 lakh in FY2019-20 to ₹368,021 lakh in FY2020-21. The decline was mainly due to discontinuation of Non Focus products (New Cars, CV, CE) and on account of COVID-19 pandemic. The focus of the Company was on maintaining the portfolio quality in the light of adverse economic trends and therefore, be conservative in incremental lending and restricting it to customers with existing track record and/or good security.

Total Loan Assets as on 31 March 2021 on standalone basis stood at ₹10,56,288 lakh against ₹13,23,368 lakh for the previous year and on consolidated basis at ₹14,22,546 lakh against ₹16,13,353 lakh for the previous year.

Asset Quality :

a. **Stricter write off policy**

   During the year, the Company moved to more stringent write off policy for its portfolio. For Asset backed finance portfolio, write-off has been advanced to 180+ days past due (dpd) against 730+ dpd earlier on Unsecured SME portfolio the write off has been advanced to 90+ dpd against 450+ dpd earlier, and on mortgage portfolio the write off has been introduced at 730+ dpd. This has resulted in additional charge of ₹28,205.54 lacs during the quarter and year ended 31 March 2021. The recovery efforts continue for the written off portfolio, and recoveries made will be credited to profit and loss account in the subsequent quarters in line with the applicable accounting policies.

b. **COVID-19 impact on portfolio**

   COVID-19 wave 1:

   The Company implemented a moratorium policy in accordance with the Reserve Bank of India (RBI) COVID-19 Regulatory

Package announced on March 27, 2020, April 17, 2020 and May 23, 2020. For all loans where moratorium was availed by the borrowers, the Company had kept ageing of such loans and their asset classification at standstill during the moratorium period. The Company's business was adversely impacted during the period of lockdown in March-June 2020 period, and the impact continued for some time even subsequently.

There was an adverse impact of COVID on the credit loss incurred by the Company for the year ended March 2021.

COVID-19 wave 2:

The COVID-19 wave 2 induced significant rise in infections and tragic loss of human lives, resulting in lockdowns that have caused disturbance in the overall operations at beginning of the new financial year. The impact has spread in hinterland tier towns and impacted the collections from the customers, once again disturbing the operations of the Company significantly.

The Company estimates that impact of COVID wave 2 and resultant lockdowns shall lead to higher credit losses. The management expects muted response to the restructuring guidelines announced by the Reserve Bank of India on May 6, 2021 as its implementation would require physical connect with the customers, which is not feasible until the lockdowns are lifted. This will result in forward flow of the loan book to higher buckets in future and will thereafter take time to return to normalcy leading to significant increase in credit risk.

The Company has estimated the impact of COVID-19 wave 2 on its portfolio and created required additional provision of ₹62,110.70 lacs as at 31 March 2021.

The Company holds cumulative provision against the potential impact of COVID-19 to the tune of ₹71,433.07 lacs (₹11,660.45 lacs as on 31 March 2020) and basis management estimate is adequate to cover the impact of second wave of COVID-19 on the entire loan portfolio.

The consolidated Gross Stage 3 Assets ratio on 3-month overdue basis on loans, stood at 3.7% in March 2021 compared to 6.4% in March 2020. Similarly, the Net Stage 3 Assets ratio on loans stood at 1.2% in March 2021 compared to 4.2% in March 2020.

Liquidity

Magma maintained strong liquidity through the year. Our key strength is our long standing in the industry and retail focused Business Model, both in NBFC and HFC, which provides comfort to our lending partners:

a. Average ticket size of ₹2 to 5 lakh for ABF, ₹10 to 15 lakh for Mortgage and ₹10 to 15 lakh for SME Business;

b. Pan India presence through its 254 branches spread across 21 States;

c. Diversified product mix, with no single product comprising more than 20% of the portfolio;

d. Our robust track record of asset securitization, having done securitization (on consolidated basis) of over 263 pools for total asset value of over ₹46,815 Crore over past 14 years with diverse investors, namely Public Sector Banks, Private Sector Banks, Foreign Banks and Mutual Funds.

e. We exited March 2021 with liquidity of ₹2,002 Crore comprising of available cash in hand of ₹414 Crore and unutilized credit limits of ₹1,588 Crore.

Business – Strategy and Outlook

Key Initiatives FY2021:-

- Successfully pivoted Product and Geo strategy towards profitable products and markets
- Realignment of our Collections team with dedicated teams at middle and hard bucket level for effective NPA control
- Successful utilisation of Govt. schemes viz. EMI Moratorium, ECLGS, OTR, Credit guarantee and Interest subventions to ease customer hardship
- Three rounds of Customer surveys ("India Bol Raha Hai") were conducted basis which underwriting and collections norms were realigned with on ground market situation
- Introduction of large non-conventional channels to diversify our traditional channel base
- Journey towards automation of Lead2Disbursal workflow continued with successful development of channel portal, revenue approvals workflow and upload options for customer documents in our Sales app.
- Transformation of SME business in FY21 with key strategic themes: Go-Direct, Go-Secured and Go-Digital.

Asset Backed Finance (ABF)

Disbursement declined by 55%, from ₹405,497 lakh in FY2019-20 to ₹181,173 lakh in FY2020-21. The decline is mainly due to following reasons:

- Discontinuation of Non Focus products (Car, CV and CE) in FY21.
- Low disbursement in Focus products during H1FY21 on account of lockdown imposed due to COVID-19 pandemic.
- Deliberate slowdown in disbursals for certain products & customer segments due to deployment issues.

Used Assets AUM contribution increased from 19% in FY2018-19 to 28% in FY2020-21. Direct channel contribution significantly grew from 31% in Q1FY2017-18 to 52% in Q4FY2020-21

ABF business continues to re-shape its portfolio, by increasing contribution of focus products, which is yielding positive results.

Mortgages Business

Disbursement under mortgage business ramped up significantly each quarter after a subdued Q1 to report 94% of FY20 numbers of ₹126,702 lakh in FY2020-21 as against ₹1,35,508 lakh in FY2019- 20.

- The disbursement in home loans grew by 5% from ₹82,671 lakh in FY2019-20 to ₹86,702 lakh in FY2020-21 in line with "GO HOME LOAN" strategy implemented by the Company.
- The contribution of home loan portfolio increased from 25% in FY2016-17 to 53% in FY2020- 21 in the overall housing AUM.
- Company's "GO DIRECT" strategy for transition from DSA model to direct sales model improved direct sourcing from 28% in Q1FY18 to 75% in Q4FY21.
- Focused deep market penetration in 103 locations across 19 states using unit model implementation.

The push for affordable housing by the Government of India will further expand the Company's current housing portfolio. The Company is poised towards being a unique affordable finance Company having a national presence.

SME Business

Disbursement declined from ₹101,827 lakh in FY2019-20 to ₹60,146 lakh in FY2020-21 as a result of tightening of SME lending on account of overall economic slowdown due to COVID-19 pandemic and its impact on the SME segment. The asset under management decreased by 23% i.e. from ₹1,85,860 lakh as on 31 March 2020 to ₹1,42,272 lakh as on 31 March 2021.

FY21 was a year of transformation for SME business with key strategic themes: Go-Direct, Go-Secured, & Go-Digital. Our Go-Direct initiative helped us to diversify the sourcing mix from pure channel based to channel plus direct model and we could source 11% of the total business under direct. In terms of Go-Secured strategy, business saw successful launch of the MSME Secured Loan product in the year and got some early wins at three pilot regions. Under Go-Digital initiative we could offer end to end digital and paperless experience to over 3,500 of our SME customers availing ECLGS limit. Overall, the business expects to focus on improving asset quality through direct and secured strategy and contribute to bottom line of the Company.

Insurance business achieved ₹1,34,904 lakh Gross Written Premium for FY2020-21 registering a growth of 4.3% YoY vs the industry GDP growth of 5.2%. The insurance business reached a customer base of 2.1 million in FY2020-21 with 7600+ channel partners as at March 2021. The business continues to witness productivity improvements in retail Agency, OEM and Bancassurance channels. The Company is empaneled with fourteen OEMs as at March 2021, of which 8 were added in FY2020-21. The company has commenced business with 13 OEMs till FY 21. Digital channel has grown by 185% in FY21. The Company continues to increase its Non motor commercial portfolio backed by strong panel of reinsurers. The servicing infrastructure for retail and group health business has been put in place which has led to 54% growth in Health segment with 6% contribution in FY21 GWP. Motor Own Damage claims assessment through video streaming remained stable at 45% during the year. Investment AUM has crossed ₹3000 Crs and investment leverage continuing to improve.

Branch network

Magma's branch network stood at 254 branches in FY2021. The Company has a pan India presence with good geographical diversification. The Company continues to exploit the untapped potential of existing branches and ensure that more products are available across our branch network.

SWOT ANALYSIS

Opportunities, Challenges and Outlook

Strengths

- Diversified asset financier both in term of products as well as geographies, which helps mitigate risks.
- Pan-India presence with 254 branch offices, primarily in Rural and Semi Urban locations.
- Sound business model, presence in high yield, high growth business segments and superior sustainable returns.
- Magma has invested heavily on technology as a strategic enabler which has helped it to run operations even during COVID-19 pandemic times.
- Customer focus, Product innovation and Superior delivery.
- Experienced senior management team.
- Strong relationships with public, private as well as foreign banks, institutions and investors.
- Ability to meet the expectations of a diverse group of investors and excellent credit ratings
- Innovative resource mobilisation techniques and prudent fund management practices

Weakness

- Business and growth directly linked with the GDP growth of the country.
- Liability profile and dependence on banks for leverage and ALM matching.
- Company's Customers are more vulnerable to negative effects of economic downturn.
- Uncertain economic environment on account of surge in COVID-19 cases and several States imposing restrictions such as night curfew and full lockdowns.

Opportunities

- Focus on MSME segments traditionally not serviced by banks (non-salaried professionals, individuals, traders and transporters).

- Large untapped rural and urban markets.
- Enhance digital solutions for business/collections.

Threats

- Slower economic activity and weak rural demand could lead to high credit costs due to COVID-19 pandemic.
- Increased competition across the Company's product segments from captive finance companies and small finance banks.
- External risks associated with liquidity stress, political uncertainties, fiscal slippage concerns, etc.
- Growing number of Fintech companies.

FINANCIAL PERFORMANCE AND STATE OF THE COMPANY'S AFFAIRS

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

The Company's Profit after Tax (PAT) on consolidated basis decreased to ₹(55,896) lakh in FY2020- 21 compared to ₹2,705 lakh in FY2019-20.

The Company's net interest margin (NIM) increased to 8.2% in FY2020-21 as compared to 7.6% in FY2019-20 on account of decreased finance cost.

Net Income from Operations (i.e. total income less finance cost) on a consolidated basis decreased by 1.3% from ₹126,906 lakh in FY2019-20 to ₹125,202 lakhs in FY2020-21.

Total Income decreased by 8.2% from ₹256,288 lakhs in FY2019-2020 to ₹235,248 lakhs in FY2020-21.

The write offs and provision increased from ₹48,579 lakhs in FY2019-20 to ₹144,799 lakhs in FY2020-21, as the Company has moved to stricter write off policy and made additional provision for likely adverse impact of COVID wave 2 as explained in more details in the para Asset Quality above.

On a Standalone basis, the Capital Risk Adequacy Ratio (CRAR) for the year FY2020-21 was 20.3%, against the RBI stipulated norm of 15% for non-deposit taking Asset Finance Companies.

Details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios:

1. Debt Equity ratio has increased from 3.98 as on 31st March 2020 to 4.08 as on 31st March 2021 at standalone level and increased from 4.36 as on 31st March 2020 to 4.75 as on 31st March 2021 at consolidated level. This represents an increase of 2% and 9% at standalone and consolidated level respectively.
2. Return on Assets (ROA) decreased from 0.2% in FY2019-20 to -17.7% in FY2020-21 and Return on Equity (ROE) decreased from 1.0% in FY2019-20 to -102.9% in FY2020-21. This is primarily on account of change in write-off policy and additional COVID provision provided during the year as explained in more detail in the para Asset Quality above.

CHANGE IN NATURE OF BUSINESS

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

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

Your Company has allotted 49,37,14,286 Equity shares of ₹2/- each at an issue price of ₹70/- per equity share aggregating to ₹3456 crores by way of preferential allotment to Rising Sun Holdings Private Limited (RSHPL), and to existing promoters of the Company on 6 May 2021. Pursuant to the said allotment and on completion of the open offer, RSHPL is the largest shareholder of the Company and exercise control in the Company and is classified as a 'Promoter' of the Company w.e.f 21 May 2021. Consequently, Magma Fincorp Limited has become a subsidiary of RSHPL and Magma Housing Finance Limited has become a step down subsidiary of RSHPL.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the requirements in terms of Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (hereinafter referred to as 'Listing Regulations') your Company prepared Consolidated Financial Statements in accordance with Ind AS 110 - "Consolidated Financial Statements" and Ind AS 27 - "Separate Financial Statements". The Consolidated Financial Statements forms part of this Report.

SUBSIDIARY AND JOINT VENTURE COMPANIES

Magma Housing Finance Limited (MHFL) is a wholly owned subsidiary of the Company. MHFL has made disbursements of ₹125,059 lakh in FY2020-21 against ₹131,513 lakh in previous year. MHFL has earned a PBT of ₹1,436 lakh for the year ended 31 March 2021 against ₹5,429 lakh in previous year.

The Company's Joint Venture with HDI Global SE for General Insurance Business in India named Magma HDI General Insurance Company Limited (Magma HDI) (the 'JV Company') has shown a growth in the current year. Magma HDI has reported Gross Written Premium (GWP) of ₹134,904 lakh in FY2020-21 against ₹129,392 lakh in FY2019-20. Magma HDI has earned PBT of ₹1,935 lakh for the year ended 31 March 2021 as against PBT of ₹568 lakh for the year ended 31 March 2020.

Jaguar Advisory Services Private Limited (JASPL), a Joint Venture with HDI Global SE is an advisory services Company domiciled in India. Presently, JASPL provides manpower services. JASPL has earned a PBT of ₹0.41 lakh for the year ended 31 March 2021 against ₹0.58 lakh in previous year.

None of the companies have ceased to be subsidiary/joint venture of your Company during the year under review

Pursuant to Section 129(3) of the Companies Act, 2013 a statement in Form AOC-1 containing the salient features of the Financial Statement of your Company's subsidiary and joint ventures forms part of this Report and hence not repeated here for the sake of brevity.

TRANSFER TO RESERVE

In view of Net Loss during the year the Company is not proposing any Transfer to Statutory Reserve as required under Regulation 45-IC of Reserve Bank of India Act, 1934 issued by RBI.

DIVIDEND

As stipulated in Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has in place the Dividend Distribution Policy which is available on the Company's website at its weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/. The same also forms part of the Board's Report and is annexed as Annexure 5.

With a view to conserve capital, given the challenging situation caused by the ongoing COVID-19 pandemic and loss during the year, the Board of Directors has not recommended any dividend on Equity Shares of the Company for the financial year ended 31 March, 2021.

DEPOSITS

Being a non-deposit taking Company, your Company has not accepted any deposits from the public within the meaning of the provisions of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016 and the provisions of Companies Act, 2013.

EMPLOYEE STOCK OPTION SCHEME

Your Company had formulated and implemented Magma Employees Stock Option Plan 2007 (MESOP 2007) and Magma Restricted Stock Option Plan 2014 (MRSOP 2014) in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and SEBI (Share Based Employee Benefits) Regulations, 2014 including any amendments thereto ('SEBI Guidelines/Regulations').

The Nomination and Remuneration Committee of the Board of Directors of the Company, inter alia, administers and monitors the MESOP 2007 and MRSOP 2014 in accordance with the applicable SEBI Guidelines/Regulations.

The details of the options granted and outstanding as on 31 March 2021 along with other particulars as required by Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014 is available on the website of the Company www.magma.co.in at https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/ and the Auditors' Certificate would be placed at the forthcoming Annual General Meeting pursuant to Regulation 13 of the said Regulations.

CHANGES IN 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, 1,01,400 Equity Shares of the face value of ₹2/- each, were allotted to the eligible employees at a price of ₹2/- per Equity Share upon the exercise of stock options by the employees:

After the close of financial year 10,09,649 Equity Shares of face value of ₹2/- each were allotted to the eligible employees upon the exercise of stock options by the employees.

Preferential issue of Equity Shares

Pursuant to shareholders' approval by way of Special Resolution in the Extra Ordinary General Meeting and other necessary regulatory approvals and in compliance with provisions of the Companies Act, 2013 and Chapter V of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations), and other applicable laws, your Company has allotted 49,37,14,286 Equity shares of face value ₹2/- each at an issue price of ₹70/- per equity share aggregating to ₹3456 crores by way of preferential allotment to Rising Sun Holdings Private Limited (RSHPL), Mr. Sanjay Chamria and Mr. Mayank Poddar.

Pursuant to the said allotment, RSHPL is the largest shareholder of the Company and have a controlling stake in the Company and is classified as a 'Promoter' of the Company alongwith the existing promoters in accordance with ICDR Regulations. Post issuance, the Net worth of the Company has increased to over ₹5398 crores, enhancing the capital adequacy from 20.3% as of 31 March 2021 to 69.7%

The Proposed allotment triggered an obligation on RSHPL (together with Mr. Chamria and Mr. Poddar, in their capacity as persons acting in concert with RSHPL) to make an open offer to the public shareholders of your Company, under Regulations 3(1) and 4 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 which has been duly complied with.

Consequent to the issue of the additional Equity Shares as above, the issued, subscribed and paid up Equity Share Capital of the Company as on the date of this Report stands increased to 152,86,86,094/- (Rupees One Hundred Fifty Two Crores Eighty Six Lakhs Eighty Six Thousand and Ninety Four only) consisting of 76,43,43,047 Nos. (Seventy Six Crores Forty Three Lakhs Forty Three Thousand Forty Seven only) of Equity Shares of ₹2/- each as on date.

The new Equity Shares issued shall rank pari passu with the existing Equity Shares of the Company in all respects.

The funds raised through the said Preferential Issue would be utilized to augment the growth of the Company and to further invest in the required growth capital in other group entities.

FINANCE

Private Placement Issue of Debentures and Bank borrowings

During the year, the Company has raised ₹175 crore through issuance of 1,750 nos. of privately placed Listed, Secured, Redeemable,Non-Convertible Debentures of face value ₹10 lakh each. The proceeds of the issue have been utilized for the Company's general corporate purpose and to augment working capital needs.

During the year, the Company has raised fresh Secured Loans of ₹575 crore from Banks and Financial Institutions. The Company has also raised funds of ₹576 crore from Banks and NBFCs through fresh issue of Pass Through Certificates (PTCs).

RBI GUIDELINES

The Company continues to comply with all the applicable regulations prescribed by the Reserve Bank of India ("RBI"), from time to time.

CREDIT RATING

During FY2020-21, rating for Short-term debt instruments from CRISIL were re-affirmed at CRISIL A1+. CARE Ratings reaffirmed its ratings on the Company's Short term debt instruments at CARE A1+, Bank Facilities, long term Secured and Subordinated Debt instruments at CARE AA- and Perpetual Debt instruments at CARE A+. The Bank Facility ratings of the Company have been reaffirmed by ICRA & India Ratings & Research Private Limited at ICRA AA - and IND AA- respectively. In line with the Ratings of the other agencies, Brickwork Ratings have revised its rating for long term Secured Debt and Subordinated Debt instruments to BWR AA- and Perpetual Debt instruments to BWR A+.

AA- reflects that these instruments have high degree of safety regarding timely payment of financial obligations and carry very low credit risk. ACUITE (erstwhile SMERA) have reaffirmed AA rating for Secured Redeemable Non-Convertible Debenture & Unsecured Subordinated Debt Instrument rated by them.

Based on the recent preferential allotment announcement made by the Company, CARE, ICRA, India Ratings, Brickwork Ratings have affirmed ratings at AA- with ratings kept under watch with developing implication. Acuite affirmed the ratings at AA with ratings kept under watch with positive implication.

Credit Rating placed under 'Watch with Developing Implications' indicates that once credit uncertainty gets resolved, the Credit Rating may either be upgraded/reaffirmed or downgraded (only if approvals and other statutory requirements are not met & underlying event does not happen). Similarly, Credit Rating placed under 'Watch with Positive Implications' indicates that once the credit uncertainty gets resolved, the Credit Rating is more likely to be upgraded

Instrument	Rating	Rating Agency
Rating Under Basel Guidelines		
Short Term Debt (Commercial Paper)	A1+	CARE/CRISIL
Fund Based & Non-Fund Based from Banks	AA-	CARE
	AA-	ICRA
	AA-	India Ratings
Secured Redeemable Long-Term Bond/Note	AA-	CARE/Brickwork
	AA	ACUITE
Unsecured Subordinate Tier II Bonds	AA-	CARE/Brickwork
	AA	ACUITE
Perpetual Debt Instruments	A+	CARE/Brickwork

A status of ratings assigned by rating agencies and migration of ratings during the year is provided in note no. 53 (i) to the standalone financial statements of the Company.

PARTICULARS OF LOANS, GUARANTEE AND INVESTMENTS OUTSTANDING DURING THE FINANCIAL YEAR

Particulars of loans, guarantee and investments outstanding during the financial year is furnished in note nos. 6 and 7 to the standalone financial statements of the Company.

RISK MANAGEMENT

The Risk Management Committee (RMC), functions in line with the Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015 and Listing Regulations. The Committee met six times during the year, its terms of reference and functioning are set out in the Corporate Governance Report. The Company understands that risk evaluation and risk mitigation is a function of the Board of the Company and the Board of Directors are fully committed to developing a sound system for identification and mitigation of applicable risks viz., systemic and non-systemic. The Company has also implemented/adopted Risk Management Policy duly approved by the Board.

To make the current Risk Management practice more robust and aligned to the industry practice, the management has set up an internationally accepted forward looking Integrated Risk Management (IRM) Framework. This covers all risk families including but not limited to Credit Risk, Market & Interest Risk, Compliance Risk, Operational Risk, Reputational Risk and Financial Risk. The said framework facilitates identification, measurement, mitigation and reporting of risks through constant monitoring of Key Risk Indicators within the organisation. Involvement of the Senior Management team in implementation of the IRM framework ensures achievement of overall organisational objectives across all business units.

The risk management infrastructure operates on five key principles:

1. An overarching Risk Appetite Statement that defines the shape of the portfolio, delivering predictable returns, through

economic cycles, and optimizing enterprise-wide risk-return and capital deployment.

2. Independent governance and risk management oversight.
3. Establishment of forward-looking strategic risk assessment with pre-emptive credit and liquidity interventions, to ensure proactive early action in the event of emerging market adversity.
4. Maintenance of well-documented risk policies with performance guardrails.
5. Extensive use of risk and business analytics, and credit bureau as an integral part of decision- making process.

The Integrated Risk Management group is headed by the Chief Risk Officer, who is responsible for overseeing Magma's risk functions including credit risk, market risk, compliance risk, operational risk, reputational risk and financial risk across all businesses, products and processes.

Credit Risk

Magma adopts an independent approval process guided by product policies, customer selection criteria, credit acceptance criteria and other credit underwriting processes for sanctioning and booking each loan. This allows each customer to be independently assessed based on both financial and non- financial measures.

All credit policies are clearly documented and approved by the Risk Management Committee of the Board. Credit policies are reviewed on a periodic basis driven by changes in macro-economic, industry/segment and credit bureau in addition to internal portfolio performance.

Credit approval and administration is managed through a judicious use of Credit Rule Engine, assessment by seasoned credit appraisal experts and an appropriate delegation of credit authority.

Portfolio quality improvement is a constant exercise. We use the statistical benchmark of Early Warning Indicators and Continuous Portfolio Monitoring Indicators and basis these indicators carry out Hind sighting exercise to make appropriate intervention in the Credit Policy to further improve the portfolio quality and reduce the ultimate losses. Covid 19, a health and economic crisis which started during the end of FY20, continued to impact much of the FY21. This led us to further enhance the credit processes due to uncertain economic conditions.

Operational Risk management

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

The framework, at its core, has the following elements:

1. Documented Operational Risk Management Policy.
2. Well defined Governance Structure.
3. Use of Identification & Monitoring tools such as OR Incident reporting, Risk and Control Self- Assessment (RCSA), Key Risk Indicators (KRIs).
4. Standardized reporting templates, reporting structure and frequency.
5. Regular workshops and training for enhancing awareness and risk culture.

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

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

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

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

In FY21, the Operational Risk (OR) team has helped identify, assess, monitor and mitigate risks across the organization. RCSA exercises and OR reviews have been conducted for key business units / support functions, and action plans have been developed to plug process gaps. An incident reporting process has been implemented during the year for reporting of OR incidents. The OR team helps senior management monitor risks through quarterly reporting of OR information to the Operational Risk Management Committee (ORMC) and the RMC.

Fraud Risk Management

Overview

Fraud can undermine the effective functioning and divert scarce and valuable resources of the organization. Moreover, fraudulent and corrupt behavior can seriously damage reputation and diminish trust to deliver results in an accountable and transparent manner. To combat the fraud the organization has effective corporate governance and framework for preventing, identifying, reporting and effectively dealing with fraud and other forms of corruption. Magma is consistently putting effort to prevent, detect and contain frauds. There is an independent Unit (Fraud Risk Management) to monitor, investigative, detect and prevent frauds.

Scope

Magma is committed to preventing, identifying and addressing all acts of fraud against the organization, whether committed by the staff members or other personnel or by third parties. Your Company has zero tolerance for fraud. To this effect, your Company is committed to raising awareness of fraud risks, implementing controls aimed at preventing fraud, and establishing and maintaining procedures applicable to the detection of fraud.

Governance Structure

As a second line of defense Fraud Risk Management, monitors & checks compliance and report all fraud risks in the institution on ongoing basis. The independent function reports into the Chief Risk Officer. All frauds as specified by the regulator are being monitored by the Audit Committee and Board of Directors.

Roles and Responsibility of Fraud Risk Management

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

Market Risk

Any mismatch in tenures of borrowed and disbursed funds may result in liquidity risk and thereby impact the Company's ability to service its loans. Thus, it is imperative that there exists nil or minimal mismatch between the tenure of borrowed funds and assets funded. The Company has endeavored to maintain appropriate asset liability maturity with regard to its tenure and interest rates.

The pandemic risk was unprecedented and caused many disruptions and uncertainties globally. Magma swiftly activated its Liquidity Continuity Plan encompassing measures to face challenges of pandemic through its well-defined treasury policies for managing liquidity, investments, interest rate and borrowings. The Company has taken the following measures to rectify/bridge the cumulative negative mismatch and diversify the borrowing profile in the FY2020-21:

1. Raised long term funds from banks and financial institutions.
2. Raised long term funds through Securitisation
3. Raising long term funds through private placement Secured NCDs.

Foreign exchange risk

The Company does not have any exposure to foreign exchange risk, since its disbursements are in rupee terms and the nature of its borrowings are also in domestic rupee debt.

Liquidity risk management

Magma, over a period of 3 decades has adopted prudent fund management practices and has worked meticulously to diversify its borrowing profile thereby repeatedly enhancing the set of institutions it borrows from. Such diversified and stable funding sources emanate from several segments of lenders such as Banks, Insurance Companies, Mutual Funds, Pension funds, Financial and other institutions including Corporates and Foreign Portfolio Investors due to Company's impeccable record in servicing its debt obligations on time. In addition to this, the Company has established an excellent track record in its access to the securitization / assignment market. As a matter of prudence and with a view to manage liquidity risk at optimum levels, Magma keeps suitable levels of unutilized bank limits to effectively mitigate possible contingencies arising out therefrom.

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

The Company has a comfortable liquidity position by way of unutilized Bank lines and investment in Fixed Deposits and further supported by funds raised through Term Loans, Secured Debentures, and Securitization.

People Risk

Magma provides a conducive work environment to its employees that enables them to perform well and hone their skills. Our policies are designed to ensure a healthy and safe workplace, free from discrimination or harassment. Our people are our most valuable asset, and we are committed to attract, engage and retain talent to create long-term value for our customers and stakeholders.

People risks that Magma focuses on includes following:

Inadequate availability of skilled manpower:

- Limited availability of candidates with appropriate skillset, experience and culture fitment.

Productivity Risk:

- Longer learning curve leads to low output.
- Time taken to filling of required manpower hampers installed capacity.

Succession planning:

- Risk to business continuity due to lack of leadership succession.

Magma is proactive in identifying and addressing risk aspects around people and address them in a timely and comprehensive manner.

Further, the Board is of the opinion that at present there are no material risks that may threaten the functioning of the Company.

INTERNAL CONTROL SYSTEM

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

A well-established, independent Internal Audit function is responsible for providing independent assurance on Company's system of internal controls, risk management and governance processes, including its subsidiaries. The scope and authority of the Internal Audit division is derived from the Audit Charter, duly approved by the Audit Committee. To maintain independence of Internal Audit, the Chief Internal Auditor (CIA) reports functionally to the Audit Committee. Internal Audit prepares an annual audit plan following risk-based audit approach, which is approved by the Audit Committee. The Audit Committee reviews the annual audit plan, the significant audit findings presented on a quarterly basis and the updated status of implementation of management action plan.

The company has a system of internal control over financial reporting that adequately addresses the risk that a material misstatement in the company's financial statements would not be prevented or detected on a timely basis and that these controls are operating effectively.

Internal Financial Control

The Company has in place adequate internal financial controls with reference to financial statements, commensurate with the size, scale and complexity of its operations. Review of the internal financial controls environment of the Company was undertaken during the year which covered testing of Process, IT and Entity level controls including review of key business processes for updating Risk Control Matrices, etc. The risk and control matrices are annually reviewed, and control measures are tested and documented. Moreover, the Company continuously upgrades its systems and undertakes review of policies, guidelines, manuals and authority matrix. The internal financial control is supplemented by extensive internal audits, regular reviews by the Management and standard policies and guidelines to ensure reliability of financial and all other records to prepare financial statements, its reporting and other data. The Audit Committee of the Board reviews internal audit reports given along with management responses. The Audit Committee also monitors the implemented suggestions. The Company has, in material respect, an adequate internal financial control over financial reporting and such controls are operating effectively. The statutory auditors of the Company have also certified on the existence and operating effectiveness of the internal financial controls relating to financial reporting as of March 2021.

VIGIL MECHANISM/ WHISTLE BLOWER POLICY

Pursuant to Section 177(9) of the Companies Act, 2013 and Regulation 4(2)(d)(iv) of the Listing Regulations, the Company has in place a vigil mechanism named "Breach of Integrity and Whistle Blower (Vigil Mechanism) Policy" to provide a formal mechanism to the Directors and employees to report their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy. The Policy provides for adequate safeguards against victimisation of employees who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee.

The details of the said Policy is explained in the Corporate Governance Report and is available on the website of the Company www.magma.co.in at https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

HUMAN RESOURCE - PEOPLE COUNT AT EVERY STEP

At Magma, we believe that imperatives to business success are enhancements on people practices, processes, product and technology. Our endeavour is to create an environment where all four pillars work in harmony for the success of the organization.

- Dealing with the situation arising from COVID 19
    - o The COVID-19 outbreak has been unprecedented for our country and for the world. The global coronavirus (Covid-19) pandemic has upturned life for all of mankind. Magma navigated the crisis, through the year, we took several measures to place the safety of our employees, increasing sanitization/hygiene at our branch offices, providing masks/gloves, creating an Emergency Response team (comprising for HR and admin teams) which continues to connect with and provide support to employees who were feeling unwell, and launching a special Helpline for assistance. The entire leadership team nimbly worked to implement our Business Continuity Plans (BCP) for various critical processes, we had implemented Work-From-Home (WFH) for several job roles and enforcing social distancing, we promoted several digital collection modes.
    - o At top leadership level, we were having huddles to review and ensure people safety, and collections to the extent possible with help of digital platforms.
    - o We set up 24*7 helpline and Emergency Response Team on Pan India basis to support employees working on any health-related issues for self and their families and created a fund to support them financially.
- Learning and development

  In continuation of our efforts to make Magma a self-developing Organization, we have taken various learning initiatives delivered through an e-Learning platform and web based instructor led programmes. This year special emphasis has been on developing 'digital learning mediums' and Magma as a group had experienced the webinar culture way before COVID. We have been doing these webinars from 2019 and in 2020 moving completely to webinar mode of learning. We have converted our Induction program to a digital medium to bring a wholistic and safe on-boarding experience for our employees. We also provide a joining docket called "Aarambh" with the necessary details, this document is provided to employees in their regional language apart from English.

  Few Key Learning Initiatives taken during the year across Magma:
    - o The Navoday Project has been introduced to do the re-engineering in the business processes of Magma and enable it to become digitally enabled, Simulation based system training done for all employees.
    - o Functional Learning Support through - Nuggets/video/webinars
    - o We introduced several Web-based e-learning programs for branch safety, Infosec and other employee safety related topics.
    - o We developed branch safety modules on COVID related protocols for re-opening of our offices, each Magma employee was covered.

  The key focus is to leverage L&D and business partnership to co-create novel learning methods and embedding them to deliver business outcomes.
- Driven by technology

  We have embedded technology to ease our people processes. Our onsite PeopleSoft platform has all modules which are delivered on the internet including recruitment, employee confirmation, performance management, separation for employees and real-time dashboard for leaders to take informed decision. We continue to ensure a great new joiner experience through our online Onboarding program, right from joining formalities to the induction with the Organisation, HR Policies and departments all of it happen online.
- Incentive schemes

  Incentive is an important driver of business outperformance. We have schemes for employees in Line (revenue generating, customer facing) roles designed with clear key performance indicators (KPIs). The scheme design incorporates specific nuances to ensure that each plan is aligned with the business objectives. At the frontline, we have monthly incentive schemes, while at supervisory roles, the frequency is quarterly and annually. These are dynamic schemes that reflect changes in the external macroeconomics environment and revisited each year.
- Key HR Initiatives

  Our retention strategy starts from the hiring stage and continues through the entire employee life cycle management. We are having the following retention strategies:
    - o Hire people who meet the job role and Value system of Magma
    - o Be a partner to business and help business teams gets deeper insights from the ground through ideas and information bubble up mechanism.
    - o Help business teams connect with employees through online connect sessions to inform, nurture and guide teams.
    - o Promote people Internally as the first choice for a vacant position. Several leadership positions were appointed internally.
    - o To strengthen our new joiners experience we launched "Aarambh" & "Maitree 3.0", our flagship Online Induction programs.
    - o Developed "Stay Healthy stay Positive" initiative for wholesome wellness of employees during the pandemic.
- Culture

  Initiatives are being deployed to create stories and symbols that manifest the Values of integrity, collaboration and respect. We are sensitive towards creating a Culture of Empathy, Care and Gratitude towards the customer. CEO and Senior Leadership connects at regular interval have been instrumental in driving the right culture and messaging. There has been a profound impetus to create awareness around the use of ethical practices and prevent any fraud through risk awareness and mitigation.

- Retention
  - o Managerial capability enhancement through training and coaching.
  - o To drive succession planning and career progression.
  - o Leverage the Talent Council framework for internal promotions.
- Productivity
  - o Re-enforcement of Supervisor accountability and responsibility.
  - o Deploy performance review framework.
- Engagement

  Keeping employees engaged and emotionally invested in the organisation is imperative for the growth of the organisations. Magma and its leadership team is very conducive to novel ideas of promoting employee engagement. During the tough times of physical distancing, we have found different yet effective ways to engage our employees:

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

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

  c. Co-opt employees to prepare for "bounce back" scenarios for business resurrection.

  d. Online wellness programs around keeping fit:

  i. Yoga and cross fit training

  ii. Nutrition and wellness education

  f. Constant reskilling – Nuggets/video/webinars

  g. Leadership interaction through webcast – "Connect" sessions with Leadership team and Platform to bubble up ideas from the field level resources.
- Prevention of Sexual Harassment at Workplace

  The Company has zero tolerance towards sexual harassment at the workplace and has adopted a 'Policy for Prevention of Sexual Harassment' to prohibit, prevent or deter any acts of sexual harassment at workplace and to provide the procedure for the redressal of complaints pertaining to sexual harassment, thereby providing a safe and healthy work environment, in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act 2013 and the rules thereunder. During the year under review, no case of sexual harassment was reported. To build awareness and appreciation of this area, we have implemented an online knowledge module leveraging our learning management system.

  We continue to strive harder with each passing year to ensure we succeed in bring the best out of our people and enable the organization to create value for its shareholders and employees.

INFORMATION TECHNOLOGY

Magma continues to leverage technology to drive efficiency and effectiveness of critical functions across the value chain of processes encompassing Customer service, sales, operations and risk management. This year Information Technology focused on empowering the sales, collections and customer service teams with tools for deeper customer engagement and understanding; development of tools for enhancing the credit assessment for the business and development of a comprehensive 'systems of insight' were the other focus areas. In this year, Magma also strengthened and stabilized its digital footprint on the cloud.

Being committed to stand by its customers during the pandemic, Magma provided 2 rounds of moratorium and a one-time loan restructuring (OTR) package to its customers; these exercises were entirely driven by the robust technology platform that Magma uses for managing customer loans.

Magma also introduced Agri term loan as a new product for its customers from the farming community. Additionally, the automated credit engine was further extended to cover construction equipment loan product to increase the process efficiency of credit risk assessment through straight- through processing.

This year, Magma successfully introduced an indigenous digital survey application for enhanced customer understanding and engagement. Through a pioneering engagement with the first generation NBFC customers across the country, Magma tried to assess the new reality from the pandemic. The digital app helped Magma to reach out to more than three lakh customers across the country to find out the impact of the pandemic on customers' business, cash flows and outlook for the future.

Data Analytics continues to remain as a top enabler for Magma and as part of the final leg of the Navodaya program, Magma introduced systems of insight, to provide 360 degree insight on sales, cross-sale, financial data to various teams and empower them to take decisions ahead of time and elevate Magma's maturity in business intelligence.

Magma implemented Scienaptic (a leading AI-powered credit decision platform company) enabled an artificial intelligence (AI) /machine learning (ML) model for underwriting, collections and customer analytics; the high accuracy predictive models will enable lower credit losses, higher approval rate and better life cycle management for the loans within Magma's portfolio

The COVID 19 situation developed rapidly from the end of March 2020 and Magma could successfully use technology to empower its employees to work from home and remain productive, while not compromising on information and cyber security.

During FY2021-2022, the Information Technology will continue to deliver digital capabilities by driving productivity improvements, technology partnerships and synergy of operations and opening up new avenues of business opportunities.

CORPORATE IMAGE BUILDING & ENGAGING TARGET AUDIENCE

Some of the key initiatives undertaken by Magma during the year are:

- **Internal activities**
  Going into the pandemic, internal communications emerged as the focus area for the organisation during the past financial year. The Internal Communication and Brand team was responsible for crafting and communicating regular Covid advisories, Organisational updates, Work-From-Home protocol, e-handbook, branch level advisories etc. aiming to create the necessary awareness. Employee engagements, Reward & Recognition programmes like Magma Tarang were conducted digitally to keep the Teams motivated where focused communication was done to create excitement among employees. The management continued to hold virtual Town hall – Magma Vartalaap to communicate to the teams. The internal vertical wise contests and results were regularly highlighted as a part of business support.

- **Customer connect programmes**
  During FY 21, owing to the pandemic, we could not connect actively with our customers for large part of the year. We avoided physical on ground activities at catchments and conducted a few customer connect programs in-branch by conducting Red Carpet Day (Grahak Diwas) as branches started operations. We conducted 150 Red Carpet events in branches connecting with over 3000 customers for servicing their requirements.

- **Public Relations**
  Magma maintained its corporate image with external stakeholders and the media throughout the year. Our views on the impact of Covid on the NBFC industry, liquidity management and business outlook have all been covered by the best in the financial media, print and electronic media channels. Stake sale and fund raising, authored articles and views on industry challenges were the highlights of the year. The leadership spoke at large BFSI and Technology events which were conducted online. We won NBFC Excellence - Technology Leader of the Year – in Asset Finance 2020 apart from being recognised at large forum for our achievements in financing, Information Technology, Corporate Social Responsibility. We have been able to enhance our corporate image with our Vice Chairman and Managing Director being announced Co-Chairman of FIDC (Finance Industry Development Council). We have integrated regional communication into our strategy in 2021 which helped us gain visibility in new geographies.

- **Digital initiatives**
  We have further strengthened our presence not only on digital platforms but also focused on digital transformation projects to strengthen our connect with customers and dealers. The corporate website is now responsive to suit the mobile devices. Our social media presence increased on platforms like Facebook, LinkedIn, Twitter and YouTube with regular business updates, posts on the achievements of the Company, articles, TV interviews of the management which helped in Thought leadership.

- **Corporate Social Responsibility**
  Despite the outbreak of COVID pandemic, Magma continued its social projects by strictly adhering to Covid-19 norms. Some of the projects which had high degree on ground implementation, had to be paused for a while only to be renewed with greater intensity post lockdown. During Lockdown, when the migrant workers and street dwelling population had to face a lot of hardship, Magma responded by offering Dry ration and cooked meals to 28,000 people many of whom had lost their jobs and were stranded on the road. Our campaign included building awareness on Social distancing and providing mask and sanitizer to the migrant workers and daily wagers across locations. Due to Lockdown, we had to alter some of the existing projects like Magma Highway Heroes, M-Care, M-Scholar etc. For our Mid-Day meal programme, instead of meals, we offered Happiness kit to the kids comprising of dry ration, school stationery, hygiene kit etc. This was necessitated since the schools remained closed due to the virus outbreak. Further we conducted several projects across states through our Employee Volunteering programme Swayam.

CUSTOMER RELATIONSHIP MANAGEMENT

Magma aims to be the most trusted and accessible financial services institution, promoting financial inclusion and creating value for all its stakeholders. Customer Service is a key focus area for our Company. Our Company also believes in integrity, good governance, professionalism, transparency and client satisfaction.

Several key initiatives were undertaken to transform Customer Experience:

- Implementation of Net Promoter Score (NPS) which is a leading indicator of Customer Loyalty and Cross Sell. We have tied up with Litmus World, a leading brand in Customer Loyalty Assessment to conduct NPS survey through independent assessment. Customer experience across key touch points – Sales, Onboarding, Service and Exit conducted based on a detailed questionnaire.

- Asset finance business has an extremely healthy NPS score in the range of 40 -45 which is one of the best in the industry.

- We believe that front line officers often create 'customer wow' moments and are ambassadors of Customer Centricity Culture. We have enabled technology solutions which enable customers to rate their experience with Field Officers. Average Field Officer rating is 3.7 on a scale of 5.
- Structured Customer Engagement program is implemented - Proactive connect to prevent complaints etc.
- Reaching out to customers at times of need through digital mode. WhatsApp Channel was introduced as a mode of communication to share digital statements to customers.

Post implementation of Customer Relationship Management solution (Microsoft Dynamics) for Customer Service and Lead Management in FY 2019, Magma continues to track the benefits realized and work on the next level of customization needed.

Key Initiatives in FY 21:

- Digital communication adopted for all communications associated with Moratorium during lockdown.
- Call Centre operated from WFH to ensure touchpoint availability for customers during lockdown.
- Chatbot integrated on Website to handle Moratorium queries.
- Dedicated IVR for Moratorium queries.
- Digital statements were enabled via WhatsApp to ensure seamless service.
- Customer Centric culture was driven via online training to 1000+ frontline staff.

In order to ensure we treat customers fairly; we have implemented the following:

Transparency:

- Tariff sheet included in Welcome Letter to ensure complete transparency of all charges.
- SLA for each request & complaint communicated to customer at the time of registration.
- Voice of customer recorded for every request & complaint that gets resolved to track customer satisfaction.

Servicing customers in their preferred language

- Agreement copy in vernacular languages are displayed at branches and uploaded on website.
- Sanction letter is also provided in vernacular language & acknowledgement taken.
- Customer calls & SMS are handled in regional language to maintain & increase awareness.

Handling Grievances effectively:

- Mode of Welcome Letter & Agreement copy dispatch changed to registered post to avoid delay in document receipt.
- Complaints are resolved within 7 days on an average.
- Complaints RCA Forum conducted on a quarterly basis to address key process gaps.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Appointment

On the recommendation of the Nomination and Remuneration Committee and subject to the approval of the members at the ensuing Annual General Meeting (AGM) of the Company, the Board of Directors at its meeting held on 5th May, 2021 appointed Mr. Prabhakar Dalal (DIN: 00544948) and Mr. Sajid Fazalbhoy (DIN: 00022760) as Additional Directors in the capacity of Non-Executive Independent Directors for a period of 3 years with effect from 5 May 2021.

In accordance with the Terms of Agreement executed with Rising Sun Holdings Private Limited (RSHPL) and on the recommendation of the Nomination and Remuneration Committee, the Board of Directors at its meeting held on 31 May, 2021, appointed:

(a) Mr. Adar Poonawalla (DIN: 00044815) as Additional Director in the capacity of Non-Executive Director and designated as the Chairman of the Company with effect from 1 June 2021,

(b) Mr. Abhay Bhutada (DIN: 03330542) as Additional Director in the capacity of Managing Director for a period of 5 years with effect from 1 June 2021,

(c) Mr. Vijay Deshwal as Group Chief Executive Officer of the Company from first week of July, 2021 or such earlier date.

Appointment of Mr. Adar Poonawalla and Mr. Abhay Bhutada shall be subject to the approval of members at the ensuing Annual General Meeting of the Company. Pursuant to provisions of the Companies Act, 2013, Mr. Abhay Bhutada and Mr. Vijay Deshwal will also be Key Managerial Personnel (KMP) of the Company.

Mr. Dalal, Mr. Fazalbhoy, Mr. Poonawalla and Mr. Bhutada are not disqualified from being appointed as a Director as specified in terms of Section 164 of the Companies Act, 2013.

Your Company has received notice from the members of the Company, pursuant to Section 160(1) of the Companies Act 2013, signifying their intention to propose the candidature of Mr. Dalal, Mr. Fazalbhoy, Mr. Poonawalla and Mr. Bhutada as the Directors of the Company.

Re-appointment

Your Directors at its meeting held on 6 February 2021 based on the recommendation of the Nomination and Remuneration Committee has re-appointed Mr. Sanjay Chamria (DIN: 00009894) as the Vice Chairman and Managing Director which is effective from 1 April 2021 till 31 March 2026. Pursuant to change in control and in terms of the Agreement executed with RSHPL, Mr. Sanjay Chamria has been re-designated as Executive Vice Chairman w.e.f. 1 June 2021. The re-appointment of Mr. Chamria is subject to the approval of the shareholders.

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

Your Company has received notice from a member pursuant to Section 160(1) of the Companies Act, 2013, signifying the intention to propose the candidature of Mr. Chamria as the Director of the Company.

Retirement by Rotation

In accordance with the provisions of the Companies Act, 2013 and Regulation 36 of the Listing Regulations, Mr. Sanjay Chamria (DIN: 00009894), retires at the ensuing AGM, and being eligible offers himself for re-appointment.

The Board of Directors of your Company recommends the re-appointment of the Director liable to retire by rotation at the ensuing AGM.

Appropriate resolution seeking your approval to the aforesaid appointment/re-appointment along with brief profile of the Directors appear in the Notice convening the 41st AGM of your Company.

Cessation

Mr. Narayan K Seshadri (DIN:00053563), Independent Non-Executive Chairman of the Company , resigned as a Director from the close of business hours of 31 August 2020.

Mr. V K Viswanathan (DIN: 01782934), Independent Non-Executive Director of the Company, resigned as a Director from the close of business hours of 8 February 2021.

The Board of Directors recognizes and places on record their valued contribution and unstinted support to the Company in the capacity of Independent Directors.

Change in designation

Mr. Mayank Poddar (DIN: 00009409), serving the Company as an Whole-time Director of the Company for more than 30 years have decided to step down from the Executive role and now continue as a Non-Executive Director of the Company with effect from 8 November 2020. Consequently, the designation of Mr. Poddar has changed from Whole time Director to Non-Executive Director with effect from 8 November 2020.

Independent Directors

The Company has received declarations pursuant to Section 149(7) of the Companies Act, 2013, from all the Independent Directors (IDs) of the Company confirming that they meet the criteria of independence as prescribed both under Section 149(6) of the Companies Act, 2013, read with rules framed thereunder and in terms of Regulation 16(1)(b) of Listing Regulations. All the IDs of the Company have registered their names with the data bank of IDs maintained by Indian Institute of Corporate Affairs (IICA).

In terms of Regulations 25(8) of the Listing Regulations, the Independent Directors have confirmed that they are not aware of any circumstance or situation which exists or may be anticipated that could impair or impact their ability to discharge their duties. The Board is of the opinion that the independent directors appointed have requisite experience and expertise (including proficiency).

Separate meeting of the Independent directors was held on 1 February 2021.

Fit and Proper Policy

All the Directors of the Company have confirmed that they satisfy the "fit and proper" criteria as prescribed in Chapter XI of RBI Master Direction No. DNBR. PD. 008/ 03.10.119/2016-17 dated 1st September, 2016 and that they are not disqualified from being appointed/continuing as Directors in terms of Section 164(2) of the Companies Act, 2013.

Familiarisation Programme for Independent Directors

In compliance with the requirement of Regulation 25 of Listing Regulations, the Company has put in place a Familiarisation Programme for the Independent Directors to familiarise them about the Company and their roles, rights, responsibilities in the Company. The details of the Familiarisation Programme along with the number of hours spent by each of the Independent Directors during the Financial Year 2020-21 is explained in the Corporate Governance Report. The same is also available on the website of the Company www.magma.co.in at https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

Performance Evaluation

The Board of Directors has carried out an annual evaluation of its own performance, Board Committees and individual Directors, pursuant to the provisions of the Companies Act, 2013 and Listing Regulations.

The Board evaluated the effectiveness of its functioning and that of the Committees and of individual directors by seeking their inputs on various aspects of Board/Committee Governance through structured questionnaire.

The aspects covered in the evaluation included the contribution to and monitoring of corporate governance practices, participation in the long-term strategic planning and the fulfilment of Directors' obligations and fiduciary responsibilities, including but not limited to, active participation at the Board and Committee meetings.

The Chairman of the Nomination and Remuneration Committee had one-on-one meetings with the Executive and Non-Executive Directors. Also, the Nomination and Remuneration Committee has carried out evaluation of every director's performance and reviewed the self-evaluation submitted by the respective directors. These meetings were intended to obtain Directors' inputs on effectiveness of Board/Committee processes.

The Board considered and discussed the inputs received from the Directors. Further, the Independent Directors at their meeting, reviewed the performance and role of non-independent directors and the Board as a whole and Chairperson of Board Meeting of the Company. Further, the Independent Directors at their meeting had also assessed the quality, quantity and timeliness of flow of information between the Company management and the Board that was necessary for the Board to effectively and reasonably perform their duties.

Outcome of evaluation process

Based on inputs received from the Board members, it emerged that the overall performance evaluation of the Board, composition and quality, understanding the business including risks, process and procedures, oversight of financial reporting process including internal controls and audit functions, ethics and compliances and monitoring activities, has been found to be Very Good. Similarly, the effectiveness of Board Committees has been rated high and the performance of the erstwhile Chairman of the Company and the present Chairperson of the Board Meeting have been found to be Very Good. Overall, the Board was functioning very well in a cohesive and interactive manner.

Previous year's observations and actions taken

Based on the evaluation undertaken few observations and action taken for FY2019-20 interalia include:

- In respect of Regulatory Changes, it was suggested that a short smart note should be circulated to the Board Members as soon as possible highlighting the changes and implications on the Industry/ Company. The Company regularly updates the Board on the regulatory changes along with its impact on the Company. Further regulatory updates and its impact on the industry also forms part of the presentation placed at the Committee and Board Meetings on a quarterly basis.
- Independent interactions with the internal auditors: The internal auditor and the statutory auditor had a separate session with the independent directors of the Company at the Audit Committee meeting.

Last year recommendations of IDs and Board on Performance Evaluation have been largely implemented.

Proposed actions based on current year observations

Based on the evaluation of FY2020-21, some areas of improvement were suggested specifically highlighting the following points:

- Presentation on regulatory updates and its impact to be made to the Board members to facilitate their training and update their knowledge on a periodical basis and experts on the subject matter may be invited as and when required.
- Presentation by the Committees Chair's to the Board on the discussions and key decisions taken at the respective Committees.
- The Committees have functioned well under the supervision of the Board. The Board may look at the composition of the committees in the coming year to engage more effectively with the new Board members.

Remuneration Policy

The Board has on the recommendation of the Nomination and Remuneration Committee adopted the Remuneration Policy, which inter alia includes policy for selection and appointment of Directors, Key Managerial Personnel, Senior Management Personnel and their remuneration. The salient features of the Remuneration Policy is stated in the Corporate Governance Report.

Key Managerial Personnel

In terms of Section 203 of the Companies Act, 2013, the following are the Key Managerial Personnel of the Company as on 31 March 2021:

1. Mr. Sanjay Chamria, Vice Chairman and Managing Director
2. Mr. Kailash Baheti, Chief Financial Officer
3. Mrs. Shabnum Zaman, Company Secretary

Pursuant to change in Board composition on 31 May 2021, the Key Managerial Personnel shall also include Mr. Abhay Bhutada and Mr. Vijay Deshwal.

Code of Conduct for Directors and Employees

The Company has adopted a Code of Conduct for its Directors and employees including a code of conduct for Independent Directors which suitably incorporates the duties of Independent Directors as laid down in the Companies Act, 2013. The said Codes can be accessed on the Company's website at www.magma.co.in

In terms of the Listing Regulations, all Directors and Senior Management Personnel have affirmed compliance with their respective codes. The Vice Chairman and Managing Director has also confirmed and certified the same, which certification is provided at the end of the Report on Corporate Governance.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of our knowledge and belief, your Directors make the following statements in terms of Section 134 (5) of the Companies Act, 2013:

a. that in the preparation of the annual accounts for the year ended 31 March 2021, the applicable Ind AS have been followed along with proper explanation relating to material departures, if any;

b. that such accounting policies as mentioned in Notes to the annual accounts have been selected and applied consistently and judgement and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2021 and of the profit of the Company for the year ended on that date;

c. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

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

e. that proper internal financial controls are in place and that the financial controls are adequate and are operating effectively; and

f. that proper systems to ensure compliance with the provisions of all applicable laws are in place and that such systems are adequate and operating effectively.

MEETINGS

Minimum four pre-scheduled Board meetings are held annually. Additional Board meetings are convened by giving appropriate notice to address the Company's specific needs. In case of business exigencies or urgency of matters, resolutions are passed by circulation.

During the year, nine Board Meetings and nine Audit Committee Meetings were convened and held, the details of which are given in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and Listing Regulations.

COMMITTEES OF THE BOARD OF DIRECTORS

The Committees of the Board focus on certain specific areas and make informed decisions in line with the delegated authority.

Pursuant to resignation of Mr. Narayan K Seshadri and Mr. V K Viswanathan, Audit Committee, Nomination and Remuneration Committee and Stakeholders' Relationship Committee were reconstituted.

Audit Committee

The Audit Committee presently comprises of Mr. Sunil Chandiramani who serves as the Chairman of the Committee, Mr. Mayank Poddar and Mrs. Vijayalakshmi R Iyer as other members. The terms of reference of the Audit Committee has been furnished in the Corporate Governance Report. All the recommendations made by the Audit Committee during the year were accepted by the Board.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee presently comprises of Mr. Bontha Prasada Rao who serves as the Chairman of the Committee, Mr. Mayank Poddar and Mrs. Vijayalakshmi R Iyer as other members. The charter of the Nomination and Remuneration Committee has been furnished in the Corporate Governance Report.

Stakeholders' Relationship Committee

The Stakeholders' Relationship Committee presently comprises of Mr. Bontha Prasada Rao who serves as the Chairman of the Committee, Mr. Sunil Chandiramani and Mr. Sanjay Chamria as other members. The terms of reference of the Stakeholders' Relationship Committee has been furnished in the Corporate Governance Report.

Corporate Social Responsibility (CSR) Committee

The Corporate Social Responsibility Committee presently comprises of Mr. Mayank Poddar who serves as the Chairman of the Committee and Mr. Bontha Prasada Rao and Mrs. Vijayalakshmi R Iyer as other members.

The Annual Report on CSR activities is annexed herewith and marked as Annexure 1. The other Committees of the Board are Management Committee, Asset Liability Management Committee, Risk Management Committee, Review Committee and the IT Strategy Committee. The terms of reference of these Committees have been furnished in the Corporate Governance Report.

CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

In line with the requirements of the Companies Act, 2013 and the Listing Regulations, the Company has formulated a Policy on Related Party Transactions and the same can be accessed on the Company's website at its weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/. All transactions with Related Parties are placed before the Audit Committee for approval. All related party transactions that were entered into during the financial year were on an arm's length basis and in the ordinary course of business, the particulars of such transactions are disclosed in the notes to the financial statements. Disclosures of related party transactions of the Company with the promoter/promoter group which holds 10% or more shareholding in the Company is given in note no. 44 to the standalone financial statements. The nature of related party transactions does not require disclosure in AOC-2.

The Policy on Related Party Transactions is available on the Company's website at its weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

There were no significant material orders passed by the Regulators / Courts / Tribunals which would impact the going concern status of the Company and its future operations.

STATUTORY AUDITORS

M/s. B S R & Co. LLP, Chartered Accountants, Bangalore, bearing Registration No. 101248W/W-100022 have been appointed as the

Statutory Auditors of the Company for a period of 5 years from the conclusion of the 36th AGM (for FY2015-16) till the conclusion of the 41st AGM (for FY2020-21).

Considering the completion of tenure of the existing Statutory Auditors, the Board of the Directors of the Company shall appoint Statutory Auditors based on the recommendation of the Audit Committee followed by the shareholders' approval.

The standalone and the consolidated financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013.

The notes on financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors Report does not contain any qualification, reservation, adverse remark or disclaimer. However, the Statutory Auditor have drawn attention to the fact that pursuant to loss due to additional provision for Covid 19, the existing managerial remuneration paid by the Company to its Whole Time Director (upto 7 November 2020) and the Vice Chairman and Managing Director is in excess of the limits laid down under Section 197 of the Companies Act, 2013 ('Act') read with Schedule V to the Act and the Listing Regulations and is subject to approval of the shareholders. The Company is in the process of obtaining approval from its shareholders vide special resolution at the forthcoming annual general meeting for such excess remuneration paid.

SECRETARIAL AUDITORS

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors of the Company has appointed M/s. MKB & Associates, Practicing Company Secretaries [Membership No-7596] to conduct the Secretarial Audit for the FY2020-21. The Secretarial Audit Report confirms that the Company has complied with the provisions of the Companies Act, 2013, Rules, Listing Regulations and Guidelines and that there were no deviations or non-compliances.

The Secretarial Audit Report for the financial year ended 31 March 2021 is annexed herewith and marked as Annexure-2. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

COST AUDITORS

Maintenance of cost records and requirement of cost audit as prescribed under the provisions of Section 148(1) of the Companies Act, 2013 are not applicable in respect of the business activities carried out by the Company.

SECRETARIAL STANDARDS

The Company complies with all applicable secretarial standards.

BUSINESS RESPONSIBILITY REPORT

As stipulated in Regulation 34(2)(f) of the Listing Regulations, the Business Responsibility Report describing the initiatives taken by the Company from environmental, social and governance perspective forms part of this Report and is annexed as Annexure- 3.

CORPORATE GOVERNANCE

Your Company complies with the provisions laid down in Corporate Governance laws. It believes in and practices good corporate governance. The Company maintains transparency and also enhances corporate accountability. In terms of Regulation 34 of Listing Regulations read with Schedule V, the following forms part of this Report:

(i) Declaration regarding compliance to Code of Conduct by Board Members and Senior Management Personnel;

(ii) A certificate from a Practicing Company Secretary that none of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority;

(iii) Report on the Corporate Governance and

(iv) Auditors' Certificate regarding compliance of conditions of Corporate Governance.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

Your Company does not have any activity requiring conservation of energy or technology absorption and foreign exchange earnings and outgo.

EXTRACT OF ANNUAL RETURN

Pursuant to Sections 92 and 134(3) of the Companies Act, 2013 and Rule 12 of the Companies (Management and Administration) Rules, 2014, a copy of the Annual Return is available at the website of the Company at https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

In terms of the provisions of Section 197(12) of the Companies Act, 2013 ('the Act') read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are provided in this Report and marked as Annexure- 4.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016 are also provided in this Report and marked as Annexure-4.

TRANSFER OF AMOUNT TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to Section 124(5) of the Companies Act, 2013, read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, (as amended from time to time) relevant amount which remained unpaid or unclaimed for a period of seven years have been transferred by the Company, from time to time on due dates, to the Investor Education and Protection Fund (IEPF). During the year under review, your Company has transferred ₹4,64,324/- (Rupees Four Lakhs Sixty Four Thousand Three Hundred and Twenty Four Only) to IEPF.

Pursuant to Section 124 (6) of the Companies Act, 2013 and read with Rule 6 of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (as amended from time to time), all the underlying shares in respect of which dividends are not claimed/paid for the last seven consecutive years or more are liable to get transferred to the IEPF DEMAT Account with a Depository Participant as identified by the IEPF Authority. Accordingly, during the year under review 15,031 equity shares of face value of ₹2/- each, were transferred to IEPF DEMAT Account.

The Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 31 August 2020 (date of last Annual General Meeting) and also the details of equity shares transferred to IEPF DEMAT Account on the Company's website (www.magma.co.in), and also on the Ministry of Corporate Affairs' website (www.mca.gov.in).

FRAUD REPORTING

During the year under review, neither the statutory auditors nor the secretarial auditor has reported to the Audit Committee under Section 143 (12) of Companies Act, 2013, any instances of fraud committed against the Company by its officers or employees, the details of which needs to be mentioned in the Board's Report.

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.

CAUTIONARY STATEMENT

Statements in the Board's Report and 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

Sunil Chandiramani
Independent Non Executive Director
DIN: 00524035

Mumbai
31 May 2021

Sanjay Chamria
Vice Chairman and Managing Director
DIN: 00009894

Kolkata
31 May 2021

ANNEXURE -1

ANNUAL REPORT ON CSR ACTIVITIES FOR FINANCIAL YEAR 2020-21

1. **Brief outline on CSR Policy of the Company.**

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

   Magmas key CSR initiatives are undertaken with a long-term view. Initiatives that are sustainable, have long-term benefits to the society at large and is aligned with the business practices, but which do not result in business benefits. The focus area of CSR initiatives at Magma are education, health and environment.

   Despite the outbreak of COVID pandemic, Magma continued its social projects by strictly adhering to Covid-19 norms. Some of the projects which had high degree on ground implementation, had to be paused for a while only to be renewed with greater intensity post lifting of lockdown. During lockdown, when the migrant workers and street dwelling population had to face a lot of hardship, Magma responded by offering Dry ration and cooked meals to 28000 people, many of whom had lost their jobs and were stranded on the road. Our campaign included building awareness on social distancing and providing mask and sanitizer to the migrant workers and daily wagers across locations. Due to lockdown, we had to alter some of the existing projects like Magma Highway Heroes, M-Care, M-Scholar etc. For our Mid-Day meal program, instead of meals, we offered happiness kit to the kids comprising of dry ration, school stationery, hygiene kit etc. This was necessitated since the schools remained closed due to the virus outbreak. Further, we conducted several projects across states through our employee volunteering program Swayam.

2. **Composition of CSR Committee:**

Sl No.	Name of the Directors	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. Mayank Poddar (Chairman)	Promoter, Non-Executive	3	3
2	Mr. Bontha Prasada Rao	Independent Director	3	3
3	Mrs. Vijayalakshmi R Iyer	Independent Director	3	3

3. **Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.**

   Composition: https://magma.co.in/wp-content/uploads/2021/01/MFL-List-of-Committees-.pdf

   CSR Policy: https://magma.co.in/wp-content/uploads/2015/11/Corporate-Social-Responsibility-Policy.pdf

   CSR projects: https://magma.co.in/about-us/activities/csr-activities/

4. **Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report).**

   Statutorily the Company is not required to conduct Impact assessment study for its CSR projects however as a good governance, the Company has initiated the process for two of its flagship projects – Highway Hero and M-Scholar. The study is expected to get over by Q2FY22.

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

Sl No.	Financial Year	Amount available for set-off from preceding financial years (in ₹ lakhs)	Amount required to be set-off for the financial year, if any (in ₹ lakhs)
1	20-21	NIL	NIL
	Total	**NIL**	**NIL**

6. **Average net profit of the company as per section 135(5):** ₹22,369.38 lakhs

7. a) Two percent of average net profit of the company as per section 135(5): ₹447.39 lakhs. Additionally, the Unspent amount brought forward from previous years is ₹712.42 lakhs.

   b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: NIL

   c) Amount required to be set off for the financial year, if any: NIL

   d) Total CSR obligation for the financial year (7a+7b-7c).: ₹1,159.81 lakhs

8. a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year (in ₹ lakhs)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
683.06 lakhs	476.76 lakhs	29.04.2021		NA	

b) Details of CSR amount spent against ongoing projects for the financial year: This is not applicable as the projects were conceptualized and executed in FY 21.

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sl. No	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/ No)	Location of the project		Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State.	District						Name	CSR Registration number
1	M-Scholar	1, 2	Yes	Across the country		3 yrs	433.15	87.08	346.07	No	Magma Foundation	CSR00003941
2	Swayam	1,2,8	Yes	West Bengal (Kolkata, Purulia), Delhi, Telangana (Hyderabad), Karnataka (Bangalore), Kerala, Uttar Pradesh (Lucknow, Muzaffarpur, Kanpur), Maharashtra (Raigad, Akola, Mumbai, Pune, Nagpur), Bihar (Samastipur), Jharkhand, Tamil Nadu (Chennai)		3 yrs	210.79	80.11	130.68	No	Magma Foundation	CSR00003941
	Total						646.62	167.19	476.75			

(Note: The unspent amount transferred to Unspent CSR Account has been rounded off to ₹476.76 lakhs)

c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/ No)	Location of the project		Amount spent for the project (in ₹ lakhs)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation (Through implementing agency)	
				State.	District			Name	CSR Registration number
1	Highway Hero	1	Yes	Jharkhand (Gamahria, Jamshedpur, Baliguma), Punjab (Derabassi, Sangrur, Bhawanigarh,Sunam, Patiala, Malot, Bhatinda, Rampura Phul, Barnala, Moga, Sanewal) Himachal Pradesh- (Baddi), West Bengal- (Siliguri), Chattisgarh- (Bhilai)		29.41	No	Magma Foundation	CSR00003941
2.	M-Care	1	Yes	West Bengal(Sunderban), Andhra Pradesh (Tirupathi, Kadapa, Kurnool, Rajahmundry, Bheemavaram, Vishakapatnam, Vizianagram, Guntur, Anantpur), Karnataka (Bangalore, Hubli, Dharwad), Madhya Pradesh (Bhopal, Chindwara, Hosangabad, Sehore, Ujjain), Maharashtra (Pune), Rajasthan (Shahpura, Sikar, Jaipur, Nagour, Ajmer, Tonk), Tamil Nadu (Madurai, Ranipet, Vellore) Telangana (Karimnagar, Warangal), Gurgaon (Mohammadpura), Odisha (Bargarh, Sambalpur, Jharsuguda, Sundargarh, Angul),		33.92	No	Magma Foundation	CSR00003941
3.	Mid Day Meal	1	Yes	Rajasthan (Jaipur), Maharashtra (Aurangabad), Uttar Pradesh (Lucknow), Delhi, West Bengal (Kolkata), Andhra Pradesh (Nellore)		24.50	No	Magma Foundation	CSR00003941
4	PM CARES Fund	6	Yes	-		400.00	Yes		
	Total					487.83			

d) **Amount spent in Administrative Overheads:** ₹28.04 lakhs

e) **Amount spent on Impact Assessment, if applicable:** NIL

f) **Total amount spent for the Financial Year (8b+8c+8d+8e):** ₹683.06 lakhs

g) **Excess amount for set off, if any**

Sl No.	Particular	Amount (in ₹ lakhs)
(i)	Two percent of average net profit of the company as per section 135(5)*	1159.81
(ii)	Total amount spent for the Financial Year	683.06
(iii)	Excess amount spent for the financial year [(ii)-(i)]	NIL
(iv)	Surplus arising out of the CSR projects or programs or activities of the previous financial years, if any	NIL
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	NIL

* Two percent of average net profit of the company as per section 135(5): ₹447.39 lakhs. Additionally, the Unspent amount brought forward from previous years is ₹712.42 lakhs.

9. a) Details of Unspent CSR amount for the preceding three financial years:

Sl No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹ lakhs)	Amount spent in the reporting Financial Year (in ₹ lakhs)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years (in ₹ lakhs)
				Name of the Fund	Amount (in ₹)	Date of transfer	
1.	2017-18	NA	376.04	-	-	-	421.43
2.	2018-19	NA	292.98	-	-	-	491.37
3.	2019-20	NA	226.45	-	-	-	712.42

b) **Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):** Not applicable as the projects were conceptualized and executed in FY 21 only.

As the Company has identified the ongoing projects in FY21, this is not applicable.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (in ₹ lakhs)	Amount spent on the project in the reporting Financial Year (in ₹ lakhs)	Cumulative amount spent at the end of reporting Financial Year (in ₹ lakhs)	Status of the project - Completed / Ongoing
1					NIL			
	Total				NIL			

10. **In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year:** The Company has purchased two vehicle to be used as customized ambulance for the execution of M-Care camp. The vehicle will have a mini clinic kind of set up where doctor and patient can sit. This will be useful in remote areas where there is no existing set up.

a) Date of creation or acquisition of the capital asset(s).: 26.03.2021

b) Amount of CSR spent for creation or acquisition of capital asset: ₹37.79 lakh

c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.: Magma Foundation, 24 Park Street, Kolkata 700016

d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset): Magma Foundation has purchased two vehicles one for West Bengal and one for Uttar Pradesh.

11. **Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5):** In FY21 the Company was required to spend ₹1159.81 lakhs. It has spent only ₹683.06 Lakh and the remaining ₹476.76 lakhs was allocated to ongoing projects and has been transferred to unspent CSR account for spending within the stipulated timelines. The Company has also transferred an amount of ₹1.16 lakh, which is over and above the required spend in FY 21, to Magma Foundation, and the same shall be spent in FY 22.

For Magma Fincorp Limited

Sanjay Chamria
Vice Chairman & Managing Director
DIN: 00009894

Kolkata
31 May 2021

Mayank Poddar
Chairman CSR Committee
DIN: 00009409

Kolkata
31 May 2021

ANNEXURE -2

FORM NO. MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2021

[Pursuant to section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
The Members,
Magma Fincorp Limited

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Magma Fincorp Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

The Company's Management is responsible for preparation and maintenance of secretarial records and for devising proper systems to ensure compliance with the provisions of applicable laws and regulations.

Based on the verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit and considering the relaxations granted by Ministry of Corporate Affairs and Securities and Exchange Board of India due to COVID-19 pandemic, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2021, generally complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2021, to the extent applicable, according to the provisions of:

i) The Companies Act, 2013 (the Act) and the rules made thereunder;

ii) The Securities Contracts (Regulation) Act, 1956 and Rules made thereunder;

iii) The Depositories Act, 1996 and Regulations and Bye-laws framed thereunder;

iv) The Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Overseas Direct Investments, Foreign Direct Investments and External Commercial Borrowings;

v) The following Regulations and Guidelines prescribed under the Securities & Exchange Board of India Act, 1992 ("SEBI Act") or by 'SEBI', to the extent applicable:

   a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015

   b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011

   c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015

   d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018

   e) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014

   f) The Securities and Exchange Board of India (Issue and listing of Debt Securities) Regulations, 2008

   g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993

   h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009

   i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018

vi) The following Directions, Circulars and Guidelines prescribed by the Reserve Bank of India, inter alia, specifically applicable to the Company:

   a) The Reserve Bank of India Act, 1934 (Chapter IIIB), Sec 45 IA

   b) Master Direction – Know Your Customer (KYC) Direction, 2016 on Know Your Customer (KYC) Guidelines – Anti Money Laundering Standards (AML) – Prevention of Money Laundering Act, 2002

   c) Master Circular dated 1st July, 2015 on Fair Practices Code

   d) Issuance of Non-Convertible Debentures (Reserve Bank) (Amendment) Directions, 2010

   e) Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015

   f) Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

   g) Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016

h) Master Direction - Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016

i) Master Direction- Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016;

j) Master Direction on IT framework for NBFC sector, 2017;

k) Other Circulars/ Directions/ Guidelines issued by RBI in relation to Non-Banking Financial Companies, from time to time;

We have also examined compliance with the applicable clauses of The Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that

a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act and Listing Regulations. Consequent to resignation of Mr. V K Viswanathan, Independent Director of the Company, the Board of Directors consisted of 5 (five) directors from 9th February, 2021. During this period upto 31st March, 2021, two Board Meetings of the company were held on 10th February, 2021 and 16th March, 2021.

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

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

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

We further report that during the period under audit there were:

a) Allotment of 750 Nos. secured, redeemable, non-convertible debentures of the face value of ₹10,00,000 each, aggregating to ₹75 Crores on 30th September, 2020 on private placement basis.

b) Allotment of 1000 Nos. secured, redeemable, non-convertible debentures of the face value of ₹10,00,000 each, aggregating to ₹100 Crores on 12th November, 2020 on private placement basis.

c) Allotment of Equity Shares each pursuant to exercise of Options under the Scheme of ESOP, namely, 'Magma Employee Stock Option Plan, 2007' as under:

   i. 4800 nos. @ ₹2/- each allotted on 17/06/2020;
   ii. 4800 nos. @ ₹2/- each allotted on 07/08/2020
   iii. 66,600 nos. @ ₹2/- each allotted on 06/11/2020
   iv. 25200 nos. @ ₹2/- each allotted on 04/02/2021

We further report that during the period under audit, the Company has passed a special resolution for issuance and allotment of 49,37,14,286 equity shares of the Company, each having face value of ₹2/-, at a price of ₹70/- per equity share and for an aggregate consideration of ₹3,456 crores, on a preferential basis.

We further report that the shareholders of the company at the Annual General Meeting held on 31st August, 2020 have not approved the resolutions relating to payment of excess remuneration to Executive Directors for the financial year 2019-20 as per Schedule V of Companies Act, 2013 and Regulation 17(6)(e) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. In view of the above, the excess remuneration paid during the financial year 2019-20 to the executive directors has been paid back by them to the Company during the review period.

We further report that:

1. The company has allotted 49,37,14,286 equity shares of the Company, each having face value of ₹2/- on preferential basis on 6th May, 2021;

2. Rising Sun Holding Private Limited, Mr. Sanjay Chamria and Mr. Mayank Poddar (Acquirer and PACs) have made open offer pursuant to provisions of Regulation 3(1) and 4 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. The open offer process has been completed on 21st May 2021.

3. The Company has appointed Mr. Sajid Moorad Fazalbhoy (DIN 00022760) and Mr. Prabhakar Dalal (DIN 00544948), as Additional Director in the capacity of Independent Non-Executive Directors of the Company with effect from 5 May 2021, thus bringing the total number of directors on the Board of the Company to 7 (seven).

This report is to be read with our letter of even date which is annexed as Annexure-I which forms an integral part of this report.

For MKB & Associates
Company Secretaries
Firm Reg No: P2010WB042700

Manoj Kumar Banthia
(Partner)
Membership no. 11470
COP no. 7596
UDIN: A011470C000400177

Date: 31.05.2021
Place: Kolkata

ANNEXURE- I

To
The Members,
Magma Fincorp Limited

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events, etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Note: Due to continuing COVID-19 pandemic, for carrying on and completion of the Audit, documents /details have been provided by the Company through electronic mode and the same have been verified by us.

For MKB & Associates
Company Secretaries
Firm Reg No: P2010WB042700

Manoj Kumar Banthia
(Partner)
Membership no. 11470
COP no. 7596
UDIN: A011470C000400177

Date: 31.05.2021
Place: Kolkata

ANNEXURE -3

BUSINESS RESPONSIBILITY REPORT (BRR)

Magma Fincorp Limited is one of the largest Retail Non-Banking Financial Company (NBFC), with a strong distribution and service network, along with an impressive penetration in rural India which principally provide funding support to the MSMEs such as Truck/Taxi drivers who own and operate Commercial Vehicles, Construction Equipment, Passenger vehicles etc., to Marginal farmers, small shopkeepers and other Micro, Small and Medium enterprises. Here below, we present the Business Responsibility Report of the Company for the financial year ended on 31 March, 2021, pursuant to Regulation 34 (2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1	Corporate Identity Number (CIN) of the Company	L51504WB1978PLC031813
2	Name of the Company	Magma Fincorp Limited
3	Registered address	Development House, 24, Park Street, Kolkata- 700 016, India
4	Website	www.magma.co.in
5	E-mail id	secretary@magma.co.in
6	Financial Year reported	2020-21
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	NIC Code: K Group: 649 Description: Financial Services- Lending
8	List three key products/services that the Company manufactures/ provides (as in balance sheet)	Financing for Vehicles, Mortgage and Small and Medium Enterprises financing
9	Total number of locations where business activity is undertaken by the Company	i. Number of International locations- None ii. Number of National Locations-Corporate Office in Mumbai with 297 branches
10	Markets served by the Company-Local/State/National/ International	The services of Magma Fincorp Limited cater to a Pan-India market

SECTION B: FINANCIAL DETAILS

1	Paid up Capital (INR)	₹5,392.33 lakh
2	Total Turnover (INR)	₹187,685.10 lakh
3	Total profit after taxes (INR)	₹(57,836.08) lakh
4	Total Spending on Corporate Social Responsibility (CSR) initiatives (INR)	₹1159.81 lakh
5	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax	N.A as the Company has negative Profit After Taxes
6	List of activities in which CSR expenditure has been incurred (2019-20)	The same has been detailed out in the Annual Report on CSR Activities, annexed to the Board's Report.

SECTION C: OTHER DETAILS

1	Does the Company have any Subsidiary Company/ Companies?	Yes (One Subsidiary Company)
2	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent Company? If yes, then indicate the number of such subsidiary Company(s)	BR activities of the subsidiary Company are conducted as part of the parent Company to the extent possible.
3	Do any other entity/entities (e.g. suppliers, distributers etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities?	No other entities (such as investors, customers etc.) participate in the Business Responsibility (BR) initiatives of the Company.

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

a) Details of Director/Directors responsible for implementation of the BR policy/policies

DIN	Name	Designation
00009409	Mayank Poddar	Chairman Emeritus and Non-Executive Director

b) Details of the BR head

Sl. No.	Particulars	Details
1	DIN (if applicable)	N.A
2	Name	Rajneesh Mishra
3	Designation	Chief People Officer
4	Telephone No.	+91 22 6229 1110
5	Email id	rajneesh.mishra@magma.co.in

2A. Principle-wise (as per NVGs) BR Policy/policies

P1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
P2	Businesses should provide goods and services that are safe and contribute to sustainability “throughout their life cycle”
P3	Businesses should promote the wellbeing “of all employees”
P4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
P5	Businesses should respect and promote human rights
P6	Business should respect, protect, and make efforts to restore the environment
P7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
P8	Businesses should support inclusive growth and equitable development
P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner

Sl. No.	Questions	P 1 Ethics and Transparency	P 2 Product Responsibility	P 3 Wellbeing of employees	P 4 Responsiveness to Stakeholders	P 5 Respect Human Rights	P 6 Environmental Responsibility	P 7 Public policy advocacy	P 8 Support inclusive growth	P 9 Engagement with customers
1	Do you have a policy/ policies for?	Y	Y	Y	Y	Y	Y	N	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
3	Does the policy confirm to any national/ international standards? If yes, specify?	Y Note 1	Y Note 1	Y Note 1	Y Note 1	Y Note 1	Y Note 1	-	Y Note 1	Y Note 1
4	Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	-	Y	Y
5	Does the Company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	-	Y	Y
6	Indicate the link for the policy to be viewed online?	Y Note 2	Y Note 2	Y Note 2	Y Note 2	Y Note 2	Y Note 2	-	Y Note 2	Y Note 2
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
8	Does the Company have in-house structure to implement the policy/policies	Y	Y	Y	Y	Y	Y	-	Y	Y

Sl. No.	Questions	P 1 Ethics and Transparency	P 2 Product Responsibility	P 3 Wellbeing of employees	P 4 Responsiveness to Stakeholders	P 5 Respect Human Rights	P 6 Environmental Respon-sibility	P 7 Public policy advocacy	P 8 Support inclusive growth	P 9 Engagement with cus-tomers
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	-	-	-	Y
10	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y Note 3	Y Note 3	Y Note 3	Y Note 3	Y Note 3	-	-	Y Note 3	Y Note 3

P1: The Company has a Breach of Integrity and Whistle Blower (Vigil Mechanism) Policy, Anti Money Laundering Policy and also has a Code of Conduct, for its employees and directors and Code of Business Ethics for all its stakeholders and also has a defined Code of Conduct & Discipline Rules for employee across functions, geographies and grades.

P2: Considering the nature of our business, this principle has limited applicability on the Company.

P3: The Company's Code of Conduct and Business Ethics strongly embraces gender equality, equal opportunity and anti-harassment in the workplace. The Company has adopted employee oriented policies covering areas such as employee benefits and sexual harassment at the workplace which endeavour to provide an environment of care, nurturing and opportunity to accomplish professional aspirations.

P4: The Company plays an important role in nation building and financial inclusion by complementing the banking sector in reaching out credit to the unbanked and under-banked segments of society, especially to the micro, small and medium enterprises (MSMEs), which form the cradle of entrepreneurship and innovation. The Company also adheres to the guidelines laid down by Reserve Bank of India applicable to NBFCs.

P5: The Company upholds the principles of Human Rights and conducts operations with integrity and openness and respect for human rights of the employees and also adheres to the directives issued by Central/State Governments regarding the same.

P6: Considering the nature of our business, this principle has limited applicability on the Company.

P7: The Company is associated with apex industry institutions that are engaged in policy advocacy, like Confederation of Indian Industry (CII), Finance Industry Development Council (FIDC), The Federation of Indian Chambers of Commerce and Industry (FICCI) and various other forums. The Company's engagement with the relevant authorities is guided by the values of commitment, integrity, transparency and the need to balance interests of diverse stakeholders.

P8: The Company has a CSR Policy which guides all its CSR activities undertaken for the disadvantaged, marginalized and vulnerable stakeholders.

P9: The Company's Fair Practices Code and Customer Service Policy aims to provide to all the stakeholders, good, fair and trust-worthy practices by setting certain standards and ensures transparency in the Company's dealings with its customers. The Customer Grievance Redressal Policy aims at minimizing instances of customer complaints and grievances. The Company also ensures privacy and confidentiality of customers' data.

Note 1: All policies have been developed as a result of detailed consultations and research on the best practices adopted by NBFCs and organizations across the industry. Policies are framed as per the requirements of the Company and in conformity with the applicable laws.

Note 2: It has been the Company's practice to upload all polices on the intranet for the information and implementation by the internal stakeholders and some of these policies are also available at the following website: https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/

Note 3: All Policies of the Company are evaluated internally as and when required.

2B. BR Information - Principle-wise (as per NVGs) explanation

S. No.	Particulars	P 7 - Public policy advocacy
1.	Not understood the principles.	
2.	Not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	
3.	Does not have financial or manpower resources available for the task	
4.	Planned to be done within next 6 months	
5.	Planned to be done within the next 1 year	
6.	Other reasons	^Refer to the response below

^ The Company along with its subsidiary works closely with collective trade and industry associations, while there is no specific policy outlined for this principle..

3. **Governance related to BR**

   Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.

   An egalitarian process is instilled in our Company's DNA to reach out to the society and lend a helping hand for their progress. We believe that our business responsibility performance is a reflective process whereby our holistic growth towards sustainable development can be measured and tracked for future improvement.

   The CSR committee oversees and review the Company's BR performance. The CSR Committee met thrice during the financial year 2020-2021 for implementation of CSR and BR initiatives undertaken by the Company.

   Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

   The Business Responsibility Report (BRR) is prepared by the Company and the same forms a part of the Annual Report 2020-21. It is also available annually on the Company's website at https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

SECTION E: PRINCIPLE-WISE PERFORMANCE

PRINCIPLE 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

The Company has in place a Corporate Governance Policy, the Policy is steered based on our corporate governance philosophy, which is anchored on the values of trusteeship, transparency, ethical corporate citizenship, empowerment, control and accountability as integral parts of a good management. Integrity and credibility in our acts, fairness and impartiality in our dealings with others, trust and respect for people and demanding excellence are the essence of our flawless operation. Policies and processes are set up at various levels across the Company to guide different stakeholders and ensure compliance to regulatory and voluntary norms. We strongly adhere to the above work ethics which we believe are the corner stone to achieve our vision of being one of the India's largest Retail NBFC.

1. **Does the policy relating to ethics, bribery and corruption cover only the Company? Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/Others?**

   No. The Code of Business Ethics applies to all Directors, officers and employees of Magma. The Company also encourages employees of those entities in which Magma has an interest but does not have control, to adopt and follow the Code of Business Ethics. The Company also encourages employees of the subsidiary of Magma to adopt and follow the Code of Business Ethics. Third parties, such as consultants and agents are required to comply with the Code of Business Ethics when acting on Magma's behalf as well as Code of Conduct for Direct Selling Agents (DSAs) / Direct Marketing Agents (DMAs)/ Debt Recovery Agents (DRAs). The Company also has a defined Code of Conduct & Discipline Rules (Code) to deter wrongdoings and to foster and maintain the standard of business conduct for employee, trust and confidence in the professionalism and the integrity of the employees. The Code is applicable to all employees across functions, geographies and grades.

2. **How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?**

Stakeholder Complaints in FY2020-21			
Particulars	No. of complaints received	No. of complaints resolved	% of complaints resolved
Shareholders	0	0	N.A
Customers	543	535	99
Employees	58	58	100

PRINCIPLE 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

1. **List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.**

   The Company constantly aims to reduce the impact on environment by identifying ways to optimize resource consumption in its operations although the very nature of its business being an NBFC has limited impact on the environment. However, the Company is working on building an inclusive organization by engaging with stakeholders and creating value in the eco-system it operates in. The Company's business focusses on the key necessities of people and enable them to earn their livelihood through financial products offered by it to the MSMEs such as Truck/Taxi drivers who own and operate Commercial Vehicles, Construction Equipment, Passenger vehicles etc., to Marginal farmers, small shopkeepers and other Micro, Small and Medium enterprises. The Company also helps people build their homes through MHFL's affordable home loan services and secure their life and assets by insurance solutions of Magma HDI. Sustainability has always been a key success factor for the ambit of company's businesses. Through its wide network of branches with locally trained FOS (Field Officers), large customer base, vast experience and market knowledge, the Company is providing financial resources to underserviced regions of the country and building livelihood for such sections of the population, who are aspiring for a better living in the urban India.

2. **For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):**

   a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?

   b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

   The Company strives relentlessly to maintain the highest standards of safety and sustainability in its services offered in alignment to our values.

   On account of the nature of our services, the major resource consumed at the Company is paper. The Company contributes towards sustainable service delivery through paperless transaction. The Company has a paper recycling initiative in terms of re-usage of old printouts which are no longer required and also monitor usage of paper consumption. Above all, we emphasize on integrating sustainable practices within our value chain (suppliers and customers) through acceptance of payments through ACH/Auto Debit/Digital/online mode which in turn helps the customers in paperless transaction. We pay our vendors through NEFT/RTGS mode thereby reducing the usage of paper.

   The Company ensures reduction of paper usage through various initiatives viz. leads are generated online with customer related data, online system to record customer related transactions, e-learning platform for knowledge sharing / enhancement of employees, customers are updated through SMS during loan processing at every stage till sanction. Other important initiatives launched in previous year which is discontinuation of printing of system generated reports and facility for uploading system generated reports which helped in restricting usages of paper, ink cartridges, fuel for transportation.

   Business units are working towards paperless processing of loan files and avoid taking paper printouts as much as possible. We are promoting storage of documents digitally. We are very conscious about usage of papers and saving trees.

3. **Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably?**

   The primary resource consumption of the Company is printing paper. The Company entered into vendor agreements for procurement of paper and tracks consumption of resources to reduce their wastage. Above all, we emphasize on integrating sustainable practices within our value chain (suppliers and customers) through acceptance of payments through ACH/ AutoDebit/Digital/online mode which in turn helps the customers in paperless transaction.

4. **Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

   The Company has its presence PAN India and has a practice of purchasing goods and services required for normal operations from local suppliers. The Company is progressing more towards digital transactions, hence we encourage the vendors/suppliers more towards digitization.

5. **Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%).**

   Yes. The Company's primary waste products comprises of paper waste, municipal waste and electronic waste. The Company puts in place mechanisms for responsible disposal of waste through authorized third party vendors. The Company has in place a Policy on process for disposal of E-Waste Items. We have a paper recycling initiative in terms of re-usage of old print outs which are no longer required.

PRINCIPLE 3: Businesses should promote the well-being of all employees

The capability of the Company's talent pool is surmised on a work culture that nurtures quality talent and promotes a causative work environment combining the need to focus on performance and results with a caring and compassionate work ethics. The Company places utmost care in promotion of employee wellbeing. We strongly embrace gender equality, equal opportunity and work-life balance in day to day work. Our Policies ensure a work environment that is free from any form of discrimination among employees in terms of compensation, training and employee benefits based on caste, religion, disability, or gender.

S. No.	Particulars	Details	
1	Total number of employees	As on 31 March 2021, the Company has 5505 employees	
2	Total number of employees hired on temporary/ contractual/casual basis	All employees at the Company are hired on a permanent basis	
3	Number of permanent women employees	The Company has 329 permanent women employees on 31 March 2021	
4	Number of permanent employees with disabilities	The Company being an equal opportunity employer, made no distinction between employees on the basis of disabilities.	
5	Do you have an employee association that is recognized by management	The Company does not have an employee association.	
6	What percentage of your permanent employees is members of this recognized employee association?	N.A	
7	Number of complaints relating to child labor, forced labor, involuntary labor, sexual harassment in FY2020-21.		
#	Category	No. of complaints filed during the financial year	No. of complaints pending as on end of the financial year
7.1	Child labor/forced labor/involuntary labor	None	None
7.2	Sexual harassment	One	None
7.3	Discriminatory employment	None	None
8.	What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?		
a.	Permanent Employees	In FY20-21, 76.1% of target employees (67570 out of 88793) have undergone various online training programs. 100% digital platform used to cover 2497 unique sessions across all the businesses and ensured the last mile reach in the shortest span. · Induction, behavioural, functional, employee engagement initiatives, culture-building exercises, business support activities. · Behavioral – Essential behavioral learning needs were addressed for the target audience. · Employee engagement and culture building – Initiative for the well-being of the employees, ensuring safety for self, branch and family. Involvement of the family members to demonstrate inclusion in various activities. · Business support activities - Customer and process survey, scheme communication and R&R · The key critical programs for upskilling and ensuring business as usual during pandemic hit year, One Health cross-sell, SPIN selling technique, Tele-collections, Payment through digital modes, BM Conferencing, SMILE, ECLGS, New Product Launch ATL, Verticalization-Vehicle & Agri UDYAM registration. 651 employees covered in external training programs.	

S. No.	Particulars	Details
		In E-Learning, total of 186 courses/ knowledge inputs were introduced under Mandatory, Functional, Reference and Simulation category. 66% of employees (5591 out of 8501) have completed at least one mandatory module i.e, KYC, AML, POSH, INFOSEC. **Note:** Legend - Employee Base for calculating % is taken as "Invited Numbers" for online (Zoom) sessions and "Assigned Numbers" for E-learning courses.
b.	Permanent Women Employees	During FY20-21, · A total of 651 unique female employees attended multiple zoom sessions, i.e. 2423 attended out of 2861 assigned (84.7%). · A total of 697 unique female employees completed various Mandatory e-learning modules, i.e. 3137 completed out of 4052 assigned (77.4%). · A total of 608 unique female employees assigned various Functional e-learning modules, i.e. 1329 completed out of 2486 assigned (53.4%) **Note:** The completion % includes all assigned numbers during the year.
c.	Casual/Temporary/Contractual Employees	Not applicable, since the Company only hires employees on a permanent basis.
d.	Employees with Disabilities	The Company does not measure this metric.

PRINCIPLE 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized

1. **Has the Company mapped its internal and external stakeholders?**

   Yes, the Company has mapped its internal and external stakeholders.

2. **Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders?**

   The Company views the unbanked and under-banked segments of society in urban India as disadvantaged in terms of integration into India's mainstream economy, which leaves them vulnerable to socio-economic exploitation.

3. **Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders?**

   The company via its CSR (Corporate Social Responsibility) projects aims to improve the life of marginalized people. All the projects are targeted towards the upliftment of and support for poor people so that they can lead a better and dignified life. Flagship projects like Highway Hero, M-Scholar, M-Care are aim towards the holistic development of the society. Details of these projects are given below at the respective section.

PRINCIPLE 5: Businesses should respect and promote human rights

The Company's HR policies advocate these principles, and these are clearly exhibited in their policies where nobody is differentiated on the basis of gender, caste, religion or physical disability. Any incidence of misconduct or harassment is dealt with a robust process of fair investigation and seriousness within the organization. This helps in building an equal work place strengthened through mutual admiration, trust, empathy and ethical behavior. In fact the Company has chosen "Respect" as one of the three core values.

1. **Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/Others?**

   The policies of the Company are designed as such to ensure there is a respectful environment and no human rights violation incidents occur for its employees, stakeholders and vendors. The Company had defined a "Whistleblower" mechanism to ensure that any violations to its Code of Conduct and Code of Business Ethics (including violation of human rights) are raised in a systematic, fair manner and without any fear of consequence. The aforesaid policies are also adopted by the group companies and these policies are readily available on the Company Intranet for employee reference.

2. **How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

   The Company did not receive any complaint in the area of human rights violations. The Company elucidates elements of Human Rights to its employees and ensures it gets covered in various policies and practices at the Company. Complaints pertaining to employee is disclosed in Point No. 7 of Principle 3 above.

PRINCIPLE 6: Business should respect, protect, and make efforts to restore environment

1. **Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.**

   Magma endeavours to ensure and enhance effective social and environmental management practices in all its activities with a special focus on the following:

   - Ensuring that social and environmental safeguards as defined by the applicable Indian social and environmental legislation are adequately integrated by the customer prior to its financing and in its implementation.
   - Influencing interested parties, especially clients and other domestic financial institutions, to be more socially and environmentally responsible.
   - Ensuring transparency in its Social and Environmental Management System & Procedures.

   The Company recognizes that all activities and projects are in compliance with the Social and Environmental Management System-Policy and Procedures document. The policy is based on guidelines from IFC and ensures that the Company abstains from lending to socially and /or environmentally irresponsible businesses or ventures.

2. **Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming etc.?**

   The Company has taken the following initiatives viz. awareness generation among the employees to conserve and responsibly use electricity, Reduction of usage of energy (through installation of LED bulbs, energy efficient electrical equipment and also retrofication to LED lights in branch offices.), e-waste management and handling, distribution of sapling and paper conservation (e.g. Both side printing, re-use of papers) and paper waste recycling. These initiatives would directly or indirectly lead to reduced energy consumption. In our country, since energy is produced mostly with fossil fuel leading to emissions of greenhouse gases and global warming, energy conservation would significantly contribute to mitigation of global warming.

3. **Does the Company identify and assess potential environmental risks?**

   Yes, the Company assesses its environmental risks in multiple ways. We believe that at Magma, which is primarily an Retail NBFC focusing on providing finance mainly to the semi-urban and rural areas and developing rural entrepreneurship, the scale and magnitude of the environmental and social risks may not match that of large project financing institutions or commercial banks. However, we recognize that, even smaller clients, be it individuals or SMEs, do have social and environmental risks; employment of child labour, illegal mining or quarrying leading to destruction of the environment, ground and water pollution on account of non-treatment of effluents are examples of some risks faced by a micro entrepreneur. While individually these risks may not be very high, cumulatively they may have a considerable impact on society.

4. **Does the Company have any project related to Clean Development Mechanism? If so, provide details. Also, if yes, whether any environmental compliance report is filed?**

   As the nature of the Company's business is service oriented; feasibility of undertaking a Clean Development Mechanism (CDM) project is very limited. The Company has no project related to CDM.

5. **Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.?**

   The Company has managed all the electrical equipment in a manner so that they help in conserving energy. The Company has initiated installation of LED lights in new and upcoming branches wherever possible. The Company is also in the process of replacement of existing lights with LED lights in a phased manner.

6. **Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

   Yes, all the primary wastes mainly paper and electronic are recycled to the maximum possible extent. The emissions and wastes of the Company are within the permissible limits of the laws applicable.

7. **Number of show cause/ legal notices received from CPCB/ SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.**

   The Company has not received any such notice during the Financial Year 2020-21.

PRINCIPLE 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

1. **Is your Company a member of any trade and chamber or association? If Yes, name only those major ones that your business deals with:**

   The Company maintains a steady interface on matters concerning the Finance industry across the country through active participation in apex industry institutions including the following:

   - Confederation of Indian Industry (CII)
   - Finance Industry Development Council (FIDC)
   - The Federation of Indian Chambers of Commerce and Industry (FICCI)

2. **Have you advocated/lobbied through above associations for the advancement or improvement of public good?**

   The Company made various representations to Reserve Bank of India (RBI) / Ministry of Law & Justice/ Ministry of Finance, through the offices of FIDC, FICCI and CII on matters of importance to NBFC industry. It has also made representation to RBI on recent pandemic on Covid – 19. During the year, the Company represented to the Ministry of Finance highlighting the practical difficulties NBFCs were likely to face in issuance of E-Invoice on a real time basis, considering the fact that majority of NBFCs work in B2C space and the borrowers were based in semi urban and rural areas also, where internet connectivity is patchy. This representation was made through FIDC and the Ministry kindly acceded to the request made by NBFC industry. The Company also represented to the RBI/ Ministry of Finance/ SEBI through FIDC, FICCI and CII seeking moratorium for borrowers in wake of COVID-19, relaxation of NPA recognition norms, exemption/ relaxation towards declaration of default in case of non-payment/ delay in payment of liabilities (pass through certificate, non-convertible debenture dues etc.) by the NBFCs in wake of COVID-19. The Ministry of Finance, the RBI and the SEBI acceded to the requests made by NBFC industry.

PRINCIPLE 8: Businesses should support inclusive growth and equitable development

1. **Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8?**

   Under the broader ambit of the CSR Policy, the Company continues to regularly identify and engage with different sections of the communities, in which it operates, to promote equitable development and equip them with the necessary coping mechanisms to have a better life. Moreover in the recent pandemic where traditional projects are on a halt, the company adopted a different approach to reach out to marginalized people. Example: Distribution of happiness kit in place of Mid-day Meal to students of primary schools run by the Government or registered trusts. Some of the notable initiatives are highlighted below:

i.	Highways Heroes -Trucker's Initiative	➢ Covering Environment, Health and Sanitation A nation-wide initiative to help Indian truckers learning road safety rules, conserve fuel, reduce their operating costs by improving vehicle mileage, health check-up, tips on hygiene to reduce ailments which results in loss of man-days. So far we have covered 190 locations and trained around 1.90 lac truck drivers.
ii.	M-Scholar	➢ So far offered financial assistance in form of scholarship to 650 meritorious students from low income families (daily wager, odd jobs holder, lowly paid private employees, farmers) across the country. This meets part of their education and related expenses while pursuing under-graduate studies.
iii.	Mid-Day Meal	➢ Through partners, "Food Relief Foundation" & "Akshay Patra Foundation" continued the program which fights class room hunger for students from underprivileged families. Since schools remain closed due to the outbreak of pandemic, we delivered "Happiness Kit" to 5000 kids (Dry Ration/Mask/Sanitizer/School stationary/Nutrient) in Rajasthan, UP, West Bengal, Andhra Pradesh.
iv.	M-Care Mobile Health Camp	➢ Free Medical Check-ups at villages/ Talukas in UP, West Bengal, Andhra Pradesh, Gurgaon, Jharkhand, Odisha, Rajasthan and Uttar Pradesh. The camp consists of OPD clinic with basic test and distribution of generic OTC medicine along with mask & sanitizer. ➢ Have conducted around 150 health camps in FY21 and treated approx. 11000 patients.
v.	Swayam	Provided support in the local communities in rural areas in the form of infrastructure, educational support, nutrition etc. Few of the projects are as following: ➢ Distribution of dry ration to migrant worker and slum dwellers (1500 families) across Kerala, Delhi, Karnataka and West Bengal. ➢ Provided 2000 PPE kits and 11 disinfectant tunnels for the frontline workers of Kolkata police. ➢ Distribution of Covid kit comprising of mask and sanitizer to migrant workers at 45 locations (Bihar, Maharashtra UP, West Bengal, Odisha, Jharkhand, Kerala, Telangana). ➢ Contribution towards the construction of 120 bed super speciality hospital in Madhyamgram. The hospital will treat the poor and low income group at subsidised rates. ➢ Setting up of digital class rooms at a school in Coimbatore, Tamil Nadu. ➢ Contribution towards the construction of orphanage home for girls and old age home for women in Kolkata. ➢ Sponsored cataract surgery and distribution of spectacles to the poor in West Bengal. ➢ Contribution towards the construction of school for street kids in New Town, Kolkata.
vi.	PM CARES FUND	The company has contributed INR 400 lacs towards PM CARES FUND in the FY 20-21.

2. **Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?**

   CSR initiatives are implemented by the Company through its implementing Trust, Magma Foundation, which is dedicated to undertake social programmes for the betterment and upliftment of the rural poor. The trust works with NGOs/implementation partners having established track record and expertise to execute CSR projects. Organisations such as Petroleum Conservation Research Association (PCRA), Sevamob Ventures Ltd., Friends of Tribal Society (FTS), ISKCON Food Relief Foundation (IFRF), Akshay Patra Foundation, Future Hope etc. are associated with Magma Foundation to perform the ground level activities.

3. **Have you done any impact assessment of your initiative?**

   Periodic reviews are undertaken on various projects. The company has recently appointed a third party to conduct impact assessment study for it two projects – Magma Highway Heroes and M-Scholar. The study is in process and shall be over in Q2 of FY22.

4. **What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?**

   The Company's contribution to community development projects amounts to ₹683.06 lakh during the Financial Year 2020-21. Details of some of the major initiatives the Company has invested during the year are given in Point No. 1 above.

5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community?**

   The Company has taken care to ensure the sustainability of the project activities. We have a dedicated team whose job is to take the first hand feedback from the people who were part of our project. The team tries to meet them in person, do their pre and post project impact assessment, note the differences, identify the hurdles in the project and then try to reduce them while replicating the same at other locations. The CSR Committee of the Board meets annually to review the successful implementation of the CSR programs.

PRINCIPLE 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner

We believe that to become India's leading retail NBFC, customer service and satisfaction lies at the top of our prioritization pyramid. We constantly endeavour to provide world class products and service to our customers, especially when our customers need our help the most. To maintain our impeccable customer service performance, we strictly adhere to the following cornerstones while we cater to our customers.

1. Maintain complete transparency about the loan sanctioning process
2. Easy and fast documentation so that the loan is disbursed in a timely manner
3. Communication at all stages of loan disbursal to customers
4. Build and develop the best performing and efficient team to cater our customers
5. Empower frontline team to efficiently deal with customer requirement without having to depend on others
6. Enhance customer experience at every stage during his association with us

1. **What percentage of customer complaints/consumer cases are pending as on the end of financial year?**

   Customer complaints are treated very seriously in the organization. We hear our customers through various mediums such as emails to customercare@magma.co.in & headcustomerservice@magma.co.in, 8am to 8pm Call Centre through the toll free number – 1800 266 3202, Websites, Telephone, Letter, Social Media & Branch. In our Company, 543 complaints were received and 8 complaints were pending during the FY20-21 which is 99% of customers' complaints being resolved.

   We proactively highlight complaints to respective verticals for faster resolution and also bring in process changes to reduce the opportunity for future complaints. In order to ensure that our customers understand our communication we have started servicing them in their preferred language from the call centre and also implemented all key customer communications via SMS in 10 regional languages.

   We have implemented Net Promoter Survey (NPS) to gather independent assessment of Customer Satisfaction through outsourced partner. NPS score is a leading indicator of Customer Loyalty. We collect customer feedback across four key touch points – Sales, Onboarding, Service and Exit. Process reengineering efforts are undertaken to enhance customer experience basis the feedback received during NPS survey. We have also assessed customer demand to create an algorithm based offer to our customers with good payment track record.

2. **Does the Company display product information on the product label, over and above what is mandated as per local laws?**

   The Company follows the highest standards of product and service responsibility. The Company complies fully with the regulations of the RBI for financial products. All notices and regulations are displayed at branches as per the requirements of the RBI. A comprehensive list of customer policies that the Company adheres to, are available on the Company's website at www.magma.co.in.

For the ease of understanding we have also uploaded the policy in regional languages and are also available at our branches for reference.

3. **Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof.**

   During the last five years, stakeholders have not filed any complaint pertaining to unfair trade practices, irresponsible advertising and/or anti-competitive behaviour against the Company.

4. **Did your Company carry out any consumer survey/ consumer satisfaction trends?**

   We drive the Company's customer satisfaction initiatives and measurement. We conduct Net Promoter Score survey on a monthly basis through an external agency for independent assessment.

   In order to drive Customer Centric Culture, we have also implemented Field Officer rating process from customers who have recently on boarded. These scores are published on a monthly basis with respective business vertical to create awareness of Customer's experience with our front line officers.

For and on behalf of the Board

Sunil Chandiramani	Sanjay Chamria
Independent Non Executive Director	*Vice Chairman and Managing Director*
DIN: 00524035	DIN: 00009894
Mumbai	Kolkata
31 May 2021	31 May 2021

ANNEXURE - 4

Details pertaining to remuneration as required under Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment And Remuneration of Managerial Personnel) Rules, 2014 and Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016

(i) The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during FY 2020-21, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for FY 2020-21 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under:

Sl. No.	Name of Director/KMP and Designation	Remuneration of Director/KMP for FY 2020-21 (₹ in lakh)	% increase in Remuneration in FY 2020-21	Ratio of remuneration of each Director/ to median remuneration of employees
1	Mayank Poddar [1] Chairman Emeritus and Non Executive Director	120.71	0.00%	29.60
2	Sanjay Chamria Vice Chairman and Managing Director	224.40	0.00%	60.68
3	Kailash Baheti Chief Financial Officer	217.25	0.00%	66.22
4	Shabnum Zaman Company Secretary	27.42	0.00%	7.74
5	Narayan K Seshadri [2] Non-Executive Independent Director	15.00	-16.67%	4.06
6	V K Viswanathan [3] Non-Executive Independent Director	27.00	50.00%	7.30
7	Sunil Rewachand Chandiramani Non-Executive Independent Director	32.10	872.73%	8.68
8	Vijaylakshmi R Iyer Non-Executive Independent Director	32.10	68.95%	8.68
9	Bontha Prasada Rao Non-Executive Independent Director	16.20	NA	4.38

1. Designated as Non Executive Director w.e.f. 8/11/2020. Includes Sitting Fees of ₹8 Lakh
2. Resigned w.e.f 31/08/2020
3. Resigned w.e.f. 8/02/2021

Note:

(i) For independent directors, remuneration is based on actuals and for others the remuneration has been taken based on annual remuneration, for calculating the variance with median.

ii) The median remuneration of employees of the Company during the financial year was 3.7 lacs.

iii) In the financial year, there was no increase in the median remuneration of employees.

iv) There were 5341 permanent employees on the rolls of Company as on 31 March 2021

v) Average percentage increase made in the salaries of employees other than the managerial personnel in financial year i.e. 2020-21 was 0.45% whereas the increase in the managerial remuneration for the same financial year was 1.35%

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

vii) The above disclosure exclude excess remuneration, relating to previous financial year 2019-20, refunded by the whole time Directors during the year.

viii) Considering inadequate profits caused due to additional provisions made on account of Covid 19, remuneration paid to whole time Directors is in excess of applicable limits and is subject to approval of share holders at the ensuing Annual General Meeting.

For and on behalf of the Board

Sunil Chandiramani
Independent Non Executive Director
DIN: 00524035

Mumbai
31 May 2021

Sanjay Chamria
Vice Chairman and Managing Director
DIN: 00009894

Kolkata
31 May 2021

ANNEXURE -4

PARTICULARS OF EMPLOYEES

Information as per Section 197(12) of the Companies Act, 2013, read with Rules 5(2) and 5(3) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016 referred to in the Board's Report for the year ended March 31, 2021 and forming part thereof

1. Top ten employees of the Company in terms of the remuneration drawn

Name	Age (in years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (₹ In lakh)	Particulars of last employment, last post employer
MAYANK PODDAR[1]	67	B.Com	Chairman Emeritus and Non Executive Director	01-Jul-96	46	120.71	Calcutta Credit Corporation Ltd (erstwhile)-Managing Director
SANJAY CHAMRIA	56	FCA	Vice Chairman & Managing Director	01-Jan-92	36	224.40	Magma Leasing Ltd (erstwhile)-Chief Executive
KAILASH BAHETI	57	B. Com (Hons), FCA, ACS, ACMA	Chief Financial Officer	18-Oct-11	36	217.25	Century Extrusions Ltd - CEO & CFO
HARSHVARDHAN CHAMRIA	32	School of Engg Cornell, MBA Stanford	Chief Digital Officer	01-Sep-14	7	118.46	Magma Fincorp Limited
MAHENDER BAGRODIA	50	B Com , ACA	Chief Credit Officer - ABF	09-Oct-00	28	145.97	Tijaya Enterprises Ltd - General Manager
RAJ KUMAR KAPOOR	56	CA	Chief Internal Auditor	07-Mar-11	34	116.07	Jubilant Organosys Group of Comp.-Vice President and Chief Internal Auditor
DEEPAK PATKAR	48	B.E.(Electrical) , Master in Management Studies	Chief Executive Officer-ABF	04-Sep-18	27	157.77	Fullerton India Credit Co, EVP & Group Chief Risk Officer
RAJNEESH MISHRA	48	LLB, Masters in Personnel Management & Industrial Relations	Chief People Officer	10-Jan-19	23	114.46	Bajaj Finserv Limited, Vice President-Human Resources
SRINIVAS PRASAD PANDA	50	MBA/PGDBM - FULL TIME	Chief Strategy Officer-ABF	08-Apr-19	25	116.42	Tata Motors Finance , Tata Capital, Bajaj Finance
GURINDER SINGH SEHMBEY	53	B Com, MBA	Chief Credit Officer	26-May-20	28	144.58	Star Agri Finance , CEO

1. Designated as Non Executive Director w.e.f. 8/11/2020. Includes Sitting Fees of ₹8 Lakh

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

Name	Age (in years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (₹ In lakh)	Particulars of last employment, last post employer
SANJAY CHAMRIA	56	FCA	Vice Chairman & Managing Director	01-Jan-92	36	224.40	Magma Leasing Ltd (erstwhile)-Chief Executive
KAILASH BAHETI	57	B. Com (Hons), FCA, ACS, ACMA	Chief Financial Officer	18-Oct-11	36	217.25	Century Extrusions Ltd - CEO & CFO
HARSHVARDHAN CHAMRIA	32	School of Engg Cornell, MBA Stanford	Chief Digital Officer	01-Sep-14	7	118.46	Magma Fincorp Limited
MAHENDER BAGRODIA	50	B Com , ACA	Chief Credit Officer - ABF	09-Oct-00	28	145.97	Tijaya Enterprises Ltd - General Manager
RAJ KUMAR KAPOOR	56	CA	Chief Internal Auditor	07-Mar-11	34	116.07	Jubilant Organosys Group of Comp.-Vice President and Chief Internal Auditor
DEEPAK PATKAR	48	B.E.(Electrical) , Master in Management Studies	Chief Executive Officer-ABF	04-Sep-18	27	157.77	Fullerton India Credit Co, EVP & Group Chief Risk Officer
RAJNEESH MISHRA	48	LLB, Masters in Personnel Management & Industrial Relations	Chief People Officer	10-Jan-19	23	114.46	Bajaj Finserv Limited, Vice President-Human Resources
SRINIVAS PRASAD PANDA	50	MBA/PGDBM - FULL TIME	Chief Strategy Officer-ABF	08-Apr-19	25	116.42	Tata Motors Finance , Tata Capital, Bajaj Finance

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

Name	Age (in years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Remuneration (₹ In lakh)	Particulars of last employment, last post employer
MAYANK PODDAR	67	B.Com	Chairman Emeritus and Non Executive Director	01-Jul-96	47	120.71	Calcutta Credit Corporation Ltd (erstwhile)- Managing Director
GURINDER SINGH SEHMBEY	53	B Com , MBA	Chief Business Officer - ABF	26-May-20	28	144.58	Star Agri Finance , CEO
GIRISH PODDAR	48	CA	Chief Risk Officer	27-Oct-20	22	84.26	Co founder & Director, Medbay India Private Limited

Notes:

1. Gross remuneration comprises salary, leave travel concession, house rent allowance, Company's contribution to provident fund, pension and gratuity fund, monetary value of other perquisites as per the Income Tax Act and Rules, leave encashment, bonus and commission. Annual Performance Bonus included above is on Provisional basis.
2. All appointments were made in accordance with the terms and conditions as per the Company Rules.
3. None of the employee hold 2% or more of the paid up share capital of the Company either by himself or along with his/her spouse and dependent children.
4. None of the above employee is related to any Director of the Company except Mr. Harshvardhan Chamria

For and on behalf of the Board

Sunil Chandiramani
Independent Non Executive Director
DIN: 00524035

Mumbai
31 May 2021

Sanjay Chamria
Vice Chairman and Managing Director
DIN: 00009894

Kolkata
31 May 2021

Board's Report 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 shareholders' value and protecting the interests of all stakeholders' is a tradition at Magma. Every effort is made to follow the best practices in all functional areas and in discharging the Company's responsibilities towards all the stakeholders and the community at large.

2. BOARD OF DIRECTORS ('BOARD')

2.1 Composition and category

The Company has a judicious mix of Executive and Non-Executive Independent Directors on its Board. There were 5 Directors on the Board as on 31.03.2021, with 1 Executive Director, 1 Non-Independent Non-Executive Director and 3 Independent Non-Executive Directors which includes one Independent woman Director. The elected Chairperson of every Board Meeting is an Independent Director and more than one-half of the Board consists of Independent Directors.

The composition of the Board is in conformity with Section 149 of the Companies Act, 2013 (hereinafter referred to as 'the Act'). Regulation 17 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time (hereinafter referred to as 'Listing Regulations') requires that the Board shall comprise of a minimum of 6 directors. As on 31 March 2021, the Board was comprising of 5 Directors and 4 additional Directors were appointed on the Board of the Company in May 2021. With these appointments, the Board of the Company shall now comprise of 9 directors, of which more than one-half of the Board shall consist of Independent Directors.

Pursuant to the provisions of Section 165 of the Act none of the Directors of the Company is a Director in more than 20 Indian companies, with not more than 10 public limited companies. Further, as mandated by Regulation 17A of the Listing Regulations, none of the Directors are director in more than 7 Listed entities and serves as an Independent Director in more than 7 Listed companies, or serves as an Independent Director in 3 listed companies in case he/ she serves as a Whole-time Director in any listed company. Further, as stipulated in Regulation 26 of the Listing Regulations, none of the Directors is a Member of more than 10 Committees and no such Director is a Chairman/Chairperson of more than 5 Committees, across all public limited companies in which he/she is a Director. All the Non-Executive Directors are eminent professionals and bring the wealth of their professional expertise and experience to the management of the Company. The composition of the Board as on 31 March 2021 is as under:

Category	Name of Directors
Promoter and Executive Directors	Mr. Sanjay Chamria
Promoter and Non-Executive Director	Mr. Mayank Poddar
Independent Directors	Mrs. Vijayalakshmi R Iyer Mr. Bontha Prasada Rao Mr. Sunil R Chandiramani

There are no Directors who has attained the age of 75 years or more and for which approval of shareholders was required through special resolution in terms of Regulation 17 (1A) of the Listing Regulations.

All the Directors possesses requisite qualifications and experience in general corporate management, risk management, banking, finance, economics, marketing, digitisation, analytics and other allied fields which enable them to contribute effectively to your Company by providing valuable guidance and expert advice to the Management and enhance the quality of Board's decision-making process. Detailed profile of the Directors is available on the Company's website at the weblink: https://magma.co.in/about-us/people/board-of-directors/.

The Independent Directors have been appointed for a fixed tenure of three/five years from their respective dates of appointment. All the Independent Directors have confirmed that they meet the criteria of independence as mentioned in Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations. In terms of Regulation 25(8) of the Listing Regulations, the Independent Directors have confirmed that they are not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact their ability to discharge their duties. In the opinion of the Board, all the existing Independent Directors as well as those who are proposed to be re-appointed at the ensuing Annual General Meeting (AGM) of the Company, fulfil the conditions specified in Listing Regulations and are independent of the management. None of the Independent Directors of the Company are on the Board of any other Company as non-independent director where the non-independent director of the Company is an independent director. Mr. Narayan K Seshadri and Mr. V K Viswanathan, Independent Directors of the Company resigned with effect from 31 August 2020 and 8 February 2021 respectively owing to personal preoccupations, other than those stated above no Independent Directors have resigned during the year. Further the Independent Directors have confirmed that there are no material reasons for their resignation other than those stated above.

A letter of appointment encompassing the terms and conditions of appointment, roles, duties and liabilities is issued to the Independent Directors at the time of their appointment. The main terms of appointment can be accessed at: https://magma.co.in/about-us/investor-relations/secretarial-documents/information-for-shareholders/.

2.2 Board Meetings and Procedure

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 provides leadership, strategic guidance, an objective and independent view to the Company's management while discharging its fiduciary responsibilities, thereby ensuring that the management adheres to high standards of ethics, transparency and disclosure. The Company has a well-established framework for the Meetings of the Board and its Committees which seeks to systematise the decision-making process at the Board and Committee meetings in an informed and efficient manner.

Meetings, Agenda and participation thereat: The Board/Committee meetings are pre-scheduled and a tentative annual calendar of the Board and Committee meetings is circulated to the Directors well in advance to help them plan their schedule and ensure meaningful participation in the meetings. The Company Secretary, in consultation with the Chairperson of the Board Meeting, Vice Chairman & Managing Director and Chief Financial Officer, prepares the agenda for meetings. Agenda, Notes on the agenda and other pre-read materials are circulated among the Directors, at least seven days in advance, in a structured format. All the Agenda items are supported by relevant information, documents and presentation to enable the Board to take informed decisions. The company also provides Video/Teleconferencing facilities to facilitate Directors travelling or present at other locations, to participate in meetings.

Only in case of urgent business, if the need arises, the Board's/Committee's approval is taken by passing resolutions through circulation or by calling Board/Committee meetings at short notice, as permitted by law.

The Board generally meets 4-5 times during the year. Additional Board meetings are convened to address the Company's specific needs. During the year Magma's Board met 9 times on 2 April 2020, 18 June 2020, 3 July 2020, 8 August 2020, 27 August 2020, 7 November 2020, 6 February 2021, 10 February 2021 and 16 March 2021. The maximum interval between any two consecutive meetings were not more than 120 days. The requisite quorum was present for all the Meetings of the Board.

Paperless Board Meetings: The Board/Committee Meetings agenda and Agenda Notes are hosted on the Magma Board Meeting portal, a digital application. The Directors of the Company receive the agenda notes in electronic form through this application, which is accessible through iPad/laptop. The application meets high standards of security that are essential for storage and transmission of sensitive information in electronic form.

Post meeting follow-up mechanism: The Company has an effective post Board/Committee Meeting follow-up procedure. The important decisions taken at Board/Committee meetings are communicated to the concerned departments promptly. An action taken/status report on the decisions of the previous meeting(s) is placed at the next meeting of the Board/Committees for information and further recommended action(s), if any.

Knowledge sharing: Board members are kept informed about any material development/business update through various modes viz. e-mails, concall etc. from time to time.

The status of attendance of each Director at Board Meetings and the last Annual General Meeting (AGM) held on 31 August 2020 and the number of Companies and Committees where each of them is a Director / Member / Chairman as on 31 March 2021 is given below:

Name of Director	Category	Materially significant, pecuniary or business relationship with the Company	Number of shares and convertible instruments held in the Company	F.Y 2020-21 Attendance at		No. of Directorships in other Companies incorporated in India(*)	Outside Committee Positions Held (**)		Names of the other listed entities where the director is a director (including debt listed)	Category of directorship
				Board Meeting	Last AGM held on 31.08.2020		Chairman	Member		
Mr. Mayank Poddar DIN: 00009409	Promoter, Non-Executive	Chairman Emeritus	Nil	9/9	Yes	7	-	-	-	-
Mr. Sanjay Chamria DIN:00009894	Promoter, Executive	Vice Chairman and Managing Director	Nil	9/9	Yes	8	-	2	1. Magma Housing Finance Limited	Non-Executive Chairman
Mrs. Vijayalakshmi R Iyer DIN:05242960	Independent, Non-executive	-	Nil	9/9	Yes	9	4	9	1. Aditya Birla Capital Limited 2. ICICI Securities Limited 3. Religare Enterprises Limited 4. GIC Housing Finance Limited 5. Computer Age Management Services Limited	1. Independent Director 2. Independent Director 3. Independent Director 4. Independent Director 5. Independent Director
Mr. Bontha Prasada Rao DIN:01705080	Independent, Non-executive	-	Nil	9/9	Yes	2	-	1	Havells India Limited	1. Independent Director

Name of Director	Category	Materially significant, pecuniary or business relationship with the Company	Number of shares and convertible instruments held in the Company	F.Y 2020-21 Attendance at		No. of Directorships in other Companies incorporated in India(*)	Outside Committee Positions Held (**)		Names of the other listed entities where the director is a director (including debt listed)	Category of directorship
				Board Meeting	Last AGM held on 31.08.2020		Chairman	Member		
Mr. Sunil Chandiramani DIN:00524035	Independent, Non-executive	-	Nil	9/9	Yes	4	-	1	NIL	-
Mr. Narayan K Seshadri [1] DIN: 00053563	Independent, Non-executive	-	Nil	5/5	Yes	-	-	-	-	-
Mr. V K Viswanathan [2] DIN: 01782934	Independent, Non-executive	-	1,432	7/7	Yes	-	-	-	-	-

*Excludes Directorships in Magma, Foreign Companies and Companies under Section 8 of the Act.

**Includes only Audit Committee and Stakeholders' Relationship Committee in all Indian public limited companies as per Regulation 26 of Listing Regulations.

[1]Mr. Narayan K Seshadri resigned as Independent Non-Executive Chairman of the Company w.e.f. close of business hours of 31 August 2020

[2]Mr. V K Viswanathan resigned as Independent Non-Executive Director of the Company w.e.f. close of business hours of 8 February 2021

Skills/Expertise/Competence of the Board of Directors

List of core skills / expertise / competencies required by the Board (as identified by the Board) for efficient functioning of the Company in the present business environment and those skills/expertise/competence actually available with the Board are as follows:-

Sl No.	Skills / Expertise / Competencies required by the Board of Directors		Status of availability with the Board	Mayank Poddar	Sanjay Chamria	Vijayalakshmi R Iyer	Bontha Prasada Rao	Sunil Chandiramani
1	Understanding of Business/ Industry	Experience and knowledge of NBFCs and Banks	Yes	√	√	√	√	√
2	Strategy and strategic planning	Ability to think strategically and identify and critically assess strategic opportunities and threats and develop effective strategies in the context of the strategic objectives of the Company's policies and priorities.	Yes	√	√	√	√	√
3	Critical and innovative thoughts	The ability to critically analyse the information and develop innovative approaches and solutions to the problems.	Yes	-	√	√	√	√
4	Financial Understanding	Ability to analyse and understand the key financial statements, assess financial viability of the projects and efficient use of resources.	Yes	√	√	√	√	√
5	Market Understanding	Understanding of the Market.	Yes	√	√	√	√	√
6	Risk and compliance oversight	Ability to identify key risks to the organisation in a wide range of areas including legal and regulatory compliance, and monitor risk and compliance management frameworks.	Yes	√	√	√	√	√

2.3 Pecuniary relationship or transactions

There were no pecuniary relationship or transactions of the Non-Executive Directors vis-a-vis the Company during the year other than receipt of sitting fees for the meetings of Board and its Committees, commission and their shareholding, if any, in the Company. None of the Directors are related to any other Directors on the Board.

2.4 Selection of New Directors and Board Membership Criteria

The Nomination and Remuneration Committee works with the Board to determine the appropriate qualifications, positive attributes, characteristics, skills and experience required for the Board as a whole and its individual members with the objective of having a Board with diverse backgrounds and experiences in business. The Policy for appointment and removal of Directors and determining Directors' independence forms part of the Remuneration Policy of the Company and is available on our website i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/information-for-shareholders/.

2.5 Remuneration of Directors

Executive Directors: Remuneration payable to the Executive Director is in line with the Act, Listing Regulations and Remuneration Policy for remunerating Directors/KMPs. Remuneration of Executive Director includes salary, perquisites, allowances, retirals viz. superannuation including gratuity and provident fund (fixed component) and commission (variable component). The remuneration to Executive Director is determined by the Nomination and Remuneration Committee which is subsequently approved by the Board of Directors as per the authority given by the shareholders at the General Meeting.

Non-Executive Directors: Remuneration to Non-Executive Directors is paid by the way of Sitting Fee for attending the meetings of the Board / Committee. In addition, Independent Directors are paid Commission based on the profits of the Company not exceeding 1% of the net profit calculated in accordance with Section 198 of the Companies Act, 2013. The criteria for payment of remuneration to Non-Executive directors is in consonance with the Remuneration Policy of the Company which is available on our website i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/information-for-shareholders/.

The details of the remuneration paid to the Directors for the Financial Year ended 31 March 2021 is as follows:

(₹ in Lakh)

Sl No.	Directors	Salary and allowances (fixed)	Perquisites (fixed)	Commission (variable)	Sitting fees	Total as follows:
1.	Mr. Mayank Poddar [3]	97.89	14.82	-	8.00	120.71
2.	Mr. Sanjay Chamria	216.54	7.86	-	-	224.40
3.	Mrs. Vijayalakshmi R Iyer	-	-	-	32.10	32.10
4.	Mr. Bontha Prasada Rao	-	-	-	16.20	16.20
5.	Mr. Sunil Chandiramani	-	-	-	32.10	32.10
6.	Mr. Narayan K Seshadri	-	-	-	15.00	15.00
7.	Mr. V K Viswanathan	-	-	-	27.00	27.00
	Total	**314.43**	**22.67**	**-**	**130.40**	**467.51**

1. Note: Service Contract for Executive Director is for 5 years.
2. Notice period and severance fees for Executive Director is as per the Company's rules.
3. None of the Directors hold stock options as on 31 March 2021.

[3] Mr. Mayank Poddar was redesignated as Non-Executive Director w.e.f. close of business hours of 7 November 2020 and was paid sitting fees there-after. Till 7 November 2020 he was paid remuneration as provided in the table.

2.6 Code of Conduct

The Board of Directors has laid down a Code of Conduct for all the Board Members and Senior Executives of the Company including a Code of Conduct for Independent Directors pursuant to Section 149(8) read with Schedule IV of the Act, which is a guide to professional conduct for Independent Directors of the Company. All the Board Members and Senior Executives have confirmed compliance with the Code. A declaration by Vice Chairman and Managing Director affirming the compliance with the Code is annexed at the end of this Report as Annexure-D. The said Code may be referred to, at the website of the Company i.e. www.magma.co.in.

Further, pursuant to Listing Regulations, Senior Management of the Company have affirmed that they have not entered into any material, financial and commercial transactions during the year in which they had personal interest, that may have potential conflict of interest with the Company.

2.7 Information supplied to the Board, inter alia, include:

The following information is regularly placed before the Board:

1. Annual operating plans of business 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 the Audit Committee and other Committees of the Board of Directors;
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. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems;
8. Any material default in financial obligations to and by the listed entity;
9. Details of any joint venture or collaboration agreement;
10. Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business;
11. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer (if any), among others;
12. Minutes and Financial Results of the Subsidiary Company: M/s. Magma Housing Finance Limited and Financial Results of Joint Venture Companies: M/s. Magma HDI General Insurance Company Limited and M/s. Jaguar Advisory Services Private Limited.

3. BOARD COMMITTEES

The Committees constituted by the Board focus on specific areas and take informed decisions within the framework designed by the Board, and make specific recommendations to the Board on matters in their areas or purview. All decisions and recommendations of the Committees are placed before the Board for information or for approval, as required. To enable better and more focused attention on the affairs of the Company, the Board has delegated particular matters to the Committees of the Board set up for the purpose. As on 31 March 2021, Magma has nine Committees of the Board: -

1. Audit Committee;
2. Stakeholders Relationship Committee;
3. Nomination and Remuneration Committee;
4. Management Committee;
5. Corporate Social Responsibility Committee;
6. Risk Management Committee;
7. Asset Liability Management Committee;
8. Review Committee; and
9. IT Strategy Committee.

All decisions pertaining to the constitution of Committees and appointment of members are taken by the Board of Directors. The terms of reference or charter of the aforesaid Committees is decided by the Board. Signed minutes of the Committee meetings are placed before the Board for noting. The role and composition including the number of meetings and related attendance are given below. The Board has duly accepted any recommendation of any committee of the Board which is mandatorily required, in the current financial year.

3.1 Audit Committee

3.1.1. Terms of reference

The terms of reference of the Audit Committee is in accordance with the provisions of Section 177 of the Act, Listing Regulations and RBI Guidelines. The terms of the reference broadly include:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommend the appointment, replacement or removal, remuneration and terms of appointment of auditors of the Company;
- Approve rendering of services by the statutory auditors other than those expressly barred under Section 144 of Act and remuneration for the same;
- Reviewing, with the management, the annual financial statements and auditor's report thereon and the CEO & CFO Certificate as per Regulation 17(8) of Listing Regulations before submission to the Board for approval, with particular reference to:
  - o Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of Section 134(3)(c) of the Act;
  - o Changes, if any, in accounting policies and practices and reasons for the same;
  - o Major accounting entries involving estimates based on the exercise of judgment by management;
  - o Significant adjustments made in the financial statements arising out of audit findings;
  - o Compliance with listing and other legal requirements relating to financial statements;
  - o Disclosure of any related party transactions; and
  - o Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial results before submission to the Board for approval and secure the Certificate from CFO in terms of Regulation 33(2)(a) of Listing Regulations;
- Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems;
- Approve the appointment, removal and terms of remuneration of Chief Internal Auditor and reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency, scope, functioning and methodology of internal audit;
- Discussion with Internal Auditors and the Management of any significant findings, status of previous audit recommendations and follow up there on;
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

- Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non- payment of declared dividends) and creditors;
- Review management letters/letters of internal control weakness issued by the statutory auditors;
- Review the Internal Audit Report relating to internal control weakness;
- Review the functioning of the Whistle Blower/Vigil Mechanism;
- Approval of appointment of CFO (i.e., the Wholetime Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background etc. of the candidate;
- Review the utilization of loans and/ or advances from/ investment by the Company in the subsidiary exceeding ₹100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments;
- Review management discussion and analysis of financial condition and results of operations;
- Review statement of significant related party transactions submitted by management;
- Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- Scrutinise inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Approve and recommend to the Board the transactions of the Company with related parties or any subsequent modification thereof;
- Appoint registered valuers;
- Review, approve and monitor the Code of Ethics that the Company plans for its senior financial officers/Directors;
- Review the compliance of the Fair Practices Code and the functioning of the customer grievances redressal mechanism so as to comply with the guidelines and circular issued by the Reserve Bank of India for Non-Banking Financial Companies in this regard;
- Any other matter as delegated by the Board of Directors of the Company from time to time.

3.1.2 Composition and Attendance

The Audit Committee met 9 times during the year under review i.e. on 17 June 2020, 3 July 2020, 5 August 2020, 8 August 2020, 6 November 2020, 30 January 2021, 6 February 2021, 10 February 2021 and 4 March 2021. The composition and attendance details of the members of the Audit Committee is given below:

Sl No.	Name of Members	Category	Number of meetings held	Number of meetings attended
1.	Mr. Sunil Chandiramani	Independent, Non-Executive	9	9
2.	Mrs. Vijayalakshmi R Iyer	Independent, Non-Executive	9	9
3.	Mr. Mayank Poddar [4]	Promoter, Non-Executive	4	4
4.	Mr. Narayan K Seshadri [5]	Independent, Non-Executive	4	4
5.	Mr. V K Viswanathan [6]	Independent, Non-Executive	7	7

[4]Inducted as a member w.e.f. 8 November 2020
[5]Ceased to be a member w.e.f. 31 August 2020
[6]Ceased to be a member w.e.f. 8 February 2021

The Audit Committee was re-constituted by the Board on 23 September 2020 and 7 November 2020 wherein Mr. Mayank Poddar was inducted as the member of the Committee.

Mr. Sunil Chandiramani acts as the Chairman of the Committee and Ms. Shabnum Zaman, Company Secretary, acts as the Secretary to this Committee. Mr. Sunil Chandiramani, Chairman of the Committee, was present at the Annual General Meeting of the Company held on 31 August 2020.

All members of the Audit Committee are financially literate and have accounting and related financial management expertise.

3.2 Stakeholders Relationship Committee

3.2.1 Terms of reference

The terms of the reference broadly include:

- Redress and resolve the grievances of the security holders of the listed entity including complaints related to transfer/ transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates or allotment letters, general meetings etc;
- Review of measures taken for effective exercise of voting rights by shareholders;
- Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent;
- Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company;
- Monitor the compliance of Code of prevention of insider trading framed by the Company;
- Effect dematerialisation and rematerialisation of shares of the Company;
- Such other matters as per the directions of the Board of Directors of the Company which may be considered

necessary in relation to shareholders and investors of the Company.

3.2.2 Composition and Attendance

The Stakeholders Relationship Committee met 2 times during the year on 3rd July 2020 and 6th November 2020. The composition and attendance details of the members of the Stakeholders Relationship Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings held	Number of meetings attended
1.	Mr. Bontha Prasada Rao	Independent, Non-Executive	2	2
2.	Mr. Sanjay Chamria	Promoter, Executive	2	2
3.	Mr. Sunil Chandiramani [7]	Independent, Non-Executive	1	1
4.	Mrs. Vijayalakshmi R Iyer [8]	Independent, Non-Executive	1	1

[7]Inducted as a member w.e.f. 8 August 2020

[8]Ceased to be a member w.e.f. 8 August 2020

The Stakeholders Relationship Committee was re-constituted by the Board on 8 August 2020.

Mr. Bontha Prasada Rao acts as the Chairman of the Committee and he was present at the Annual General Meeting of the Company held on 31 August 2020.

Niche Technologies Private Limited, is the Registrar and Share Transfer Agent both for physical as well as electronic mode for equity shares and privately placed debentures and KFin Technologies Private Limited (formerly, Karvy Fintech Private limited) acts as Registrar and Transfer Agents for the public debentures. Ms. Shabnum Zaman, Company Secretary, acts as the Compliance Officer and the Board has appointed Ms. Zaman as the Nodal Officer for the purpose of IEPF Regulations, the details of which is available at the weblink: https://magma.co.in/about-us/investor-relations/secretarial-documents/information-for-shareholders/.

The table below gives the number of complaints received and resolved during the financial year and pending as on 31 March 2021:

Sl No.	Nature of Security	No. of complaints received during the year	No. of complaints not resolved to the satisfaction of the shareholders/ debentureholders during the year	No. of complaints resolved to the satisfaction of the shareholders/ debentureholders during the year	No. of complaints pending as on 31 March 2021
1.	Equity Shares	0	0	0	0
2.	Public Issue of Secured Redeemable NCDs	64	0	64	0
3.	Private Placement of Debentures	0	0	0	0

3.3 Nomination and Remuneration Committee

3.3.1 Terms of reference

The terms of the reference broadly include:

Review of matters by the Committee

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

Approval of matters by the Committee

1. Formulate criteria for:
   a. Determining qualifications, positive attributes and independence of a director;
   b. Evaluation of independent directors and the Board;
   c. Based on the Remuneration Policy of the Company, approve framework and broad policy in respect of all employees for increments;
2. ESOPs and RSO: approve grant and allotment of shares to the eligible employees of the Company and its subsidiaries under the shareholders approved ESOP and RSO Schemes and authorize any official of the Company to offer ESOPs and RSO to the new joinees in the Company in accordance with the authority matrix approved by the Committee from time to time;

3. Review and approve succession plan for Senior Management (all the Direct Reportees to the Vice Chairman and Managing Director i.e. Excom members of the Company);
4. Approval of the annual compensation revision cycle of the employees of the Company.

Review of items by the Committee for recommendation to the Board for approval

1. Devising a policy on Board diversity and recommending the size and an optimum mix of promoter directors, executive, independent and non-independent directors keeping in mind the needs of the Company.
2. Identifying, evaluating and recommending to the Board:
   a. Persons who are qualified for appointment as Independent and Non-Executive Directors/Executive Directors/ Whole time Directors/Managing Directors in accordance with the criteria laid down;
   b. Appointment of Senior Management Personnel (all the Direct Reportees to the Vice Chairman and Managing Director i.e. Excom members of the Company) in accordance with the criteria laid down;
   c. Removal of Directors and Senior Management Personnel.
3. Determining processes for evaluating the skill, knowledge, experience, effectiveness and performance of individual directors as well as the Board as a whole;
4. To devise a Policy on remuneration including any compensation related payments of the directors, key managerial personnel and other employees and recommend the same to the Board of Directors of the Company;
5. Based on the Policy as aforesaid, determine remuneration packages for the following:
   a. Recommend remuneration package of the Directors of the Company, including Commission, Sitting Fees and other expenses payable to Non-Executive Directors of the Company.
   b. Recommend changes in compensation levels and one-time compensation related payments in respect of Managing Director/Whole-time Director/Executive Director.
6. Recommend the remuneration payable to Senior management (all the Direct Reportees to the Vice Chairman and Managing Director i.e. Excom members of the Company) to the Board for their approval including the structure, design and target setting for short and long-term incentives / bonus
7. Recommend & review succession plans for Managing Directors;
8. Evolve a policy for authorizing expenses of the Chairman and Managing Director of the Company.

3.3.2 Composition and Attendance

The Nomination and Remuneration Committee met 4 times during the year on 17 June 2020, 25 June 2020, 6 November 2020 (adjourned and reconvened on 17 November 2020) and 4 February 2021 to discharge its functions. The composition and attendance details of the members of the Nomination and Remuneration Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings held	Number of meetings attended
1.	Mr. Bontha Prasada Rao	Independent, Non-Executive	4	4
2.	Mrs. Vijayalakshmi R Iyer [9]	Independent, Non-Executive	2	2
3.	Mr. Mayank Poddar [10]	Promoter, Non-Executive	1	1
4.	Mr. Narayan K. Seshadrin [11]	Independent, Non-Executive	2	2
5.	Mr. V K Viswanathan [12]	Independent, Non-Executive	4	4

[9]Inducted as a member wef 23 September 2020
[10]Inducted as a member wef 8 November 2020
[11]Ceased to be a member wef 31 August 2020
[12]Ceased to be a member wef 8 February 2021

The Nomination and Remuneration Committee was re-constituted by the Board of Directors on 23 September 2020, 7 November 2020 and 25 March 2021. On 25 March 2021 Mr. Bontha Prasada Rao was designated as the Chairman of the Committee. Ms. Shabnum Zaman, Company Secretary, acts as the Secretary to this Committee

At present, there are two-third of the Committee comprises of Independent Directors and one-third comprise of Non-Executive Director.

Mr. V K Viswanathan erstwhile Chairman of the Committee attended the last AGM held on 31 August 2020.

3.4 Management Committee

3.4.1 Terms of reference

The Management Committee constituted by the Board of Directors is to execute Board's directions and facilitate operational matters and to perform its executive role on matters which are within the purview of delegated powers by the Board from time to time subject to the provisions of the Companies Act, 2013. Such authorizations inter-alia includes to decide on matters w.r.t direct assignment deal with various banks from time to time, acceptance of term loans, credit facilities of any type, other borrowings etc., opening and closing of current/cash credit account and inclusion and deletion of the authorized signatories to the said current/cash credit account opened in the name of the Company.

3.4.2 Composition and Attendance

The Management Committee met 10 times during the year under review on 10 June 2020, 17 July 2020, 18 September 2020, 25 September 2020, 30 September 2020, 6 November 2020, 9 November 2020, 12 November 2020, 13 February 2021 and 9 March 2021. The composition and attendance details of the members of the Management Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings held	Number of meetings attended
1.	Mr. Sanjay Chamria	Promoter, Executive	10	10
2.	Mrs. Vijayalakshmi R Iyer	Independent, Non-executive	10	10
3.	Mr. Sunil Chandiramani	Independent, Non-Executive	10	10

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

3.5 Corporate Social Responsibility (CSR) Committee

3.5.1 Terms of reference

The terms of the reference broadly include:

- Formulation and ensuring compliance of CSR Policy;
- Identifying the CSR activities and the geographic distribution of CSR;
- Identifying structure for CSR implementation;
- Execution, implementation, monitoring and reporting of CSR activities;
- Formulate and recommend to the Board for its approval and implementation, the Business Responsibility (BR) Policy of the Company;
- Oversee and review the Company's BR performance;
- Such other acts as may be delegated by the Board from time to time.

3.5.2 Composition and Attendance

The CSR Committee met thrice during the year on 5 August 2020, 19 January 2021 and 10 March 2021 to discharge its functions. The composition and attendance details of the members of the CSR Committee is given below:

Sl No.	Name of the Directors	Category	Number of meetings held	Number of meetings attended
1.	Mr. Mayank Poddar	Promoter, Non-Executive	3	3
2.	Mrs. Vijayalakshmi R Iyer	Independent, Non-Executive	3	3
3.	Mr. Bontha Prasada Rao	Independent, Non-Executive	3	3

Mr. Mayank Poddar acts as the Chairman of the Committee.

3.6 Risk Management Committee

3.6.1 Terms of reference

The terms of the reference broadly include:

- Review and recommend to the Board on a regular basis the risk management policies and other policies concerning credit risk, market risk, etc.;
- Approval of risk management processes and framework;
- Approval of risk management governance structure at Magma;
- Defining the risk appetite of Magma;
- Approval of revision in existing systems, policies and procedures to address risk management requirements and good practices;
- Considering the overall risk management framework and reviewing its effectiveness in meeting sound corporate governance principals and identifying, managing and monitoring the key risks of the group;
- To oversee and monitor Company's compliance with regulatory capital requirements;
- Obtain on a regular basis reasonable assurance that Company's risk management policies for significant risks are being adhered to;
- Evaluate, on a regular basis, the effectiveness and prudence of senior management in managing the risks to which Magma is exposed to;
- Approve delegation of risk limits to management and approve any transactions exceeding those delegated authorities;
- Review risk reporting on significant risks, including the amount, nature, characteristics, concentration and quality of the credit portfolio, as well as all significant exposures to credit risk through reports on significant credit exposure presented to the Committee;
- Review risk mitigation plans on significant risks which affects policy or procedure level changes for effective implementation;
- Review the economic situation & its impact on industry;
- Review of the early warning report and necessary action thereof;
- Commission the risk assessment process to identify significant business, operational, financial, compliance, reporting and other risks;
- Review of risk assessment results and ensure that these are appropriately and adequately mitigated and monitored;
- Monitor the progress in implementation of risk mitigation strategies including the status of risk assessment program;
- Review cyber security functions.

3.6.2 Composition and Attendance

The Risk Management Committee met 6 times during the year on 2 April 2020, 5 June 2020, 17 June 2020, 5 August 2020, 6 November 2020 and 4 February 2021 to discharge its functions. The composition and attendance details of the members of the Risk Management Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings held	Number of meetings attended
1.	Mrs. Vijayalakshmi R Iyer	Independent, Non-Executive	6	6
2.	Mr. Sanjay Chamria	Promoter, Executive	6	6
3.	Mr. Sunil Chandiramani	Independent, Non-Executive	6	6
4.	Mr. V K Viswanathan [13]	Independent, Non-Executive	6	6
5.	Mr. Narayan K Seshadri [14]	Independent, Non-Executive	4	4

[13]Ceased to be a member w.e.f. 8 February 2021
[14]Ceased to be member w.e.f. 31 August 2020

The Risk Management Committee was re-constituted by the Board on 23 September 2020 and 25 March 2021.

Mrs. Vijayalakshmi R Iyer acts as the Chairperson of the Committee.

3.7 Asset Liability Management Committee

3.7.1 Terms of reference

The terms of the reference broadly include:

- Liquidity risk management through Asset Liability Mismatches across various time buckets;
- Management of market risks through articulation on current interest rate view & its future direction;
- Funding and capital planning – source & mix of liabilities;
- Forecasting and analysing 'What if scenario' and preparation of contingency plans through review of treasury strategy at regular interval;
- Regulatory updates;
- Product Pricing for both advances and borrowing; and
- Review of Internal Capital Adequacy assessment.

3.7.2 Composition and Attendance

The Asset Liability Management Committee met 4 times during the year on 14 May 2020, 29 July 2020, 19 October 2020 and 19 January 2021 to discharge its functions. The composition and attendance details of the members of the Asset Liability Management Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings held	Number of meetings attended
1.	Mr. Sanjay Chamria	Promoter, Executive	4	4
2.	Mrs. Vijayalakshmi R Iyer	Independent, Non-executive	4	4
3.	Mr. Sunil Chandiramani	Independent, Non-Executive	4	4

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

3.8 Review Committee

3.8.1 Terms of reference

The terms of the reference broadly include:

- Review the order passed by the Credit Committee of the Company w.r.t. classification of non co-operative borrowers;
- Seek necessary information from the Credit Committee;
- Give the non co-operative borrower, opportunity of being heard, where it deems fit;
- Pass the final order, as to whether to classify a borrower as non co-operative or not, after due consideration of all the facts of the case. The order so passed shall be treated binding on the borrower and the Chairman of the Committee will report to the Board after each Committee meeting and circulate the minutes of the Committee.

3.8.2 Composition and attendance

The Review Committee was not required to hold the meeting during the Financial Year 2020-2021. The composition of the Review Committee is given below:

Sl No.	Name of the Members	Category
1.	Mr. Sanjay Chamria	Promoter, Executive
2.	Mr. Sunil Chandiramani	Independent, Non-Executive
3.	Mr. Bontha Prasada Rao [15]	Independent, Non-Executive
4.	Mr. Narayan K Seshadri [16]	Independent, Non-Executive

[15]Inducted as a member w.e.f. 6 February 2021
[16]Ceased to be a member w.e.f. 31 August 2020

The Review Committee was reconstituted by the Board on 6 February 2021.

Mr. Sanjay Chamria, acts as the Chairman of the Committee.

3.9 IT Strategy Committee

3.9.1 Terms of Reference

The terms of the reference broadly include:

- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;

- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- Ensuring proper balance of IT investments for sustaining Company's growth and becoming aware about exposure towards IT risks and controls;
- Periodically reviewing the process for development, approval and modification of the Company's IT strategy and strategic plan;
- Review the key issues, options and external developments impacting the Company's IT strategy including acquisition and development of Information Systems (New Application Software) and Change Management;
- Monitor enterprise risks assigned to the Committee by the Board under the Company's Enterprise Risk Management program and report thereon to the Audit Committee of the Board;
- Review the Information System (IS) audit report. The periodicity of IS audit should be at least once in a year;
- Ensuring that contingency plans have been developed and tested adequately.

3.9.2 Composition and attendance

The IT Strategy Committee met 2 times during the year on 14 May 2020 and 6 November 2020 to discharge its functions. The composition and attendance details of the Directors of the IT Strategy Committee is given below:

Sl No.	Name of the Members	Category	Number of meetings held	Number of meetings attended
1.	Mr. Sanjay Chamria	Promoter, Executive	2	2
2.	Mr. Sunil Chandiramani	Independent, Non-Executive	2	2
3.	Mr. Bontha Prasada Rao	Independent, Non-Executive	2	2
4.	Mr. V K Viswanathan [17]	Independent, Non-executive	2	2

[17]Ceased to be a member w.e.f. 8 February 2021

The constitution of Committee also comprises of Senior Management Team in accordance RBI Master Direction - Information Technology Framework for the NBFC Sector. Other senior management attended the meeting. The IT Strategy Committee was reconstituted by the Board on 25 March 2021 wherein Mr. Sunil Chandiramani was inducted as the Chairman of the Committee in place of Mr. V K Viswanathan.

4. SEPARATE MEETING OF INDEPENDENT DIRECTORS

During the year as per the requirement of Schedule IV of the Act and Listing Regulations all the Independent Directors (IDs) met on 1 February 2021 without the presence of other Non-Independent Directors and members of the management. At this meeting, the IDs inter alia evaluated the performance of Non-Independent Directors & the Board as a whole, performance of the Chairperson of the Company after taking into account the views of executive directors and non-executive directors and discussed aspects relating to the quality, quantity and timeliness of flow of information between the Company management & the Board.

5. REMUNERATION POLICY

Based on the recommendation of the Nomination and Remuneration Committee (NRC), the Board of Directors has adopted a Remuneration Policy which, inter alia, deals with the manner of selection of Board of Directors and Executive Directors and their remuneration. The Remuneration Policy is in consonance with the existing industry practice. The Policy of the Company is available on our website i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/. This Policy inter alia includes the following:

5.1 Selection criteria for Directors, Senior Management Personnel and Key Managerial Personnel:

5.1.1. Apart from promoter Executive Directors, Magma currently has no Executive Director/s. Selection of Executive Director/s shall be in line with the selection criteria laid down for Independent Directors, in so far as those criteria are not inconsistent with the nature of appointment;

5.1.2. Nominee Directors shall be taken on Board, as and when nominated by the investor/s to protect such investor/s interests and such appointments shall usually be governed by the investment/ subscription agreement/s the Company has/will have with such investor/s;

5.1.3. Independent Directors will be selected on the basis of identification of industry/ subject leaders with strong experience. The advisory area and therefore the role, may be defined for each independent director;

5.1.4. In Magma, Senior Management Personnel shall consist of Excom group. It usually comprises of the function and business heads who directly reports to Vice Chairman and Managing Director (VC & MD);

5.1.5. For any Senior Management Personnel recruitment, it is critical to identify the necessity for that role in the context of the Company. In order to validate the requirement –

a. Job Description (JD) along with profile fitment characteristics from a personality, experience and qualification point of view shall be created;

b. The recruitment process shall generally involve meetings with Chief People Officer (CPO), VC&MD

and/or identified members of the NRC and Board, on the basis of which the candidature will be finalised;

c. The total remuneration to be offered to the new candidate as above, shall be shared with the NRC for their concurrence by the CPO. Thereafter, the offer shall be rolled out.

5.2 Determination of qualification, positive attributes and independence test for the Independent Directors to be appointed:

5.2.1 For each Independent Director, the appointment shall be based on the need identified by the Board;

5.2.2 The role and duties of the Independent Director shall be clearly specified by highlighting the committees they are expected to serve on, as well as the expectations of the Board from them;

5.2.3 At the time of selection, Board shall review the candidature on skill, experience and knowledge to ensure an overall balance in the Board so as to enable the Board to discharge its functions and duties effectively;

5.2.4 Any appointment of the Independent Director shall be approved at the meeting of the shareholders, in accordance with extant laws;

5.2.5 Director's Independence test shall be conducted as per the conditions specified in the Companies' Act and the rules thereunder;

5.2.6 Board's expectation from each Independent Director shall be clearly mentioned in the appointment letter;

5.2.7 The Independent Director shall confirm having read and complied with the Magma's Code of Conduct. They shall also need to confirm and sign the Independence Test;

5.2.8 The remuneration of the Directors shall be established on the reasonability and sufficiency of level in order to attract, retain and motivate the Directors; and

5.2.9 VC&MD along with Company Secretary shall be involved in the familiarisation/ induction process for the independent director/s.

5.3 Remuneration policy for the Directors (including Independent Directors), Key Managerial Personnel and Senior Management Personnel:

5.3.1 The Independent Directors would be paid sitting fees subject to the limits prescribed under the Companies Act, 2013 or any amendments thereto, as may be determined by NRC from time to time, for attending each meeting(s) of the Board and Committees thereof;

5.3.2 Directors shall be reimbursed any travel or other expenses, incurred by them, for attending the Board and Committee meetings;

5.3.3 Additionally, the Independent Directors shall be paid remuneration by way of commission for each financial year:

a. Total commission pay out to all Independent Directors in aggregate shall be restricted to a limit of 1% of net profits of the Company, further subject to recommendation by the NRC and determination by the Board, as further subject to approval by the shareholders of the Company at the Annual General Meeting; and

b. NRC shall recommend quantum of commission which, in its best judgement and opinion is commensurate to the level of engagement each Independent Director would have with the members of Senior Management Personnel and/or other Board members, towards providing inputs, insights and guidance on various matters of importance from time to time.

5.3.4 The remuneration paid to VC&MD shall be considered by the NRC taking into account various parameters included in this policy document and recommended to the Board for approval. This shall be further subject to the approval of the members at the next General Meeting of the Company in consonance with the provisions of the Act and the rules made thereunder;

5.3.5 For KMP and Senior Management Personnel, remuneration shall be based on the KRAs identified and the achievement thereof. The increments shall usually be linked to their performance as well as performance of the Company.

6. FAMILIARIZATION PROGRAMME

Pursuant to the provisions of the Act and Regulation 25(7) of the Listing Regulations, the Company has in place a mechanism to familiarize its Independent Directors about the Company, its products, the industry and business structure of the Company and its subsidiary, associates and JVs. The Independent Directors are updated on an on-going basis at the Board/ Committee meetings. The Company also undertakes various initiatives to update the Independent Directors about the ongoing events and developments relating to the Company, significant changes in regulatory environment and implications on the Industry/ Company. To familiarize the new Directors with the business and operations of the Company an Induction kit is shared with them which, inter alia, includes Mission, Vision and Values, Group Business Structure, Brief profile of the Board of Directors, Composition of Committees of the Board, Brief profile of Senior Managerial Personnel, Press Releases, Investor Presentation, Latest Annual Report and Codes and Policies and Remuneration payable to Directors. Furthermore, the role, rights, responsibilities, duties and liabilities of the Independent Directors are embodied in detail in their Appointment Letter.

During the financial year 2020-21, the Independent Directors were updated from time to time on an on-going basis on the significant changes in the regulations applicable to the Non-Banking Finance Companies. The details of such Familiarization Programmes for Directors may be referred to, at the website of the Company at its weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

7. PERFORMANCE EVALUATION

Pursuant to the provisions of the Act and Regulation 17(10) of Listing Regulations, the Company has adopted the Remuneration Policy with the comprehensive procedure on performance evaluation. The Board has carried out the annual performance evaluation of its own performance, of individual Directors, the Chairperson and that of its Committee. Also, the Nomination and Remuneration Committee has carried out evaluation of every director's performance and reviewed the self-evaluation submitted by the respective directors. The performance evaluation of the Independent Directors was carried out by the entire Board, excluding the director being evaluated.

The detailed process of Performance Evaluation is given in the Board's Report.

8. SUBSIDIARY COMPANY

Regulation 16(1)(c) of the Listing Regulations defines a "material subsidiary" to mean a subsidiary, whose income or net worth exceeds ten percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

Pursuant to the above definition, Magma Housing Finance Limited is a debt listed material subsidiary of the Company. The subsidiary of the Company functions independently, with an adequately empowered Board of Directors and sufficient resources. The Minutes of the Board Meetings of the Company's subsidiary are placed at the Board Meeting for review by the Board Members. The financial statements of the subsidiary company are presented to the Audit Committee and Board meeting at every quarterly Meeting.

The Company has also complied with the other provisions of Regulation 24 of the Listing Regulations with regard to Corporate Governance requirements for subsidiary Company.

The Policy for determining Material Subsidiaries as approved by the Board may be referred to, at the website of the Company at its weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

9. CODE FOR PREVENTION OF INSIDER-TRADING PRACTICES

As per the SEBI (Prohibition of Insider Trading) Regulations 2015, the Company Secretary is the Compliance Officer and is responsible for setting forth policies, procedures, monitoring adherence to the rules for the preservation of price-sensitive information, pre-clearance of trade, monitoring of trades and implementation of the Code of Conduct for trading in Company's securities under the overall supervision of the Board.

The Company has in place Board approved Code of Conduct for Prevention of Insider Trading as well as a Code of Corporate Disclosure Practices in accordance with aforesaid Regulations. All the Directors on the Board, Senior Management at all locations and other employees who could be privy to unpublished price-sensitive information of the Company are governed by this Code.

The said Code may be referred to, at the website of the Company at its weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

10. MEANS OF COMMUNICATION WITH SHAREHOLDERS

Quarterly results

The quarterly/half yearly/unaudited/audited financial results of the Company are sent to the Stock Exchanges immediately after they are approved by the Board of Directors. These results are simultaneously posted on the web address of the Company at www.magma.co.in pursuant to Regulation 47 of Listing Regulations.

The results of the Company were published in the following local and national dailies:

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

Website

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, investors' presentation, 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.

Presentations to institutional investors / analysts:

During the financial year 2020-21, Analyst Conference Calls were conducted on 18 June 2020, 10 August 2020, 9 November 2020 and 8 February 2021. Presentations to Institutional Investor/Analysts are uploaded on the Company's website www.magma.co.in under 'Investors' section.

Press releases

Press reports are given on important occasions. They are sent to Stock Exchanges and also placed on the Company's website www.magma.co.in.

NSE Electronic Application Processing System (NEAPS)

NEAPS is a web-based application designed by NSE for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, media releases, among others are filed electronically on NEAPS.

BSE Corporate Compliance & Listing Centre (the Listing Centre)

BSE's Listing Centre is a web-based application designed by BSE for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, media releases, among others are also filed electronically on the Listing Centre.

eXtensible Business Reporting Language (XBRL)

XBRL is a standardized and structured way of communicating business and financial data in an electronic form. XBRL provides a language containing various definitions (tags) which uniquely represent the contents of each piece of financial statements or other kinds of compliance and business reports. BSE and NSE provide XBRL based compliance reporting featuring identical and homogeneous compliance data structures between Stock Exchanges and Ministry of Corporate Affairs. The XBRL filings are done on the NEAPS portal as well as the BSE online portal.

SEBI Complaints Redress System (SCORES)

The investor complaints are processed in a centralised web-based complaints redress system. The salient features of this system are: Centralised database of all complaints, online upload of Action Taken Reports (ATRs) by concerned companies and online viewing by investors of actions taken on the complaint and its current status.

11. MANAGEMENT DISCUSSION AND ANALYSIS (MDA)

The MDA section is carried in detail and forms part of the Board's Report.

12. GENERAL BODY MEETINGS

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

Year	Venue	Day and date	Time	Particulars of Special Resolutions passed
2019-20	Meeting was conducted through through Video Conferencing ("VC")/ Other Audio Visual Means ("OAVM") and deemed venue was Registered Office of the Company at "Development House", 24, Park Street, Kolkata–700016	Monday, 31 August 2020	02:00 P.M.	2 special resolution mentioned below was proposed at the meeting, however it was not passed with requisite majority: 1. Payment of existing remuneration to Mr. Sanjay Chamria (DIN: 00009894), Vice Chairman and Managing Director of the Company for the period from 01 April 2019 to 31 March 2021 2. Payment of existing remuneration to Mr. Mayank Poddar (DIN: 00009409), Chairman Emeritus and Wholetime Director in accordance with Regulation 17(6)(e) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015
2018-19	Kala Kunj Auditorium, 48, Shakespeare Sarani, Kolkata – 700 017	Thursday, 01 August 2019	03:00 P.M.	1. Re-appointment of Mr. Narayan K Seshadri as Independent Director of the Company 2. Place of keeping Registers and Index of Members, Debenture holders and copies of Annual Returns u/s 94 of Companies Act, 2013, at a place other than registered office of the Company
2017-18	Kala Kunj Auditorium, 48, Shakespeare Sarani, Kolkata – 700 017	Thursday, 02 August 2018	03:00 P.M.	Alteration of Articles of Association of the Company

b) Location and time of the Extra Ordinary General Meetings

Year	Venue	Day and date	Time	Particulars of Special Resolutions passed
2020-21	Meeting was conducted through through Video Conferencing ("VC")/ Other Audio Visual Means ("OAVM") and deemed venue was Registered Office of the Company at "Development House", 24, Park Street, Kolkata–700016	Tuesday, 9 March 2021	02:00 P.M.	Preferential Allotment of Equity Shares of the Company

c) Postal Ballot

No Postal ballot was conducted during FY2020-21

d) Special Resolution proposed to be conducted through Postal Ballot

No Special Resolution is proposed to be conducted through Postal Ballot as on the date of this Report.

13. GENERAL 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 Act and Listing Regulations. The Company also issues press releases and publishes quarterly results.

a) AGM details

Date	As per the Notice calling the 41st Annual General Meeting
Venue	
Time	

b) Financial Year

The Financial Year covers the period from 1st April to 31st March

c) Dividend payment date and rate

The Board has not recommended dividend for FY20.

The details pertaining to unclaimed dividend is provided in the Notice of the 41st Annual General Meeting.

d) 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

e) Payment of Listing Fees

Annual listing fees has been paid by the Company to BSE and NSE.

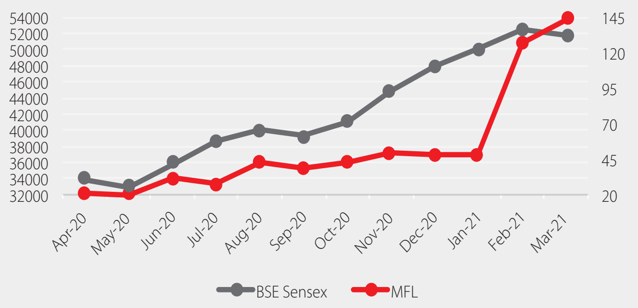
f) Market price data

Monthly high and low quotation during 1 April 2020 to 31 March 2021 is given in the table below:

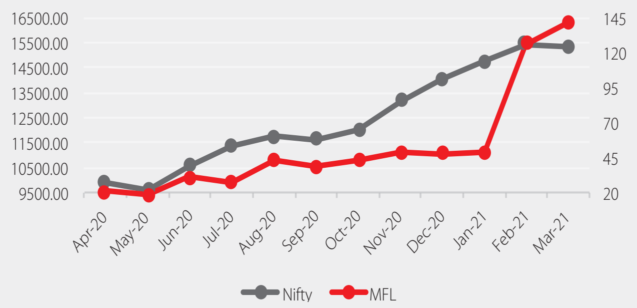
Month	BSE Limited			National Stock Exchange of India Limited		
	High (₹)	Low (₹)	Volume (Nos.)	High (₹)	Low (₹)	Volume (Nos.)
April, 2020	21.50	16.25	940820	21.60	16.25	12924690
May, 2020	19.70	12.70	1458034	18.50	12.90	24324851
June, 2020	31.77	13.70	15558561	31.30	13.45	59796899
July, 2020	27.65	21.70	7907663	27.65	21.70	33983285
August, 2020	43.05	25.15	6186651	43.00	25.30	37484960
September, 2020	39.20	31.85	1624229	39.25	32.10	11464324
October, 2020	43.40	31.80	4877195	43.30	31.65	33913353
November, 2020	49.00	35.55	2055439	49.20	36.25	19252439
December, 2020	48.00	35.65	2424331	48.00	35.75	16412000
January, 2021	48.80	40.00	2402440	48.75	39.90	19951354
February, 2021	127.25	44.25	6222899	125.25	44.20	69605749
March, 2021	142.50	101.25	8522593	142.15	101.55	39207914

g) Magma Share Performance in comparison to broad based indices

Magma Share Performance in BSE as compared to Sensex



Magma Share Performance in NSE as compared to Nifty



h) None of the Company's securities have been suspended from trading.

i) Registrar and Share Transfer Agents

i)	Physical and Demat Mode (Shares and Debentures through private placement)	Niche Technologies Private Limited 3A, Auckland Place, 7th Floor, Room No. 7A & 7B, Kolkata - 700 017. Tel No.: +91 33 2280 6616/6617/6618 Fax No.: +91 33 2280-6619 Email Id : nichetechpl@nichetechpl.com
ii)	Demat Mode (Retail Debentures only)	KFin Technologies Private Limited "Selenium Tower - B", Plot No. 31-32, Financial District, Nanakramguda, Serilingampally, Hyderabad - 500032 Telangana | India Tel: +91 40 6716 2222 E-mail: einward.ris@kfintech.com Website: www.kfintech.com

j) Share Transfer System

The Company's shares being in the compulsory demat list, are transferable through the depository system.

Compliance of Share Transfer formalities

As per the requirement of Regulation 40(9) of the Listing Regulations, the Company has obtained the half yearly certificates from the Company Secretary in practice for due compliance of share transfer formalities.

Mandatory Dematerialisation

Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018, and notification thereto, SEBI has mandated that, with effect from 1st April 2019, shareholders holding share in physical mode shall not be able to transfer their shares unless such shares are converted into dematerialised form. Accordingly, the shareholders holding shares in physical form, in their own interest, are hereby requested to take necessary steps to dematerialise their shares as soon as possible. The amendment does not impact the shareholders requests for transmission or transposition of securities held in physical mode. Process for dematerialisation of shares is available at the website of the Company at weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

k) Distribution of shareholding as on 31 March 2021

Particulars	Number of share-holders	Number of shares held	Percentage of share-holding (%)
Up to 500	33668	36,94,533	1.37
501 – 1,000	2667	22,18,473	0.82
1,001 – 5,000	2747	65,69,001	2.44
5,001 – 10,000	452	34,82,148	1.29
10,001 – 50,000	437	1,01,15,548	3.75
50,001 – 1,00,000	80	54,95,880	2.04
1,00,001 – and above	109	23,80,41,129	88.29
Total	**40160**	**26,96,16,712**	**100.00**

l) Pattern of shareholding as on 31 March 2021

Category	Number of shares	Percentage (%)
Promoter and Promoter Group	6,57,52,083	24.39
Resident individuals	3,99,92,503	14.83
Foreign holdings	8,04,32,478	29.83
Public financial institutions and banks	1,22,04,597	4.53
Other Companies / Mutual Funds	7,08,17,217	26.27
IEPF	4,17,834	0.15
Total	**26,96,16,712**	**100.00**

m) Dematerialization of shares and liquidity

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:-

INE511C01022 for 26,96,16,712 Equity Shares of ₹2/- each available since 16 January 2001;

As on 31 March 2021, 26,88,97,427 Equity Shares constituting 99.73% of the total holding were held in demat mode.

Members still holding physical share certificates are requested to dematerialize their shares by approaching any of the Depository Participants registered with the Securities and Exchange Board of India (SEBI). From June 26, 2000 the shares of the Company are mandated by SEBI for trading in dematerialized form.

n) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

As on 31 March 2021, there are no Outstanding GDRs/ADRs/Warrants or any Convertible instruments.

o) Plant locations

In view of the nature of business activities carried on by the Company, the Company operates from various offices in India and does not have any manufacturing plant.

p) Address for correspondence for Shares/ Debentures and related matters

Ms. Shabnum Zaman
Secretarial Department
Magma Fincorp Limited
Ecospace Business Park, Premises No. 501 Block 4A,
5th Floor, New Town, Rajarhat, Kolkata - 700160
Tel No. +91 33 4401 7431
Email Id: shabnum.zaman@magma.co.in/
secretary@magma.co.in
For debentures: mflncdpublicissue@magma.co.in

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q) List of all credit ratings obtained by the entity along with any revisions thereto during the relevant financial year, for all debt instruments of such entity or any fixed deposit programme or any scheme or proposal of the listed entity involving mobilization of funds, whether in India or abroad.

Instrument	Rating	Rating Agency
Rating Under Basel Guidelines		
Fund Based & Non Fund Based from Banks	AA-	CARE
	AA-	ICRA
	AA-	India Ratings
Short Term Debt (Commercial Paper)	A1+	CARE/CRISIL
Secured Redeemable Long Term Bond/Note	AA-	CARE/Brickwork
	AA	ACUITE
	AA-	CARE/Brickwork
Unsecured Subordinate Tier II Bonds	AA-	CARE/Brickwork
	AA	ACUITE
Perpetual Debt Instruments	A+	CARE/Brickwork

r) Company's registered office

"Development House", 24, Park Street, Kolkata – 700 016.

s) Book Closure date

As mentioned in the AGM Notice

t) Financial calendar (tentative)

Financial reporting for the quarter ending

1st quarter ending 30 June 2021	First week of August 2021
2nd quarter ending 30 September 2021	First week of November 2021
3rd quarter ending 31 December 2021	First week of February 2022
4th quarter ending 31 March 2022	First week of May 2022
Annual General Meeting for the year ending 31 March 2021	First week of August 2021

u) Contact person for clarification on Financial Statements

For clarification on Financial Statements, kindly contact:

Mr. Rajesh Singhania,
Magma Fincorp Limited
Ecospace Business Park, Premises No. 501 Block 4A, 5th Floor, New Town, Rajarhat, Kolkata - 700160
Ph: +91 33 4401 7438, Email: rsinghania@magma.co.in

v) Nomination facility

Pursuant to the provisions of Section 72 of the Companies Act, 2013, and Rule 19 of the Companies (Share Capital and Debentures) Rules, 2014, members may file Nomination in respect of their shareholdings. Members holding shares in Physical Form willing to avail this facility may submit to the Company the prescribed Form SH-13 and any change or variation in the nomination in prescribed Form SH-14. Form SH-13 and SH-14 can be downloaded from the Company's website www.magma.co.in under the 'Investors' section. Members holding shares in electronic form are requested to give the nomination to their respective Depository Participants directly.

w) Requirement of PAN

Members who hold shares in the physical form are advised that in terms of the Listing Regulations, for transmissions of shares etc., a copy of the PAN card along with other necessary documents shall be submitted to the Company/RTA.

x) Rights of Members

The following are some of the important rights of the members:

1. Receive notices of General Meetings, Annual Report, etc.
2. Attend and vote at the General Meetings and appoint proxy in their stead.
3. Request an Extraordinary General Meeting along with other members who collectively hold not less than 1/10th of the total paid up share capital of the Company carrying voting rights.
4. Receive dividends and other corporate benefits like rights, bonus shares etc., when declared /announced.
5. Transfer the shares.
6. Inspect minutes book of General Meetings.
7. Inspect Register of Members.
8. Nominate a person to whom his/her shares shall vest in the event of death.
9. Seek relief in case of oppression and mismanagement in the manner given under Section 241 of the Companies Act, 2013.
10. Seek relief in case the affairs of the Company are managed in a manner prejudicial to the interest of the Company or its members by virtue of a Class Action Suit under Section 245 of the Companies Act, 2013.

y) Debt Securities Listing

The Wholesale Debt Market (WDM) Segment of BSE and NSE.

z) Debenture Trustees

Pursuant to Regulation 53 of the Listing Regulations the name and contact details of the Debenture Trustee for the privately placed NCDs and public NCDs are given below:

(i) **IDBI Trusteeship Services Limited**
Asian Building, Ground Floor, 17, R. Karmani Marg, Ballard Estate, Mumbai – 400 001, Maharashtra,
Tel: +91 22 4080 7050 ; Fax: +91 22 6631 1776
E-mail: itsl@idbitrustee.co.in
Investor Grievance Email: response@idbitrustee.com

(ii) **Catalyst Trusteeship Limited (Formerly GDA Trusteeship Limited)**
'GDA House', Plot No. 85,
Bhusari Colony (Right), Kothrud, Pune 411 038
Maharashtra, India
Tel: +91 22 4922 0555
Fax: + 91 22 4922 0505
E-mail: ComplianceCTLMumbai@ctltrustee.com
Investor Grievance Email: grievance@ctltrustee.com

14. OTHER DISCLOSURES

(a) Disclosures on materially significant related party transactions

All related party transactions that were entered into during the financial year were on an arm's length basis and were usually in the ordinary course of business. There have been no material significant related party transactions between the Company and its directors, their relatives or associates. All Related Party Transactions are placed before the Audit Committee. Disclosure of transactions with related parties is provided in notes to the financial statements, forming part of the Annual Report.

(b) Details of non-compliance, penalties, strictures imposed by Stock Exchange, if any

The Company complied with the statutory rules and regulations including those of the SEBI and the Stock Exchanges. No penalties or strictures were imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets, during last three years.

(c) Vigil mechanism / Whistle Blower

The Company has in place Board approved Policy on Breach of Integrity and Whistle Blower (Vigil mechanism). The Policy was framed with an objective to deal with issues pertaining to integrity, encouraging the employees and Directors of the Company to raise any concern about Company's operations and working environment, including possible breaches of Company's policies and standards, without fear of adverse managerial action being taken against such employees.

It provides a channel to the employees and Directors to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of any code of conduct or policy in force. Instances of such suspected or confirmed incident of fraud/misconduct may be reported on the designated email id i.e. fraudcontrol@magma.co.in which is managed by the fraud risk management team.

A Disciplinary Committee as constituted under the vigil mechanism looks into the complaints raised and their redressal. The Committee reports to the Audit Committee.

The mechanism also provides for adequate safeguards against victimization of employees to avail of the mechanism and in exceptional cases direct access to the Chairman of the Audit Committee to report instances of fraud/misconduct. During the year under review, no employee was denied access to the Audit Committee.

The said Policy may be referred to, at the website of the Company at its weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

(d) Adoption of mandatory and non-mandatory requirements of Regulation 27(1) of Listing Regulations and Schedule V

The Company has adopted all the non-mandatory requirements as stated under Part E of Schedule II to the Listing Regulations and reproduced herein below:

A. **The Board**
Presently the elected Chairperson of every Board Meeting is an Independent Director

B. **Shareholder 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.

C. **Modified opinion(s) in audit report**
It is always the Company's endeavour to present unmodified Financial Statements. There is no audit qualification in the Company's Financial Statements for the financial year ended 31 March 2021.

D. **Separate posts of Chairman and MD**
Mr. Sanjay Chamria is the Vice Chairman and Managing Director of the Company and he is not the Chairman of the Company.

E. **Reporting of Internal Auditor**
The Chief Internal Auditor reports functionally to the Audit Committee and administratively to the Vice Chairman and Managing Director.

(e) Policy for determining 'Material' Subsidiaries

The Policy for determining Material Subsidiaries as approved by the Board may be referred to, at the website of the Company at its weblink i.e. https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

(f) Policy on dealing with Related Party Transactions

The Policy on Related Party Transactions as approved by the Board is available on the Company's website at its weblink i.e.https://magma.co.in/about-us/investor-relations/secretarial-documents/download-secretarial-documents/.

(g) **Commodity Price Risk or Foreign Exchange Risk and Hedging activities**

Your Company does not deal in any commodity and hence is not directly exposed to any commodity price risk. Accordingly, the disclosure pursuant to SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2018/0000000141 dated 15th November, 2018 is not required to be furnished by the Company.

(h) **Details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A) of Listing Regulations**

During the year under review, your Company has not raised funds through any Preferential Allotment or Qualified Institutions Placement as specified under Regulation 32 (7A) of the Listing Regulations. However, the shareholders of the Company on 9 March 2021 had approved Preferential issue of 493714286 Equity shares aggregating to ₹3456 crore.

(i) **Certificate from Practicing Company Secretary**

A certificate from a Company Secretary in practice pursuant to Regulation 34(3) read with Clause 10 (i) of Paragraph C of Schedule V of the Listing Regulations certifying that none of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, Reserve Bank of India, or any such Statutory Authority is provided as Annexure C to this report.

(j) All the recommendations of the various committees were accepted by the Board.

(k) **Total fees for all services paid by the listed entity and its subsidiary, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part**

During the year, details of fees paid/payable to BSR & Co. LLP, Statutory Auditors and all entities in the network firm/network entity of which the Statutory Auditor is a part, by the Company and its subsidiaries, are given below:

(₹ In lakh)

Particulars	By the Company	By the Subsidiary	Total Amount
Statutory Audit (including Limited review)	85.00		85.00
Other Services	12.63	0.39	13.01
Out-of-pocket expenses	5.73		5.73
Total	**103.36**	**0.39**	**103.74**

**The above fees are exclusive of applicable tax.*

(l) **Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

The Company has zero tolerance towards sexual harassment at the workplace and has adopted a 'Policy for Prevention of Sexual Harassment' to prohibit, prevent or deter any acts of sexual harassment at workplace and to provide the procedure for the redressal of complaints pertaining to sexual harassment, thereby providing a safe and healthy work environment, in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act 2013 and the rules thereunder.

The following is a summary of Sexual Harassment complaint(s) received and disposed off during the year 2020-21, pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and Rules framed thereunder:

a. number of complaints filed during the financial year: Nil

b. number of complaints disposed off during the financial year: Nil

c. number of complaints pending as on end of the financial year: Nil

(m) The Company has complied with all the requirements of Corporate Governance Report as stated under sub paras (2) to (10) of section (C) of Schedule V to the Listing Regulations. The Company has complied with all the requirements of corporate governance as specified in Regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the Listing Regulations.

(n) During the year under review 6 (six) death due to road accident on duty has been reported in the Company. The Company continuously sends communication to all the employees related to road safety measures including driving of two wheelers and four wheelers. All employees are covered under Group Term Life Insurance policy. Further statutory benefits were also extended as per relevant act as and where applicable. Periodical employee awareness session was conducted to minimize risk at work.

(o) The Company received sufficient disclosures from Promoters, Directors or the Senior Management wherever applicable.

(p) The Company follows Indian Accounting Standards (Ind AS) issued by the Ministry of Corporate Affairs in the preparation of its financial statements.

15. RECONCILIATION OF SHARE CAPITAL

During the year under review, an audit was carried out at the end of every quarter by a qualified Practising Company Secretary for reconciling the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares held in physical form and the total number of dematerialized shares held with NSDL and CDSL. The report for every quarter upon reconciliation of capital was submitted to the stock exchanges.

16. OTHER SHAREHOLDERS INFORMATION

Transfer of unclaimed/unpaid amounts to Investor Education and Protection Fund

In accordance with the provisions of Sections 124, 125 and other applicable provisions, if any, of the Act, read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (hereinafter referred to as "IEPF Rules") (including any statutory modification(s) or reenactment(s) thereof for the time being in force), the amount of dividend remaining unclaimed or unpaid for a period of seven years from the date of transfer to the unpaid dividend account, is required to be transferred to the IEPF, maintained by the Central Government. In pursuance of this, the dividend remaining unclaimed in respect of dividends declared upto the financial year ended 31st March 2013 have been transferred to the IEPF. The details of the unclaimed dividends so transferred are available on the Company's website at www.magma.co.in and on the website of the Ministry of Corporate Affairs at www.mca.gov.in.

In accordance with Section 124(6) of the Act, read with the IEPF Rules, all the shares in respect of which dividend has remained unclaimed or unpaid for seven consecutive years or more from the date of transfer to the unpaid dividend account are required to be transferred to the demat Account of the IEPF Authority. Accordingly, all the shares in respect of which dividends were declared upto the financial years ended 31st March 2013 and remained unclaimed are transferred to the IEPF. The Company had sent notices to all such Members in this regard and published a newspaper advertisement and, thereafter, transferred the shares to the IEPF during financial year 2020-21. The details of such shares transferred have been uploaded in the Company's website at www.magma.co.in.

The details of unclaimed dividends and Equity shares transferred to IEPF during the year 2020-21 are as follows:

Amount of unclaimed dividend transferred	Number of Equity shares transferred
₹4,64,324/-	15,031

The shareholders may claim the shares and dividend transferred to IEPF by making an online application to IEPF Authority in Form IEPF-5 available on the website www.iepf.gov.in along with the fee as may be prescribed by the Central Government, from time to time.

17. AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

As required under Regulation 34 of the Listing Regulations, the auditors' certificate on Corporate Governance is annexed as Annexure A to this Report.

18. CEO AND CFO CERTIFICATION

The certificate required under Regulation 17(8) of the Listing Regulations, duly signed by the Vice-Chairman & Managing Director and CFO of the Company was placed before the Board. The same is provided as Annexure B to this report.

For and on behalf of the Board

Sunil Chandiramani
Independent Non Executive Director
DIN: 00524035

Mumbai
31 May 2021

Sanjay Chamria
Vice Chairman and Managing Director
DIN: 00009894

Kolkata
31 May 2021

Annexure-A

INDEPENDENT AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CORPORATE GOVERNANCE REQUIREMENTS UNDER SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

To

The Members of Magma Fincorp Limited

1. This certificate is issued in accordance with the terms of our engagement letter dated 27 September 2018 and addendum to the engagement letter dated 30 May 2021.

2. We have examined the compliance of conditions of Corporate Governance by Magma Fincorp Limited (the 'Company'), for the year ended 31 March 2021, as stipulated in regulations 17 to 27, clauses (b) to (i) of regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time ('Listing Regulations') pursuant to the Listing Agreement of the Company with National Stock Exchange and Bombay Stock Exchange.

Management's Responsibility

3. The compliance of conditions of Corporate Governance as stipulated under the Listing Regulations is the responsibility of the Company's management including the preparation and maintenance of all the relevant records and documents. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of Corporate Governance stipulated in the Listing Regulations. Responsibility also includes collecting, collating and validating data and designing, implementing and monitoring of Corporate Governance process suitable for ensuring compliance with the above mentioned Listing Regulations.

Auditor's Responsibility

4. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the 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.

5. Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the year ended 31 March 2021.

6. We conducted our examination of the above corporate governance compliance by the Company in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) and Guidance Note on Certification of Corporate Governance both issued by the Institute of the Chartered Accountants of India (the "ICAI"), in so far as applicable for the purpose of this certificate. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

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

9. We 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.

Restriction on Use

10. This certificate is addressed and provided to the Members of the Company solely for the purpose of enabling the Company to comply with the requirement of the Listing Regulations and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/ W – 100022

Ashwin Suvarna
Partner
Membership No: 1095003
UDIN: 21109503AAAABU9815

Mumbai
Date: 31 May 2021

Annexure-B

CERTIFICATION IN TERMS OF REGULATION 17(8) OF SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

Date: 31 May 2021

The Board of Directors
Magma Fincorp Limited
Development House,
24, Park Street,
Kolkata – 700 016

We, the undersigned in our respective capacities as Vice Chairman and Managing Director and Chief Financial Officer of Magma Fincorp Limited, certify to the Board in terms of regulation 17(8) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 that we have reviewed the Financial Statements and the Cash Flow Statement of the Company for the Financial Year ended 31st March 2021.

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, based on our most recent evaluation, wherever applicable, 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
(DIN: 00009894)

For Magma Fincorp Limited

Kailash Baheti
Chief Financial Officer

Annexure-C

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To
The Members,
Magma Fincorp Limited
Development House,
24, Park Street,
Kolkata – 700 016

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Magma Fincorp Limited (CIN: L51504WB1978PLC031813) having its Registered office at Development House, 24, Park Street, Kolkata - 700 016, West Bengal (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications [including Directors Identification Number (DIN) status] at the portal www.mca.gov.in as considered necessary and explanations furnished to us by the Company and its officers, we certify that following are the Directors on the Board of the Company as on 31 March 2021:

Sl. No.	DIN	Name	Designation	Date of appointment
1.	00009894	Mr. Sanjay Chamria	Managing Director	01.01.1995
2.	00009409	Mr. Mayank Poddar	Non-Executive Director	18.12.1978
3.	05242960	Mrs. Vijayalakshmi R Iyer	Independent Director	31.01.2019
4.	01705080	Mr. Bontha Prasada Rao	Independent Director	10.12.2019
5.	00524035	Mr. Sunil R Chandiramani	Independent Director	10.12.2019

We further certify that none of the aforesaid Directors on the Board of the Company for the financial year ending on 31 March 2021 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

Ensuring the eligibility of for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For MKB & Associates
Company Secretaries
Firm Reg No: P2010WB042700

Manoj Kumar Banthia
[Partner]
Membership no. 11470
COP no. 7596
UDIN: A011470C000344198

Date: 19 May 2021
Place: Kolkata

Annexure- D

DECLARATION

Date:20 May 2021

The Board of Directors
Magma Fincorp Limited
Development House, 24, Park Street, Kolkata – 700 016

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 Conduct for Directors and Senior Executives of the Company", as applicable to them for the year ended 31st March 2021.

Thanking You,
Yours sincerely,
For Magma Fincorp Limited

Sanjay Chamria
Vice Chairman & Managing Director
(DIN: 00009894)

Independent Auditors' Report

To the Members of
Magma Fincorp Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of Magma Fincorp Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2021, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2021, and loss and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (the 'ICAI') and relevant provisions of the Act, together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the standalone financial statements.

Emphasis of matter

We draw attention to Note 43(ii) to the Standalone financial statements, relating to remuneration paid to the Whole Time Director (upto 7 November 2020) and the Vice Chairman and Managing Director of the Company for the financial year ended 31 March 2021, being in excess of the limits prescribed under Section 197 read with Schedule V of the Companies Act, 2013 by ₹ NIL and ₹ 49.93 lacs for Whole Time Director and Vice Chairman and Managing Director respectively and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 by ₹ 112.71 lacs and ₹ 224.40 lacs for Whole Time Director and Vice Chairman and Managing Director respectively, which is subject to the approval of the shareholders. Further, the Company is reasonably certain of getting the required approval.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report *(contd.)*

Key Audit Matters *(contd.)*

Loss allowance for Expected Credit Loss (ECL) on loans and advances

Refer to the accounting policies in Note 2(e) - Significant areas of estimation uncertainty, critical judgements and assumptions in applying accounting policies, Note 2(h) (vi) – Financial Instruments – Impairment of financial assets, Note 47 to the Financial Statements: Financial risk management,

Charge to the standalone Statement of Profit and Loss: Rs. 131,862.63 Lakhs [Refer Note 34 to the standalone financial statements]

Provision as at 31 March 2021: Rs. 107,058.35 Lakhs [Refer Note 6 to the standalone financial statements]

Key audit matter	How the matter was addressed in our audit
Subjective estimate Loans represent a significant portion of the Company's assets. Recognition and measurement of loss allowance on ECL on loans and advances involve significant management judgement. Under Ind AS 109, Financial Instruments, loss allowance on loans are determined using ECL model. Computation of loss allowance on loans basis ECL model involves significant judgments and estimates. The Company's loss allowance is derived from estimates including the historical default, loss ratios and forward looking risk variables. The Company exercises judgements in determining the quantum of loss based on a range of factors. **The most significant factors are:** - Segmentation of loan book - Determination of expos ure at default - Loans taging criteria - Calculation of probability of default / loss given default - Consideration of probability weighted scenarios and forward looking macro-economic factors - Past experience and forecas t data on customer behaviour on repayments, captured in the form of roll forwards and roll backs of monthly instalments The application of ECL model requires several data inputs including estimation of 12 month ECL for a pool of loans and life time ECL for other pool of loans. This increases the risk of completeness and accuracy of the data that has been used for ECL calculation in the model. **Impact of COVID-19** The Company has identified the impact of, and uncertainty related to the COVID-19 pandemic as a key element and cons ideration for recognition and meas urement of loss allowance for expected credit loss on loans, in particular the level of estimation, on account of: - short and long term macro economic effect on businesses in the country and globally and its consequential first order and cascading negative impact on revenue and employment generation opportunities ; - impact of the pandemic on the Company's customers and their ability to repay dues ; and - application of regulatory package announced by the Reserve Bank of India (RBI) and its consequential impact on as set classification and provisioning.	In view of the significance of the matter we applied the following audit procedures in this area, among others, to obtain sufficient appropriate audit evidence- **Design / controls** • Performed walkthroughs and assessed the design and implementation of controls in respect of the Company's loss allowance process such as the timely recognition of impairment loss, the completeness and accuracy of reports used in the impairment allowance process and management review processes over the measurement of loss allowance and the related disclosures on credit risk management. • Evaluation of the impairment principles used by management based on the requirements of Ind AS 109, our business understanding and industry practice. • Understanding and testing continuing and enhanced processes, systems and controls implemented in relation to impairment allowance process, particularly in view of COVID-19 regulatory package. • Evaluating key controls over collation of relevant information used for determining estimates for management overlays on account of COVID-19. • Testing the controls over 'Governance Framework' in line with the RBI guidance and with Company's laid down policy • Assessing the design and implementation of key internal financial controls over identification and measurement of impairment charge. • Testing of key review controls over measurement of loss allowances and disclosures in financial statements. • Assessed sufficiency of the disclosures on key judgements, assumptions and quantitative data with respect to loss allowance in the financial statements. **Involvement of specialists** We involved financial risk modelling specialists for the following: • Test of details over of calculation of loss for assessing the completeness, accuracy and relevance of data. inancial risk modelling specialists for the following: • Evaluating the appropriateness of the Company's Ind AS 109 impairment methodologies and reasonableness of assumptions used (including those used for management overlays); and • The reasonableness of the Company's considerations of the impact of the current economic environment due to COVID-19 on the loss allowance determination. **Substantive tests** • Assessing management's rationale for determination of criteria for SICR considering both: adverse effects of COVID-19 and mitigants in the form of the RBI / Government financial relief package.

Independent Auditors' Report *(contd.)*

Key Audit Matters *(contd.)*

Loss allowance for Expected Credit Loss (ECL) on loans and advances *(contd.)*

Key audit matter	How the matter was addressed in our audit
The Company has conducted a qualitative assessment of significant increase in credit risk (SICR) of the loan portfolio considering the moratorium benefit to borrowers prescribed by the RBI and considered updated macroeconomics cenarios and the use of management overlays to reflect potential impact of COVID-19 on loss allowance on its loan portfolio. On account of COVID – wave 2, the challenges relating to collections, both on account of operations and customer ability, have compounded. Hence, management's outlook on credit default has changed from the past and it is expected that probability of default would accelerate beyond the projections made through the ECL model. Accordingly, management has adopted a methodology to project future roll forwards and roll backs of ins talments to capture the likely defaults in as tressed scenario, by using assumptions on collection trends. This is a subject matter of significant estimate. Accordingly, given the significant level of estimates and judgements involved in determining loss allowance for ECL on Loans, we have considered measurement of this to be a key audit matter	• Assessing changes made in macroeconomic factors and management overlays to calibrate the risks that are not yet fully captured by the existing model. • Tested through independent check, Company's assessment of COVID-19 impact on segments of its loan portfolio and the resultant loss allowance • Verifying application of accounting principles, validating completeness and accuracy of thedata and reasonableness of assumptions used in the model. • Test of details over of calculation of loss for assessing the completeness, accuracy and relevance of data. • For model derived outputs, verifying the calculations through re-computation where practicable. • Challenged managements judgments made in respect of calculation methodologies, segmentation, economic factors, the period of historical loss rates used and the valuation of recovery assets and collateral • Assessing the factual accuracy of the additional financial statements disclosures made by the Company regarding impact of COVID-19.

Information technology

Key audit matter	How the matter was addressed in our audit
The Company's key financial accounting and reporting processes are highly dependent on information systems including automated controls, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. The Company uses multiple systems for its overall financial reporting process. Further, the prevailing COVID-19 situation, has caused the required IT applications to be made accessible on a remote basis. We have identified 'Information Technology systems' as key audit matter because of the significant level of automation, the various layers and elements of the IT architecture and the risks associated with remote access of key applications by staff during the year.	**Our response** Our audit procedures to assess the IT system management included the following: We involved our IT Specialist to: • Understand General IT Controls (GITC) i.e. Access Controls, Program/ System Change, Program Development, Computer Operations (i.e. Job Processing, Data/System Backup) over key financial accounting and reporting systems and supporting control systems (referred to as in-scope systems). • Understand IT infrastructure i.e. operating systems and databases supporting the in-scope systems. • Test the General IT Controls for design and operating effectiveness for the audit period over the in-scope systems. • Understand IT application controls covering: - user access and roles, segregation of duties; and - key interfaces, reports, reconciliations and system processing. • Test the IT application controls for design and operating effectiveness for the audit period. • Test the automated controls supporting financial reporting process to determine whether these controls remained unchanged during the audit period or were changed following the standard change management process. • Test the controls over the IT infrastructure covering user access (including privilege users), and system changes; and • Enquiry on data security controls in the context of staff working from remote location at the year end.

Independent Auditors’ Report *(contd.)*

Information Other than the Standalone Financial Statements and Auditor’s Report Thereon

The Company’s management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company’s annual report, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management’s and Board of Directors’ Responsibility for the Standalone Financial Statements

The Company’s Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (‘Ind AS’) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the Management and Board of Directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management’s and Board of Director’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies

Independent Auditors' Report *(contd.)*

in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. (A) As required by Section 143(3) of the Act, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books

   c) The standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account

   d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under section 133 of the Act.

   e) On the basis of the written representations received from the directors as on 31 March 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2021 from being appointed as a director in terms of Section 164(2) of the Act.

   f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

   (B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Company has disclosed the impact of pending litigations as at 31 March 2021 on its financial position in its standalone financial statements - Refer Note 44 to the standalone financial statements;

   ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses – Refer note 44 to the standalone financial statements;

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

   iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2021.

   (C) With respect to the matter to be included in the Auditors' Report under section 197(16):

   We draw attention to Note 43(ii) to the standalone financial statements for the year ended 31 March 2021 according to which the remuneration paid to the Whole Time Director (upto 7 November 2020) and the Vice Chairman and Managing Director of the Company for the financial year ended 31 March 2021, amounting to ₹ 112.71 lacs and ₹ 224.40 lacs respectively and consequently the total managerial remuneration for the financial year ended 31 March 2021 (amounting to Rs. 337.11 lacs) exceeds the prescribed limits under Section 197 read with Schedule V of the Companies Act, 2013 by ₹ NIL and ₹ 49.93 lacs for Whole Time Director (upto 7 November 2020) and the Vice Chairman and Managing Director respectively. As per provisions of the Act, the excess remuneration is subject to the approval of the shareholders which the Company proposes to obtain in the forthcoming Annual General Meeting.

   The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No. 101248W /W-100022

Ashwin Suvarna
Partner
Membership No. 109503
UDIN: 21109503AAAABS9617

Place: Mumbai
Date: 31 May 2021

Annexure A to the Independent Auditor's Report

Annexure A to the Independent Auditor's Report on the Standalone Financial Statements of Magma Fincorp Limited for the year ended 31 March 2021

(Referred to in our report of even date)

(i) a) According to the information and explanations given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment;

b) The Company has a regular programme of physical verification of its property, plant and equipment by which property, plant and equipment are verified in a phased manner over a period of three years. In our opinion, the periodicity of the physical verification is reasonable having regards to the size of the Company and the nature of its assets. Pursuant to the programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification;

c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties included in property, plant and equipment, as disclosed in Note 11 to the standalone financial statements are held in the name of the Company, except for the following:

(₹ in Lakhs)

Particulars (Buildings)	Amount
Total number of cases	4
Gross block as at 31 March 2021	1,262.35
Net block as at 31 March 2021	1,133.26

(ii) The Company is a Non-Banking Finance Company ('NBFC'), primarily engaged in the business of financing. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable to the Company;

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Thus, paragraph 3(iii) of the Order is not applicable to the Company.

(iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not undertaken any transaction in respect of loans, guarantees and securities covered under section 185 of the Act. The Company has complied with section 186(1) of the Act in relation to investments made by the Company. The remaining provisions related to section 186 of the Act do not apply to the Company as it is an NBFC registered with the Reserve Bank of India ('RBI').

(v) The Company is an NBFC and consequently is exempt from provisions of section 73 to section 76 of the Act. Thus, paragraph 3(v) of the Order is not applicable to the Company.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for maintenance of cost records under section 148(1) of the Act, in respect 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 148 (1) of the Companies Act, 2013, for any of the other services rendered by the Company.

(vii) a) According to the information and explanations given to us and on the basis of our examination of the books of account of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Goods and service tax, cess and any other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities except for professional tax which is deposited with appropriate authorities with few delays. As explained to us, the Company did not have any dues on account of Sales-tax, duty of customs and duty of excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income -tax, Goods and service tax, cess and other material statutory dues were in arrears, as at 31 March 2021, 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 Sales- tax, duty of customs and duty of excise.

b) According to the information and explanations given to us there are no material dues of cess and other material statutory dues which have not been deposited by the Company with the appropriate authorities on account of any dispute. However, according to the information and explanations given to us, the following dues of income tax, service tax and value added tax, have not been deposited by the Company on account of disputes:

Annexure A to the Independent Auditor's Report *(contd.)*

Name of the Statute	Nature of Dues	Amount (INR Lakhs)	Paid under Protest Amount (INR Lakhs)	Period to which amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	0.63	0.63	2009-10	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	81.06	81.06	2011-12 and 2013-14	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	2.25	0.34	2012-13	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	123.96	123.96	2014-15 to 2016-17	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	20.64	20.64	2017-18	Commissioner of Income Tax (Appeals)
Finance Act , 1994	Service Tax	1002.03	404.00	2002-2003 to 2006-07	High Court, Kolkata
Finance Act , 1994	Service Tax	107.99	8.09	2008-09 to 2011-12	Customs Excise and Service Tax" Appellate Tribunal (CESTAT), Kolkata
Finance Act , 1994	Service Tax	184.52	-	2010-11 to 2013-14	High Court, Kolkata
West Bengal Value Added Tax Act, 2003	VAT	13.72	6.86	2008-09	West Bengal Taxation Tribunal, Kolkata
West Bengal Value Added Tax Act, 2003	VAT	1.08	-	2013-14	Joint Commissioner, Kolkata
Rajasthan Value Added Tax Act, 2003	VAT	44.60	1.10	2013-14 to 2016-17	Appellate Authority, Rajasthan
The Rajasthan Tax on Entry of Goods into Local Areas Act, 1999	Entry Tax	1.43	-	2015-16	Jurisdictional Authority
Jharkhand Value Added Tax Act, 2005	VAT	21.57	4.30	2006-2007 to 2009-2010	Sales Tax Tribunal, Jharkhand, Ranchi
Madhya Pradesh Value Added Tax Act, 2002	VAT	133.75	-	2008-2009 to 2009-2010	Madhya Pradesh High Court, Jabalpur
Orissa Value Added Tax, 2004	VAT	68.89	11.48	2007-08 to 30 September 2012	Sales Tax Tribunal, Orissa
Delhi Value Added Tax Act, 2004	VAT	16.26	-	2012-13	Delhi Commissioner of Tax
Delhi Value Added Tax Act, 2004	VAT	33.11	2.59	2013-14	Sales Tax Tribunal, Delhi

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowing to financial institutions, banks or to debenture holders during the year. During the year, the Company did not have any loans or borrowings from the government.

(ix) In our opinion and according to the information and explanations given to us, term loans were applied for the purpose for which they were raised, though idle / surplus funds which were not required for immediate utilisation were invested in liquid assets. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, except for 7 cases aggregating to Rs. 6.73 Lakhs, we have neither come across

Annexure A to the Independent Auditor's Report *(contd.)*

any instance of fraud by the Company or on the Company by its officers or employees noticed or reported during the year, nor have we been informed of such case by the Management.

(xi) According to the information and explanations given to us and based on our examination of the records of the Company, due to inadequate profits during the current year, the managerial remuneration paid to the directors of the Company is in excess of the limits specified under Section 197 of the Act read with Schedule V to the Act and limit prescribed under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company is in the process of obtaining approval from shareholders for such excess remuneration paid and the Company is reasonably certain of getting the required approval.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Thus, paragraph 3(xii) of the Order is not applicable to the Company.

(xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions entered into by the Company with the related parties are in compliance with section 177 and 188 of the Act, where applicable and details of such related party transactions have been disclosed in the standalone financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us by the Management and based on our examination of the records, the Company has commenced process of preferential allotment of shares during year ended 31 March 2021, for which allotment were done and funds were received post 31 March 2021. Hence, for the purpose of this report, we have neither checked compliance with section 42 of the Act nor examined whether funds so raised from private placement of shares were applied for the purpose for which these securities were issued.

The Company has not made preferential allotment of fully or partly convertible debentures or any private placement of shares or fully or partly convertible debentures during the year ended 31 March 2021.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with the director or persons connected with him. Thus, paragraph 3(xv) of the Order is not applicable to the Company.

(xvi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and holds a valid certificate of registration (Registration no. B-05.02795 and dated 19-Nov-2007) under the same.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No. 101248W /W-100022

Ashwin Suvarna
Partner
Membership No. 109503
UDIN: 21109503AAAABS9617

Place: Mumbai
Date: 31 May 2021

Annexure B to the Independent Auditor's Report

Annexure B to the Independent Auditors' report on the standalone financial statements of Magma Fincorp Limited for the year ended 31 March 2021

(Referred to in our report of even date)

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

Referred to in paragraph 2(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date

Opinion

We have audited the internal financial controls with reference to the standalone financial statements of Magma Fincorp Limited ("the Company") as of 31 March 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to the standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to the standalone financial statements.

Meaning of Internal Financial controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in

Annexure B to the Independent Auditor's Report *(contd.)*

accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial controls with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No. 101248W /W-100022

Ashwin Suvarna
Partner
Membership No. 109503
UDIN: 21109503AAAABS9617

Place: Mumbai
Date: 31 May 2021

Balance Sheet as at 31 March 2021

(All amounts are in ₹ lacs unless otherwise stated)

Particulars	Note	As at 31 March 2021	As at 31 March 2020
ASSETS			
1. Financial assets			
Cash and cash equivalents	3	26,509.45	20,485.66
Bank balance other than cash and cash equivalents	4	34,732.74	44,350.78
Receivables	5		
(i) Trade receivables		1,017.44	799.29
(ii) Other receivables		274.13	192.12
Loans	6	856,531.37	1,117,491.30
Investments	7	42,892.20	40,242.16
Other financial assets	8	13,416.83	25,605.65
Total financial assets		**975,374.16**	**1,249,166.96**
2. Non-financial assets			
Current tax assets (net)	9	8,741.52	9,540.56
Deferred tax assets (net)	10	29,797.99	10,398.31
Property, plant and equipment	11	12,404.23	15,451.77
Intangible assets under development	12	18.15	553.48
Other intangible assets	13	1,769.00	1,546.02
Right to use assets	14	2,965.52	5,122.24
Other non-financial assets	15	3,129.03	3,740.93
Total non-financial assets		**58,825.44**	**46,353.31**
Total assets		**1,034,199.60**	**1,295,520.27**
LIABILITIES AND EQUITY			
LIABILITIES			
1. Financial liabilities			
Payables	16		
Trade Payables			
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditor other than micro enterprises and small enterprises		8,457.50	1,966.47
Other Payables			
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		-	-
Debt securities	17	82,593.08	64,915.80
Borrowings (other than debt securities)	18	635,488.12	859,857.27
Subordinated liabilities	19	73,397.53	75,684.48
Lease liability	20	3,394.37	5,496.91
Other financial liabilities	21	25,191.52	27,127.87
Total financial liabilities		**828,522.12**	**1,035,048.80**
2. Non-financial liabilities			
Current tax liabilities (net)	22	943.56	1,435.17
Provisions	23	1,124.94	1,026.16
Other non-financial liabilities	24	9,402.57	6,478.89
Total non-financial liabilities		**11,471.07**	**8,940.22**
Equity			
Equity share capital	25	5,392.33	5,390.31
Other equity	26	188,814.08	246,140.94
Total equity		**194,206.41**	**251,531.25**
Total liabilities and equity		**1,034,199.60**	**1,295,520.27**
Significant accounting policies	2		
Notes to the financial statements	3 - 53		
The accompanying notes are an integral part of these financial statements			

As per our report of even date attached

For and on behalf of the Board of Directors of **Magma Fincorp Limited**

For B S R & Co. LLP
Chartered Accountants
ICAI Firm registration No.: 101248W/ W-100022

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Sunil Rewachand Chandiramani
Non-Executive Independent Director
(DIN: 00524035)

Kailash Baheti
Chief Financial Officer

Ashwin Suvarna
Partner
Membership No.: 109503

Shabnum Zaman
Company Secretary

Place : Mumbai
Date : 31 May 2021

Place : Kolkata
Date : 31 May 2021

Place : Mumbai
Date : 31 May 2021

Statement of Profit and Loss for the year ended 31 March 2021

(All amounts are in ₹ lacs unless otherwise stated)

Particulars		Note	Year ended 31 March 2021	Year ended 31 March 2020
	Revenue from operations			
	Interest income	27	175,698.28	202,280.66
	Rental income	28	2,967.31	3,671.91
	Fees and commission income	29	6,050.47	7,440.16
	Net gain on fair value changes	30	156.90	-
	Net gain on derecognition of financial instruments	31	-	4,361.83
(I)	**Total revenue from operations**		**184,872.96**	**217,754.56**
(II)	Other income	32	2,812.14	4,148.84
(III)	**Total income (I+II)**		**187,685.10**	**221,903.40**
	Expenses			
	Finance costs	33	87,459.56	112,397.10
	Net loss on fair value changes	30	-	236.53
	Impairment on financial instruments	34	131,862.63	46,404.71
	Employee benefits expenses	35	30,599.28	37,408.73
	Depreciation, amortisation and impairment	36	5,215.44	7,164.14
	Others expenses	37	9,813.22	14,873.89
(IV)	**Total expenses**		**264,950.13**	**218,485.10**
(V)	**Profit / (loss) before tax (III-IV)**		**(77,265.03)**	**3,418.30**
(VI)	**Tax expense:**			
	Current tax - current year charge / (reversal)	10	-	1,130.00
	- earlier year		69.66	(109.50)
	Deferred tax	10	(19,498.61)	3,398.88
	Total tax expense charge / (reversal)		**(19,428.95)**	**4,419.38**
(VII)	**Loss for the year (V-VI)**		**(57,836.08)**	**(1,001.08)**
(VIII)	**Other comprehensive income**			
	A (i) Items that will not be reclassified to profit or loss			
	- Remeasurement of the defined benefit plans		264.43	(322.93)
	B (ii) Income tax relating to items that will not be reclassified to profit or loss		(66.55)	33.97
	Subtotal (A)		**197.88**	**(288.96)**
	B (i) Items that will be reclassified to profit or loss			
	- Debt instruments through other comprehensive income		128.66	(452.13)
	(ii) Income tax relating to items that will be reclassified to profit or loss		(32.38)	123.83
	Subtotal (B)		**96.28**	**(328.30)**
	Other comprehensive income (A + B)		**294.16**	**(617.26)**
(IX)	**Total comprehensive income for the year (VII + VIII)**		**(57,541.92)**	**(1,618.34)**
(X)	**Earnings per equity share**			
	Basic (₹)	41	(21.46)	(0.37)
	Diluted (₹)	41	(21.46)	(0.37)
Significant accounting policies		2		
Notes to the financial statements		3 - 53		
The accompanying notes are an integral part of these financial statements				

As per our report of even date attached

For and on behalf of the Board of Directors of
Magma Fincorp Limited

For B S R & Co. LLP
Chartered Accountants
ICAI Firm registration No.: 101248W/ W-100022

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Sunil Rewachand Chandiramani
Non-Executive Independent Director
(DIN: 00524035)

Kailash Baheti
Chief Financial Officer

Ashwin Suvarna
Partner
Membership No.: 109503

Shabnum Zaman
Company Secretary

Place : Mumbai
Date : 31 May 2021

Place : Kolkata
Date : 31 May 2021

Place : Mumbai
Date : 31 May 2021

MAGMA
Investing in the smallest dream

Statement of Cash Flows for the year ended 31 March 2021

(All amounts are in ₹ lacs unless otherwise stated)

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
A. Cash flow from operating activities		
Profit for the period	(77,265.03)	3,418.30
Adjustments for :		
Depreciation and amortisation expense (gross)	5,438.60	7,368.37
Impairment on financial assets	131,862.63	46,404.71
Net (gain) / loss on fair value changes	(156.90)	236.53
Net loss / (gain) on derecognition of property, plant and equipment	24.29	(3.26)
Intangible assets under development written-off	3.14	94.64
Employee share based compensation expense	308.04	141.38
Interest on tax refund	(683.86)	(1,045.19)
Interest on lease liability	251.71	642.39
Gain on prepayment of debt	-	(302.64)
Liabilities written back	(336.79)	(240.79)
Operating cash flow before working capital changes	**59,445.83**	**56,714.44**
Movement in working capital:		
(Increase)/decrease in receivables	(300.18)	105.57
Decrease in loans	129,579.08	149,627.40
Decrease/(increase) in other financial assets	8,623.60	(11,396.04)
Decrease/(increase) in other non financial assets	611.90	(365.88)
Increase/(decrease) in payables	6,827.82	(34,279.80)
(Decrease)/increase in other financial liabilities	(204.19)	3,093.59
Increase/(decrease) in provisions	363.21	(163.45)
Increase in other non financial liabilities	2,923.68	444.87
Net cash generated from operating activities before taxes	**207,870.75**	**163,780.70**
Income taxes paid (net of refunds)	921.63	2,280.49
Net cash generated from operating activities (A)	**208,792.38**	**166,061.19**
B. Cash flow from investing activities		
Purchase of property, plant and equipment	(1,931.07)	(4,586.59)
Proceeds from sale of property, plant and equipment	1,127.14	972.02
Purchase of intangible assets	(259.58)	(1,183.33)
Investment in fixed deposits	(29,208.24)	(46,821.36)
Redemption of fixed deposits	38,821.01	38,998.68
Investment in subsidiary	-	(10,000.00)
Investment in joint venture	-	(2,650.04)
Proceeds from sale of investments	718.96	1,193.51
Net cash generated from/(used in) investing activities (B)	**9,268.22**	**(24,077.11)**

Statement of Cash Flows for the year ended 31 March 2021

(All amounts are in ₹ lacs unless otherwise stated)

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
C. Cash flow from financing activities		
Proceeds from issue of long-term debentures	17,500.00	55,141.45
Redemption of long-term debentures	(2,500.53)	(41,697.36)
Proceeds from long term borrowings	57,576.35	102,542.96
Repayment of long term borrowings	(107,201.98)	(66,873.40)
Proceeds from long term borrowings - pass through certificate	54,574.43	252,976.27
Repayment of long term borrowings - pass through certificate	(189,712.23)	(258,477.89)
Repayment- loan repayable on demand (net) (refer note b)	(40,941.74)	(217,506.00)
Interest on lease liability	(251.71)	(642.39)
Principal portion of lease liability	(988.44)	(1,128.30)
Proceeds from issue of equity shares including securities premium	2.02	25.73
Share issue expense	(92.98)	-
Dividend paid (including tax thereon)	-	(2,600.51)
Net cash (used in) financing activities (C)	(212,036.81)	(178,239.44)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**6,023.79**	**(36,255.36)**
Cash and cash equivalents at the beginning of the year	20,485.66	56,741.02
Cash and cash equivalents at the end of the year	**26,509.45**	**20,485.66**

(a) Cash and cash equivalents consist of cash on hand, balance with banks and deposits with banks. Please refer Note 3 for detailed disclosure.

(b) The figures has been presented on a net basis as the transactions during the year are voluminous.

The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Indian Accounting Standard (Ind AS-7) on 'Statement of Cash Flows'.

As per our report of even date attached

For and on behalf of the Board of Directors of
Magma Fincorp Limited

For B S R & Co. LLP
Chartered Accountants
ICAI Firm registration No.: 101248W/ W-100022

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Sunil Rewachand Chandiramani
Non-Executive Independent Director
(DIN: 00524035)

Kailash Baheti
Chief Financial Officer

Ashwin Suvarna
Partner
Membership No.: 109503

Shabnum Zaman
Company Secretary

Place : Mumbai
Date : 31 May 2021

Place : Kolkata
Date : 31 May 2021

Place : Mumbai
Date : 31 May 2021

Standalone Statement of Changes in Equity for the year ended 31 March 2021

(All amounts are in ₹ lacs unless otherwise stated)

a. Equity share capital

Balance as at 1 April 2019	Changes in equity share capital during the year	Balance as at 31 March 2020	Changes in equity share capital during the year	Balance as at 31 March 2021
5,386.48	3.83	5,390.31	2.02	5,392.33

b. Other equity

Particulars	Reserve and Surplus						Items of other comprehensive income	Total
	Statutory Reserves	Capital Reserve	Securities Premium	Capital Redemption reserve	Share option Outstanding	Retained Earnings	Debt instruments through Other Comprehensive Income	
Balance as at 1 April 2019	33,960.00	480.22	180,648.74	1,421.84	1,075.04	32,540.96	66.85	250,193.65
Loss for the year	-	-	-	-	-	(1,001.08)	-	(1,001.08)
Other comprehensive income for the year*	-	-	-	-	-	(288.96)	(328.30)	(617.26)
Total comprehensive income for the year	-	-	-	-	-	(1,290.04)	(328.30)	(1,618.34)
Dividend paid	-	-	-	-	-	(2,597.65)	-	(2,597.65)
Share issue expense	-	-	-	-	-	-	-	-
Equity settled share based payment	-	-	265.43	-	(102.15)	-	-	163.28
Balance as at 31 March 2020	33,960.00	480.22	180,914.17	1,421.84	972.89	28,653.27	(261.45)	246,140.94
Loss for the year	-	-	-	-	-	(57,836.08)	-	(57,836.08)
Other comprehensive income for the year*	-	-	-	-	-	197.88	96.28	294.16
Total comprehensive income for the year	-	-	-	-	-	(57,638.20)	96.28	(57,541.92)
Dividend paid	-	-	-	-	-	-	-	-
Share issue expense	-	-	(92.98)	-	-	-	-	(92.98)
Equity settled share based payment	-	-	147.92	-	160.12	-	-	308.04
Balance as at 31 March 2021	33,960.00	480.22	180,969.11	1,421.84	1,133.01	(28,984.93)	(165.17)	188,814.08

Note 26 describes the purpose of each reserve within equity

* Amount of other comprehensive income/(loss) transferred to retained earnings pertains to remeasurement of defined plans

Significant accounting policies 2

Notes to the financial statements 3 - 53

The accompanying notes are an integral part of these financial statements

As per our report of even date attached

For and on behalf of the Board of Directors of
Magma Fincorp Limited

For B S R & Co. LLP
Chartered Accountants
ICAI Firm registration No.: 101248W/ W-100022

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Sunil Rewachand Chandiramani
Non-Executive Independent Director
(DIN: 00524035)

Kailash Baheti
Chief Financial Officer

Ashwin Suvarna
Partner
Membership No.: 109503

Shabnum Zaman
Company Secretary

Place : Mumbai
Date : 31 May 2021

Place : Kolkata
Date : 31 May 2021

Place : Mumbai
Date : 31 May 2021

Notes to the financial statements for the year ended 31 March 2021

Note 1: Company Overview

Background

Magma Fincorp Limited ('the Company'), incorporated in Kolkata and headquartered in Mumbai, India is a publicly held non-banking finance company engaged in providing asset finance through its pan India branch network. The Company is registered as a systemically important non-deposit taking Non-Banking Financial Company ('NBFC') as defined under Section 45-IA of the Reserve Bank of India (RBI) Act, 1934. The Company is also registered as a corporate agent under Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015. Its equity shares are listed on National Stock Exchange and Bombay Stock Exchange.

Note 2: Significant Accounting Policies and Key Accounting Estimates and Judgements:

a) **Statement of compliance and Basis of preparation**

The financial statements for the year ended March 31, 2021 have been prepared by the Company in accordance with Indian Accounting Standards ("Ind AS") notified by the Ministry of Corporate Affairs, Government of India under the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

Further, the Company has complied with all the directions related to Implementation of Indian Accounting Standards prescribed for Non-Banking Financial Companies (NBFCs) in accordance with the RBI notification no. RBI/2019-20/170 DOR NBFC) CC.PD.No.109/22.10.106/2019-20 Dated 13 March 2020. Any application guidance/ clarifications/ directions issued by RBI or other regulators are implemented as and when they are issued/ applicable.

The Balance Sheet, Statement of Profit and Loss and Statement of Changes in Equity are prepared and presented in the format prescribed in the Division III of Schedule III of the Companies Act, 2013 (the 'Act'). The Statement of Cash Flows has been prepared and presented as per the requirements of Ind AS.

A summary of the significant accounting policies and other explanatory information is in accordance with the Companies (Indian Accounting Standards) Rules, 2015 as specified under Section 133 of the Companies Act, 2013 (the 'Act') including applicable Indian Accounting Standards (Ind AS) and accounting principles generally accepted in India. The Company consistently applies the following accounting policies to all periods presented in these financial statements, unless otherwise stated.

These financial statements have been approved by the Company's Board of Directors and authorised for issue on 31 May 2021.

b) **Functional and Presentation currency**

These financial statements are presented in Indian Rupees (INR), which is the Company's functional currency. All amounts have been denominated in lakhs and rounded off to the nearest two decimal, except when otherwise indicated.

c) **Historical cost convention**

The financial statements have been prepared on a historical cost basis, except for the following material items:

- Certain financial assets at Fair value through other comprehensive income (FVTOCI).
- Financial instruments at Fair value through profit and loss (FVTPL) that is measured at fair value
- Net defined benefit (asset)/ liability - fair value of plan assets less present value of defined benefit obligation

d) **Measurement of fair values**

A number of Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has established policies and procedures with respect to the measurement of fair values. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

Key sources of estimation of uncertainty at the date of financial statements, which may cause a material adjustment to the carrying amount of assets and liabilities within the next financial year are included in the following notes:

- Note 47 - Impairment of financial instruments: determining inputs into the Expected Credit Loss (ECL) model, including incorporation of forward looking information and assumptions used in estimating recoverable cash flows
- Note 46 - determination of the fair value of financial instruments with significant unobservable inputs
- Note 39 - measurement of defined benefit obligations: key actuarial assumptions
- Note 10 - recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used

Judgements:

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in the standalone financial statement is included in the following note:

Classification of financial assets: Assessment of the business model within which the assets are held for sell, held for sell and maturity and held for maturity

f) **Revenue recognition**

Interest income from financial assets (assets on finance) is recognised on accrual basis using Effective Interest Rate ('EIR') method. EIR is applied on future principal of amortised cost of assets on finance. Interest income on stage 3 assets is recognised on net basis.

The EIR is the rate that discounts the estimated future cash flows through the expected life of the financial instrument to the gross carrying amount of the financial asset. The interest income is recognised on EIR method on a time proportion basis applied on the carrying amount for financial assets including credit impaired financial assets.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The 'amortised cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Income from direct assignment transactions represents the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset de-recognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI.

Overdue interest and other charges are treated to accrue on realization, due to uncertainty of realization and is accounted for accordingly.

For revenue recognition from leasing transactions of the Company, refer Note 40 on Leases below.

Income from collection and support services is recognised over time as the services are rendered as per the terms of the contract.

Fair value changes from security receipts is recognised in the revenue from operations basis fair valuation of the security receipts and provision on the same, if any.

Income from power generation is recognised based on the unit's generated (point in time) as per the terms of the respective power purchase arrangements with respective State Electricity Boards.

Dividend is recognised when the right to receive the dividend is established.

Other income

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

g) **Finance Costs**

Finance costs include interest expense computed by applying the effective interest rate on respective financial instruments measured at Amortised cost. Financial instruments include bank term loans, non-convertible debentures, commercial papers, subordinated debts and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Interest expense on lease liabilities computed by applying the Company's weighted average incremental borrowing rate has been included under finance costs.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

h) Financial instruments

I) Initial recognition and measurement

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

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

Transaction costs and revenues of financial assets or financial liabilities carried at fair value through the profit or loss account are recognised immediately in the Statement of Profit or Loss. Trade Receivables are measured at transaction price. Trade receivables and debt securities issued are initially recognised when they are originated.

II) Classifications

Financial assets

On initial recognition, depending on the Company's business model for managing the financial assets and its contractual cash flow characteristics, a financial asset is classified as measured at;

- amortised cost;
- fair value through other comprehensive income (FVTOCI); or
- fair value through profit and loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect a new business model. The frequency, volume and timing of sales of financial asset in prior periods, the reason for such sales and expectations about future sales activity are important determining factors of the business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period.

Financial instruments at Amortised Cost

A financial asset is measured at amortised cost only if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at Fair Value through Other Comprehensive Income ('FVTOCI')

A financial asset is measured at FVTOCI only if both of the following conditions are met:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at Fair Value through Profit and Loss (FVTPL)

Any financial instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

Equity Investments

All equity investments other than equity investments in subsidiaries / associates / joint ventures are measured at FVTPL. These include all equity investments in scope of Ind AS 109.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost or fair value through profit or loss, as appropriate.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

Equity instruments

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

III) Subsequent measurement

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of discount or premium on acquisition and fees or costs that are an integral part of the EIR and, for financial assets, adjusted for any loss allowance.

FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit or loss. The transaction costs and fees are also recorded related to these instruments in the statement of profit and loss.

FVTOCI

Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognised in the other comprehensive income (OCI). Interest income measured using the EIR method and impairment losses, if any are recognised in the statement of Profit and Loss. On derecognition, cumulative gain or loss previously recognised in OCI is reclassified from the equity to 'other income' in the statement of Profit and Loss.

IV) De-recognition of financial assets and financial liabilities

Financial assets

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. The Company continues to recognise the assets on finance on books which has been securitised under pass through arrangement and does not meet the de-recognition criteria.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset de-recognised) and the sum of the consideration received (including the value of any new asset obtained less any new liability assumed) is transferred to statement of Profit or loss

Financial liabilities

The Company de-recognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Securitization and Assignment

In case of transfer of loans through securitisation and direct assignment transactions, the transferred loans are de-recognised and gains/losses are accounted for, only if the Company transfers substantially all risks and rewards specified in the underlying assigned loan contract.

In accordance with the Ind AS 109, on de-recognition of a financial asset under assigned transactions, the difference between the carrying amount and the consideration received are recognised in the Statement of Profit and Loss.

Equity

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

V) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

VI) Impairment of Financial Assets

The Company recognises loss allowances for Expected Credit Loss (ECL) on all the financial assets that are not measured at FVTPL:

ECL are probability weighted estimate of future credit losses based on the staging of the financial asset to reflect its credit risk. They are measured as follows:

- Stage 1: financial assets that are not credit impaired – as the present value of all cash shortfalls that are possible within 12 months after the reporting date.
- Stage 2: financial assets with significant increase in credit risk but not credit impaired – as the present value of all cash shortfalls that result from all possible default events over the expected life of the financial asset.
- Stage 3: financial assets that are credit impaired – as the difference between the gross carrying amount and the present value of estimated cash flows.

The Company's policy for determining significant increase in credit risk is set out in Note 48 (ii) (g).

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Management overlay is used to estimate the ECL allowance in circumstances where management believes that the existing inputs, assumptions and model techniques do not factor the related exception scenario or captures all the risk factors relevant to the Company's lending portfolios.

To mitigate the credit risk on financial assets, the Company seeks to use collateral, where possible as per the powers conferred on the Non-Banking Finance Companies under the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 ("SARFAESI").

Financial assets are fully provided for or written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

However, financial assets that are written off could still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are credited to impairment loss on actual realization from customer.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

For more details, refer Note 47(ii).

Presentation of ECL allowance for financial asset:

ECL allowance for financial asset measured at amortised cost or FVOCI is shown as a deduction from the gross carrying amount of the assets

Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

i) Investment in subsidiaries, associates and joint ventures

The Company accounts for its investments in subsidiaries, associates and joint ventures at cost less accumulated impairment, if any.

j) Leases

I) The Company as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the lease term. In certain lease arrangements, variable rental charges are also recognised over and above minimum commitment charges based on usage pattern.

II) The Company as lessee

i) Right to use assets and Lease liability

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

a) the contract involves the use of an identified asset;

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

c) the Company has the right to direct the use of the asset.

Recognition and initial measurement

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

Subsequent measurement

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

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

Presentation

Lease liability and Right of Use assets have been separately presented in the balance sheet and lease payments have been classified as financing cash flows.

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

ii) De-recognition

An item of right to use assets and lease liability is de-recognised upon termination of lease agreement. Any difference between the carrying amount of right to use asset and lease liability is recognised in statement of profit or loss.

k) Employee Benefits

I) Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. This includes performance linked incentives. Short term employee obligations are measured at undiscounted basis.

II) Post-employment benefits

<u>Defined contribution plans</u>

A defined contribution plan is a post – employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts.

Provident Fund

Contributions paid / payable to the recognised provident fund, which is a defined contribution scheme, are expensed as the related service is provided and recognised as personnel expenses in profit or loss.

<u>Defined benefit plans</u>

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;

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

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. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contribution to the plan.

The change in defined benefit plan liability is split into changes arising out of service, interest cost and re-measurements and the change in defined benefit plan asset is split between interest income and re-measurements. Changes due to service cost and net interest cost/ income is recognised in the statement of profit and loss. Re-measurements of net defined benefit liability/ (asset) which comprise of the below are recognised in other comprehensive income:

- Actuarial gains and losses;
- The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset).

III) Other long term employee benefits

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. The expenses and actuarial gain / loss on account of the above benefit plans are recognised in the statement of profit and loss on the basis of actuarial valuation.

IV) Share-based payment arrangements - Employee Stock Options

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

In case, the company modifies the terms and condition on which the equity instruments were granted in a manner that is beneficial to the employees, the incremental cost will be recognised over the period starting from the modification date till the date of vesting if the modification occurs during the vesting period. In case, modification occurs after the vesting period, the incremental cost will be recognised immediately.

l) Income Taxes

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 temporary differences between tax base and book base). It is recognised in statement of profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

I) Current tax

Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961. Current tax comprises the tax payable on the taxable income or loss for the year and any adjustment to the tax payable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

The amount of current tax reflects the best estimate of the tax amount expected to be paid after considering the uncertainty, if any, related to income taxes.

Current tax assets and liabilities are offset only if, the Company:

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

II) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are reviewed at each reporting date and based on management's judgement, are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if the Company:

- has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

m) Property, plant and equipment and Investment property

Recognition and measurement

Property, plant and equipment (PPE) held for use or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses. The cost includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. PPE is recognised when it is probable that future economic benefits associated with the item will flow to the Company. Subsequent expenditure on PPE after its purchase is capitalised if it is probable that the future economic benefits will flow to the enterprise.

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

Investment Property consists of building let out to earn rentals. The Company follows cost model for measurement of investment property.

Depreciation and amortisation

Depreciation on fixed assets is provided using the straight line method at the rates specified in Schedule II to the Companies Act, 2013. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed.

Sl. No.	Item	Life (in Years)
1	Buildings	60
2	Wind mills	22
3	Furniture and Fixtures	10
4	Vehicles	8
5	Office Equipment	5
6	Server	6
7	Network	6
8	Printer	3
9	Tablet	3

Freehold land is not depreciated.

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 not exceeding 8 years.

For the following class of assets, based on internal assessment, the management believes that the useful lives as given below best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013:

Desktop	6 years
Laptops / Hand Held Device	4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

De-recognition

An item of property, plant and equipment or investment property is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment or

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

investment property is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of profit or loss.

Capital work-in-progress

PPE not ready for the intended use on the date of the Balance Sheet are disclosed as "capital work-in-progress" and carried at cost, comprising direct cost, related incidental expenses and attributable interest.

n) Intangible assets

Recognition and measurement

Intangible assets with finite useful lives that are acquired separately are capitalised and carried at cost less accumulated amortisation and accumulated impairment losses. Cost includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the Company.

Expenditure on internally developed software is recognised as an asset when the company is able to demonstrate: that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development.

The developing the software and capitalised borrowing costs, and are amortised over its useful life capitalised costs of internally developed software include all costs directly attributable to

Amortization

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

De-recognition

An intangible asset is de-recognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in statement of profit or loss when the asset is de-recognised.

Intangible assets under development

Intangible assets not ready for the intended use on the date of Balance Sheet are disclosed as "Intangible assets under development.

o) Impairment of non-financial assets

The Company's non – financial assets including deferred tax is 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. A reversal of an impairment loss is recognised immediately in the Statement of Profit and Loss. Goodwill is tested annually for impairment

p) Foreign Currency Transactions

Transactions in currencies other than company's operational currency are recorded on initial recognition using the exchange rates prevailing on the date of the transaction. The foreign currency borrowing being a monetary liability is restated to INR (being the functional currency of the Company) at the prevailing rates of exchange at the end of every reporting period with the corresponding exchange gain/ loss being recognised in statement of profit or loss. Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in the Statement of Profit and Loss in the period in which they arise.

q) Goods and Services Input Tax Credit

Goods and Services Input tax credit is accounted for in the books in the period in which the supply of goods or service received is accounted and when there is no uncertainty in availing/utilising the credits.

r) Provisions and contingencies related to claims, litigation, etc.

A provision is recognised if, as a result of a past event, the Company has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

cost. Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

I) 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.

II) Contingencies related to claims, litigation, etc.

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.

s) 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 disclosed in the financial statements where an inflow of economic benefits is probable.

t) Cash and cash equivalent

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

u) 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 future, 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.

v) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company. Refer note 51 for details on segment information presented.

w) Earnings per share

Basic earnings per share has been computed by dividing net income attributable to ordinary equity holders by the weighted average number of shares outstanding during the year. Partly paid up equity share is included as fully paid equivalent according to the fraction paid up.

Diluted earnings per share has been computed using the weighted average number of shares and dilutive potential shares, except where the result would be anti-dilutive.

x) Dividend payable (including dividend distribution tax, if any)

Interim dividend declared to equity shareholders, if any, is recognised as liability in the period in which the said dividend has been declared by the Board of Directors. Final dividend declared, if any, is recognised in the period in which the said dividend has been approved by the Shareholders.

The dividend payable (including dividend distribution tax, if any) is recognised as a liability with a corresponding amount recognised directly in equity.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 3: Cash and cash equivalents

Particulars	As at 31 March 2021	As at 31 March 2020
Cash on hand	1,506.78	79.61
Balances with banks		
In current accounts	2.67	20,406.05
In deposits with original maturity of 3 months or less	25,000.00	-
Total	**26,509.45**	**20,485.66**

Note 4: Bank balance other than cash and cash equivalents

Particulars	As at 31 March 2021	As at 31 March 2020
Unpaid dividend account (Earmarked)	29.32	34.59
Bank balance other than cash and cash equivalents		
In deposits with original maturity of 3 months or less	1,621.81	193.00
In deposits with original maturity of more than 3 months	33,081.61	44,123.19
Total	**34,732.74**	**44,350.78**

Balances with banks held as security against borrowings, guarantees lien amounts to ₹2,471.93 lacs (31 March 2020: ₹1,832.95 lacs) and as cash collateral for securitisation of receivables amounts to ₹31,790.66 lacs (31 March 2020: ₹38,091.77 lacs).

Note 5: Receivables

Particulars	As at 31 March 2021	As at 31 March 2020
(i) Trade receivables		
Receivables considered good - Unsecured	1,017.44	799.29
Less: Impairment loss allowance (ECL)	-	-
Sub-total - (i)	**1,017.44**	**799.29**
(ii) Other receivables		
Receivables considered good - Unsecured	274.13	192.12
Less: Impairment loss allowance (ECL)	-	-
Sub-total - (ii)	**274.13**	**192.12**
Total - (i + ii)	**1,291.57**	**991.41**

There is no due by directors or other officers of the company or any firm or private company in which any director is a partner, a director or a member.

Note 6: Loans

Particulars	Amortised Cost	At Fair Value through other comprehensive income	Total
As at 31 March 2021			
(A) (i) Term loans	755,757.93	190,447.14	946,205.07
(ii) Leasing	17,365.69	-	17,365.69
(iii) Others			
- Staff loans	18.96	-	18.96
Total (A) - Gross	**773,142.58**	**190,447.14**	**963,589.72**
Less: Impairment loss allowance (ECL)	88,693.68	18,364.67	107,058.35
Total (A) - Net	**684,448.90**	**172,082.47**	**856,531.37**

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 6: Loans *(contd.)*

Particulars	Amortised Cost	At Fair Value through other comprehensive income	Total
As at 31 March 2021			
(B) (i) Secured by tangible assets *	629,397.78	61,065.89	690,463.67
(ii) Covered by bank/government guarantees #	143,725.84	97,065.15	240,790.99
(iii) Unsecured	18.96	32,316.10	32,335.06
Total (B) - Gross	**773,142.58**	**190,447.14**	**963,589.72**
Less: Impairment loss allowance (ECL)	88,693.68	18,364.67	107,058.35
Total (B) - Net	**684,448.90**	**172,082.47**	**856,531.37**
(C) Loans in India			
(i) Public sector	-	-	-
(ii) Others	773,142.58	190,447.14	963,589.72
Total (C) - Gross	**773,142.58**	**190,447.14**	**963,589.72**
Less: Impairment loss allowance (ECL)	88,693.68	18,364.67	107,058.35
Total (C) -Net	**684,448.90**	**172,082.47**	**856,531.37**

* Secured by underlying assets financed

#

1) Loans amounting to ₹22,879.31 lacs under amortised cost category and ₹11,397.66 lacs under fair value through other comprehensive income category are covered under Emergency Credit Line Guarantee Scheme for NBFCs administered by NCGTC under aegis of SIDBI for credit facilities extended to eligible borrowers in Micro and Small Industries.

2) Loans amounting to ₹104,562.91 lacs under amortised cost category and ₹85,667.49 lacs under fair value through other comprehensive income category are covered under Credit Guarantee Scheme for NBFCs administered by CGTMSE under aegis of SIDBI for credit facilities extended to eligible borrowers in Micro and Small Industries.

3) Loan amounting to ₹16,283.62 lacs under amortised cost category are covered under Partial Credit Guarantee Scheme for NBFCs.

Particulars	Amortised Cost	At Fair Value through other comprehensive income	Total
As at 31 March 2020			
(A) (i) Term loans	927,564.38	228,563.69	1,156,128.07
(ii) Leasing	19,622.76	-	19,622.76
(iii) Others			
- Staff loans	41.42	-	41.42
Total (A) - Gross	**947,228.56**	**228,563.69**	**1,175,792.25**
Less: Impairment loss allowance (ECL)	45,344.86	12,956.09	58,300.95
Total (A) - Net	**901,883.70**	**215,607.60**	**1,117,491.30**
(B) (i) Secured by tangible assets *	820,757.02	74,003.62	894,760.64
(ii) Covered by bank/government guarantees #	126,430.12	100,646.21	227,076.33
(iii) Unsecured	41.42	53,913.86	53,955.28
Total (B) - Gross	**947,228.56**	**228,563.69**	**1,175,792.25**
Less: Impairment loss allowance (ECL)	45,344.86	12,956.09	58,300.95
Total (B) - Net	**901,883.70**	**215,607.60**	**1,117,491.30**

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 6: Loans *(contd.)*

Particulars	Amortised Cost	At Fair Value through other comprehensive income	Total
As at 31 March 2020			
(C) Loans in India			
(i) Public sector	-	-	-
(ii) Others	947,228.56	228,563.69	1,175,792.25
Total (C) - Gross	**947,228.56**	**228,563.69**	**1,175,792.25**
Less: Impairment loss allowance (ECL)	45,344.86	12,956.09	58,300.95
Total (C) -Net	**901,883.70**	**215,607.60**	**1,117,491.30**

* Secured by underlying assets financed

#

1) Loans amounting to ₹101,181.71 lacs under amortised cost category and ₹100,646.21 lacs under fair value through other comprehensive income category are covered under Credit Guarantee Scheme for NBFCs administered by CGTMSE under aegis of SIDBI for credit facilities extended to eligible borrowers in Micro and Small Industries.

2) Government of India vide a scheme dated 10th August, 2019 agreed to provide one time partial credit guarantee to Public Sector Banks for purchase of pooled assets of financially sound NBFC/HFC in order to provide them with liquidity. The Company had made transactions of ₹25,248.41 lacs under this scheme.

Note 7: Investments

Particulars	Amortised Cost	At Fair Value through profit or loss	Others*	Total
As at 31 March 2021				
(A) Subsidiaries	-	-	31,970.94	31,970.94
Joint ventures	-	-	10,920.11	10,920.11
Others	0.16	0.99	-	1.15
Total – Gross (A)	**0.16**	**0.99**	**42,891.05**	**42,892.20**
(B) Investments in India	0.16	0.99	42,891.05	42,892.20
Total – Gross (B)	**0.16**	**0.99**	**42,891.05**	**42,892.20**
Less: Allowance for impairment loss (C)	-	-	-	-
Total – Net D= (A)-(C)	**0.16**	**0.99**	**42,891.05**	**42,892.20**

Particulars	Amortised Cost	At Fair Value through profit or loss	Others*	Total
As at 31 March 2020				
(A) Subsidiaries	-	-	31,970.94	31,970.94
Joint ventures	-	-	8,270.07	8,270.07
Others	0.16	0.99	-	1.15
Total – Gross (A)	**0.16**	**0.99**	**40,241.01**	**40,242.16**
(B) Investments in India	0.16	0.99	40,241.01	40,242.16
Total – Gross (B)	**0.16**	**0.99**	**40,241.01**	**40,242.16**
Less: Allowance for impairment loss (C)	-	-	-	-
Total – Net D= (A)-(C)	**0.16**	**0.99**	**40,241.01**	**40,242.16**

* The Company accounts for its investments in subsidiaries, associates and joint ventures at deemed cost (carrying value of previous GAAP) in accordance with Ind AS 101.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 8: Other financial assets

Particulars	As at 31 March 2021	As at 31 March 2020
Accrued interest / financial charges	584.17	870.89
Advances recoverable	984.21	9,494.26
Application money paid towards securities *	-	2,650.04
Trade advance	1,624.35	2,103.78
Excess interest spread receivable (refer note 47)	4,888.73	7,475.84
Security deposits	492.54	793.26
Advances to related parties #	443.91	845.06
Others	6,508.75	3,129.23
Less: Impairment loss allowance (ECL) **	(2,109.83)	(1,756.71)
	13,416.83	**25,605.65**

* 5,464,000 equity shares of the face value of ₹10/- each at price of ₹48.50/- each (including premium of ₹38.50/- each) have been allotted on 28 April 2020 by Magma HDI.

** Includes allowance created against advance recoverable of ₹505.27 lacs (31 March 20: ₹505.27 lacs) and expected credit loss against excess interest spread (EIS) receivable of ₹47.77 lacs (31 March 20: ₹57.93 lacs) and trade advance of ₹1,556.79 lacs (31 March 20: ₹1,193.51 lacs).

Includes advance given to relatives of directors or members (Refer Note 43)

Note 9: Current tax assets (net)

Particulars	As at 31 March 2021	As at 31 March 2020
Advance tax and deduction at source (net of provision for taxes)	8,741.52	9,540.56
Total	**8,741.52**	**9,540.56**

Note 10: Income tax

A. Amounts recognised in statement of profit or loss

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Current tax		
Current period (a)	-	1,130.00
Changes in estimates related to prior years (b)	69.66	(109.50)
	69.66	**1,020.50**
Deferred tax (c)		
Attributable to-		
Origination / (Reversal) of temporary differences	(19,353.25)	(292.58)
Decrease in tax rate	-	3,691.46
Recognition of previously unrecognised temporary timing differences	(145.36)	-
Sub-total (c)	**(19,498.61)**	**3,398.88**
Tax expense (a)+(b)+(c)	**(19,428.95)**	**4,419.38**

B. Income tax recognised in other comprehensive income

Particulars	Year ended 31 March 2021 Income Tax	Year ended 31 March 2020 Income Tax
Remeasurement of the defined benefit plans	(66.55)	33.97
Debt instrument fair value through other comprehensive income	(32.38)	123.83
	(98.93)	157.80

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 10: Income tax *(contd.)*

C. Reconciliation of effective tax rate

Particulars	Year ended 31 March 2021		Year ended 31 March 2020	
	%	Amount	%	Amount
Profit/(Loss) before tax		(77,265.03)		3,418.30
Tax using the Company's domestic tax rate	25.17	(19,446.06)	25.17	860.32
Effect of:				
Impact of change in tax rate	-	-	107.99	3,691.46
Non taxable income / tax incentives / disallowable expenses	(0.15)	117.74	(1.28)	(43.87)
Recognition of previously unrecognised temporary timing differences	0.19	(145.36)	-	-
Others (primarily includes difference in depreciation)	0.03	(24.93)	0.61	20.97
Effective tax rate	**25.24**	**(19,498.61)**	**132.49**	**4,528.88**
Provisions relating to earlier years	(0.09)	69.66	(3.20)	(109.50)
Income tax expense reported in the statement of profit and loss	**25.15**	**(19,428.95)**	**129.29**	**4,419.38**

D. Deferred tax asset, net

Movement of deferred tax assets / liabilities

Particulars	As at 1 April 2020	Recognised in profit or loss during the year	Recognised in OCI during the year	Others	As at 31 March 2021
Deferred tax assets:					
Impairment allowance	15,160.40	12,703.73	-	-	27,864.13
Application of effective interest rate method on financial assets and financial liabilities	1,887.09	(577.80)	-	-	1,309.29
Provision for compensated absences	200.13	23.00	-	-	223.13
Unabsorbed depreciation and amortisation	-	2,572.00	-	-	2,572.00
Business loss	-	2,576.37	-	-	2,576.37
Minimum alternate tax credit entitlement	-	-	-	-	-
Others (primarily other financial liability)	108.17	1.62	-	-	109.79
	17,355.79	**17,298.92**	**-**	**-**	**34,654.71**
Deferred tax liabilities:					
Property, plant and equipment	837.86	(242.59)	-	-	595.27
Loans	(170.19)	299.82	32.38	-	162.01
EIS receivable	1,881.52	(651.12)	-	-	1,230.40
Investments	(388.01)	(94.68)	-	-	(482.69)
Application of effective interest rate method on financial assets and financial liabilities	4,456.18	(1,347.63)	-	-	3,108.55
Gratuity (excess of plan assets over obligation)	8.63	0.49	66.55	-	75.67
Others (primarily other financial assets)	331.49	(163.98)	-	-	167.51
	6,957.48	**(2,199.69)**	**98.93**	**-**	**4,856.72**
Net deferred tax assets	**10,398.31**	**19,498.61**	**(98.93)**	**-**	**29,797.99**

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

10 Income tax *(contd.)*

D. Deferred tax assets,net

Particulars	As at 1 April 2019	Recognised in profit or loss during the year	Recognised in OCI during the year	Others	As at 31 March 2020
Deferred tax assets:					
Impairment allowance	19,360.03	(4,199.63)	-	-	15,160.40
Application of effective interest rate method on financial assets and financial liabilities	3,398.93	(1,511.84)	-	-	1,887.09
Provision for compensated absences	231.27	(31.14)	-	-	200.13
Unabsorbed depreciation and amortisation	-	-	-	-	-
Business loss	-	-	-	-	-
Minimum alternate tax credit entitlement	719.78	-	-	(719.78)	-
Others (primarily other financial liability)	27.86	80.31	-	-	108.17
	23,737.87	**(5,662.30)**	**-**	**(719.78)**	**17,355.79**
Deferred tax liabilities:					
Property, plant and equipment	2,038.85	(1,200.99)	-	-	837.86
Loans	(118.83)	72.47	(123.83)	-	(170.19)
EIS receivable	1,786.04	95.48	-	-	1,881.52
Investments	(322.81)	(65.20)	-	-	(388.01)
Application of effective interest rate method on financial assets and financial liabilities	5,785.53	(1,329.35)	-	-	4,456.18
Gratuity (excess of plan assets over obligation)	53.61	(11.01)	(33.97)	-	8.63
Others (primarily other financial assets)	156.31	175.18	-	-	331.49
	9,378.70	**(2,263.42)**	**(157.80)**	**-**	**6,957.48**
Net deferred tax assets	**14,359.17**	**(3,398.88)**	**157.80**	**(719.78)**	**10,398.31**

E. Unused tax losses on which deferred tax is not created

Particulars	As at 31 March 2021		As at 31 March 2020	
	Amount	Expiry on	Amount	Expiry on
Long term capital loss				
A.Y. 2016-2017	257.58	A.Y. 2024-2025	257.58	A.Y. 2024-2025
Short term capital loss				
A.Y. 2014-2015	18.18	A.Y. 2022-2023	18.18	A.Y. 2022-2023
	275.76		275.76	

A.Y. - 'Assessment Year'

F. Uncertain tax positions

Refer Note 44 on contingent liabilities and commitment relating to income tax matter under dispute.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 11: Property, plant and equipment

Particulars	Gross carrying amount				Depreciation and amortisation				Net carrying amount	
	As at 31 March 2020	Additions	Deletions / adjustments	As at 31 March 2021	As at 31 March 2020	For the year	Deletions / adjustments	As at 31 March 2021	As at 31 March 2021	As at 31 March 2020
Owned Assets^										
Land	30.26	-	-	30.26	-	-	-	-	30.26	30.26
Buildings *	1,545.08	-	-	1,545.08	114.71	38.56	-	153.27	1,391.81	1,430.37
Wind mills	5,112.34	-	-	5,112.34	1,232.30	409.84	-	1,642.14	3,470.20	3,880.04
Furniture and fixtures	1,217.90	-	325.13	892.77	493.91	179.98	307.25	366.64	526.13	723.99
Vehicles	364.01	54.58	38.30	380.29	84.49	54.69	22.05	117.13	263.16	279.52
Office equipment	3,391.38	65.10	615.33	2,841.15	1,698.54	627.04	595.14	1,730.44	1,110.71	1,692.84
Leasehold improvements	1,827.58	-	668.42	1,159.16	803.25	401.88	645.49	559.64	599.52	1,024.33
Assets under Lease										
Investment property	8.60	-	-	8.60	0.54	0.18	-	0.72	7.88	8.06
Vehicles	7,966.55	1,811.39	3,351.21	6,426.73	1,584.19	2,115.01	2,277.03	1,422.17	5,004.56	6,382.36
Total	**21,463.70**	**1,931.07**	**4,998.39**	**18,396.38**	**6,011.93**	**3,827.18**	**3,846.96**	**5,992.15**	**12,404.23**	**15,451.77**

Particulars	Gross carrying amount				Depreciation and amortisation				Net carrying amount	
	As at 1 April 2019	Additions	Deletions / adjustments	As at 31 March 2020	As at 1 April 2019	For the year	Deletions / adjustments	As at 31 March 2020	As at 31 March 2020	As at 1 April 2019
Owned Assets^										
Land	30.26	-	-	30.26	-	-	-	-	30.26	30.26
Buildings *	1,509.54	35.54	-	1,545.08	76.01	38.70	-	114.71	1,430.37	1,433.53
Wind mills	5,112.34	-	-	5,112.34	820.78	411.52	-	1,232.30	3,880.04	4,291.56
Furniture and fixtures	1,076.12	234.49	92.71	1,217.90	389.84	188.78	84.71	493.91	723.99	686.28
Vehicles	371.37	50.26	57.62	364.01	47.09	58.16	20.76	84.49	279.52	324.28
Office equipment	3,241.14	622.09	471.85	3,391.38	1,326.91	837.31	465.68	1,698.54	1,692.84	1,914.23
Leasehold improvements	1,571.30	386.80	130.52	1,827.58	580.36	343.80	120.91	803.25	1,024.33	990.94
Assets under Lease										
Investment property	8.60	-	-	8.60	0.36	0.18	-	0.54	8.06	8.24
Vehicles	7,047.79	3,516.60	2,597.84	7,966.55	930.21	2,343.70	1,689.72	1,584.19	6,382.36	6,117.58
Total	**19,968.46**	**4,845.78**	**3,350.54**	**21,463.70**	**4,171.56**	**4,222.15**	**2,381.78**	**6,011.93**	**15,451.77**	**15,796.90**

* Registration of title for 4 buildings is pending.

^ For details of movable / immovable property, plant and equipment hypothecated against borrowings, refer Note 17 & 18.

For details on contractual commitment, refer note 44

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 12: Intangible assets under development

Particulars	As at 1 April 2019	Additions	Deletions	Written off	As at 31 March 2020	Additions	Deletions	Written off	As at 31 March 2021
Intangible assets under development	94.64	1,028.76	475.28	94.64	553.48	211.35	743.54	3.14	18.15

Note 13: Other intangible assets

Description of assets	Gross carrying amount				Depreciation and amortisation				Net carrying amount	
	As at 31 March 2020	Additions	Deletions / adjustments	As at 31 March 2021	As at 31 March 2020	For the year	Deletions / adjustments	As at 31 March 2021	As at 31 March 2021	As at 31 March 2020
Intangible assets for own use										
Computer software	5,020.88	791.77	2,987.66	2,824.99	3,474.86	568.79	2,987.66	1,055.99	1,769.00	1,546.02
Total	**5,020.88**	**791.77**	**2,987.66**	**2,824.99**	**3,474.86**	**568.79**	**2,987.66**	**1,055.99**	**1,769.00**	**1,546.02**

Description of assets	Gross carrying amount				Depreciation and amortisation				Net carrying amount	
	As at 1 April 2019	Additions	Deletions / adjustments	As at 31 March 2020	As at 1 April 2019	For the year	Deletions / adjustments	As at 31 March 2020	As at 31 March 2020	As at 1 April 2019
Intangible assets for own use										
Computer software	4,391.03	629.85	-	5,020.88	1,831.60	1,643.26	-	3,474.86	1,546.02	2,559.43
Total	**4,391.03**	**629.85**	**-**	**5,020.88**	**1,831.60**	**1,643.26**	**-**	**3,474.86**	**1,546.02**	**2,559.43**

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 14: Right to use assets

Particulars	As at 31 March 2021	As at 31 March 2020
Right to use assets*	2,965.52	5,122.24
Total	**2,965.52**	**5,122.24**

* Refer Note 40 for disclosure related to leases.

Note 15: Other non-financial assets

Particulars	As at 31 March 2021	As at 31 March 2020
Other advances		
Prepaid expenses	1,554.26	2,461.22
Balances with statutory / government authorities	1,249.80	1,231.47
Gratuity* (excess of plan assets over obligation)	300.67	34.29
Capital Advances	24.30	13.95
	3,129.03	**3,740.93**

* Refer Note 39 for disclosure related to provisions for employee benefits.

Note 16: Payables

Particulars	As at 31 March 2021	As at 31 March 2020
(I) Trade Payables		
(i) total outstanding dues of micro enterprises and small enterprises*	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	8,457.50	1,966.47
(II) Other Payables		
(i) total outstanding dues of micro enterprises and small enterprises*	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	-	-
	8,457.50	**1,966.47**

* 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 2021 and 31 March 2020. 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. The same has been relied upon by auditors.

Particulars	As at 31 March 2021	As at 31 March 2020
a) Dues remaining unpaid to any supplier at the year end		
- Principal	-	-
- Interest on the above	-	-
b) Interest paid in terms of Section 16 of the MSMED Act along with the amount of payment made to the supplier beyond the appointed day during the year		
- Principal paid beyond the appointed date	-	-
- Interest paid in terms of Section 16 of the MSMED Act	-	-
c) Amount of interest due and payable for the period of delay on payments made beyond the appointed day during the year	-	-
d) Amount of interest accrued and remaining unpaid	-	-
e) Further interest due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small enterprises	-	-

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 17: Debt securities

Particulars	As at 31 March 2021	As at 31 March 2020
At Amortised Cost - Secured		
(A) Redeemable non-convertible debentures	82,593.08	64,915.80
Total (A)	**82,593.08**	**64,915.80**
(B) Debt securities in India	82,593.08	64,915.80
Total (B)	**82,593.08**	**64,915.80**

Nature of security

Debentures issued under private placement are secured by mortgage of Company's immovable property situated at Rajarhat, Kolkata in the state of West Bengal (except for 5,250 units alloted from December 2019 onwards which are only secured by hypothecated loan assets) and are also secured against designated Loans assets. The total asset cover is hundred percent or above of the principal amount of the said debentures.

Debentures issued under public issue are secured by mortgage of Company's immovable property situated at Luz Church Road, Mylapore, Chennai and are also secured against designated loan assets. The total asset cover is hundred percent or above of the principal amount of the said debentures.

Terms of maturity of secured redeemable non-convertible debentures *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
0 - 1 Years	8.20% -9.55%	-	16,562.94	-
1 - 3 Years	8.75% -10.25%	9.20% -10.25%	43,354.60	19,886.05
3 - 5 Years	9.00% -10.50%	9.00% -10.50%	22,209.58	44,565.28
> 5 Years	10.27% -10.75%	10.27% -10.75%	465.96	464.47
			82,593.08	**64,915.80**

* As per contractual tenure

Covenant breach

The impact of disruptions caused by COVID-19, additional provisions towards potential credit losses and other reasons have resulted in breach of some of the covenants related to borrowings such as interest coverage ratio, profitability, NPA ratios etc.

The Company has been regular in servicing of its borrowings and has represented to the lenders for waiver and amendment with respect to non-compliance of these covenants, wherever applicable. In most of the cases, the consequence of breach is either an increase in interest rate or review of the terms of collateral. In very few cases, there is provision for a right to recall of the facilities. The Company is confident of getting the waivers, given similar waivers having been received in past, considering Company's long track record with the lenders. Further, the Company believes its contingency refinance/ funding plan, current capital adequacy and additional capital raise of ₹345,600 lacs done on May 6, 2021 would enable the Company to tide over any impact of covenant breaches.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 18: Borrowings (other than debt securities)

Particulars	As at 31 March 2021	As at 31 March 2020
At Amortised Cost		
(A) a) Term loans - Secured		
- from banks	166,091.76	217,702.45
- from other parties	2,863.32	-
b) Loans repayable on demand - Secured		
- from banks (Cash credit facilities and working capital demand loans)	274,150.94	315,092.68
c) Other loans		
- Loan from PTC investors - Secured	192,382.10	327,062.14
Total (A)	**635,488.12**	**859,857.27**
(B) Borrowings in India	635,488.12	859,857.27
Total (B)	**635,488.12**	**859,857.27**

Nature of security

a) Term loans are secured by way of hypothecation of designated loan assets and future rentals receivable therefrom (except for Term Loan of ₹12,500 lacs availed on 30 July 2020 which is secured by way of extension of charge on security on working capital limit).

b) Loans from PTC investors represents amounts received in respect of securitisation transactions (net of repayments and investment therein) as these transactions do not meet the derecogniton criteria specified under IND AS. These are secured by way of hypothecation of designated loan assets receivables.

c) Cash Credit facilities and Working Capital Demand Loans from Banks are secured by way of hypothecation of the Company's loan assets, tangible movable assets, plant and machinery, equipment etc. and future rental income therefrom and other current assets (expressly excluding those equipment, plant, machinery, spare parts, tangible movable assets, loan assets etc. and future rental income therefrom which have been or will be purchased / financed out of any other facility from Financial Institutions, Banks or any other financial organisation). These are collaterally secured by way of equitable mortgage over immovable property at Santnagar, New Delhi.

Details of cash credit facilities and working capital demand loans

The cash credit facilities are repayable on demand and carry interest rates ranging from 8.30 % p.a. to 11.80 % p.a. (31 March 2020: from 8.70% p.a. to 11.80% p.a.). Working capital demand loans are repayable on demand and carry interest rates ranging from 6.90% p.a. to 8.80% p.a. (31 March 2020: from 7.90% p.a. to 9.90% 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. There is no unhedged foreign currency exposure as on 31 March 2021.

The Company has not defaulted in repayment of principal and interest.

Terms of repayment of term loans (secured) *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Quarterly installments				
0 - 1 Years	8.20% - 10.00%	8.75% - 10.25%	41,617.00	49,973.60
1 - 3 Years	8.20% - 10.00%	9.15% - 10.25%	69,871.92	76,973.93
3 - 5 Years	8.25% - 10.00%	9.15% - 10.00%	13,370.23	29,160.98
			124,859.15	**156,108.51**
Monthly installments				
0 - 1 Years	6.21% - 12.00%	9.05% - 12.00%	24,870.29	24,941.55
1 - 3 Years	8.90% - 12.00%	9.15% - 12.00%	19,208.87	31,216.67
3 - 5 Years	12.00%	9.80% - 12.00%	16.77	5,435.72
			44,095.93	**61,593.94**
			168,955.08	**217,702.45**

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 18: Borrowings (other than debt securities) *(contd.)*

Terms of maturity of Loan from PTC Investors *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
0 - 1 Years	6.00% - 10.71%	6.27% - 10.93%	97,853.66	133,625.26
1 - 3 Years	6.00% - 10.71%	6.27% - 10.93%	91,100.81	180,415.31
3 - 5 Years	6.00% - 8.46%	7.91% - 10.71%	3,427.63	13,021.57
			192,382.10	**327,062.14**

* As per contractual tenure

Covenant breach

The impact of disruptions caused by COVID-19, additional provisions towards potential credit losses and other reasons have resulted in breach of some of the covenants related to borrowings such as interest coverage ratio, profitability, NPA ratios etc.

The Company has been regular in servicing of its borrowings and has represented to the lenders for waiver and amendment with respect to non-compliance of these covenants, wherever applicable. In most of the cases, the consequence of breach is either an increase in interest rate or review of the terms of collateral. In very few cases, there is provision for a right to recall of the facilities. The Company is confident of getting the waivers, given similar waivers having been received in past, considering Company's long track record with the lenders. Further, the Company believes its contingency refinance/ funding plan, current capital adequacy and additional capital raise of ₹345,600 Lacs done on May 6, 2021 would enable the Company to tide over any impact of covenant breaches.

Note 19: Subordinated liabilities

Particulars	As at 31 March 2021	As at 31 March 2020
At Amortised Cost - Unsecured		
(A) Perpetual debt instruments (Tier I capital) to the extent that do not qualify as equity	7,826.83	10,288.80
Others (Tier II capital) :		
- From banks (subordinated debts)	19,910.53	19,885.50
- Redeemable subordinate debt instruments to the extent that do not qualify as equity"	45,660.17	45,510.18
Total (A)	**73,397.53**	**75,684.48**
(B) Subordinated liabilities in India	73,397.53	75,684.48
Total (B)	**73,397.53**	**75,684.48**

Terms of maturity of perpetual debt debentures (Tier I capital) *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
0 - 1 Years	-	12.50%	-	2,461.97
1 - 3 Years	12.00% -12.10%	-	4,988.33	-
3 - 5 Years	12.10%	12.00% -12.10%	681.65	4,978.52
> 5 Years	11.00% -12.10%	11.00% -12.10%	2,156.85	2,848.31
			7,826.83	**10,288.80**

Terms of maturity of redeemable subordinated debt instruments (Tier II capital) *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
0 - 1 Years	11.00% -11.45%	-	22,897.91	-
1 - 3 Years	10.30% -11.50%	10.30% -11.50%	11,881.07	28,474.78
3 - 5 Years	10.20%	10.70% -10.90%	415.47	6,111.78
> 5 Years	10.00% -10.40%	10.00% -10.40%	10,465.72	10,923.62
			45,660.17	**45,510.18**

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 19: Subordinated liabilities *(contd.)*

Terms of repayment of subordinated instruments from banks (unsecured) (Tier II capital) *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
0 - 1 Years	10.10%	-	1,640.70	-
1 - 3 Years	10.10%	11.00%	8,298.41	8,262.06
3 - 5 Years	-	11.00%	-	1,637.70
> 5 Years	12.50%	12.50%	9,971.42	9,985.74
			19,910.53	**19,885.50**

* As per contractual tenure

The Company has not defaulted in repayment of principal and interest.

Note 20: Lease liability

Particulars	As at 31 March 2021	As at 31 March 2020
Lease liability*	3,394.37	5,496.91
	3,394.37	**5,496.91**

* Refer Note 40 for disclosure related to leases.

Terms of maturity of Lease liability

Particulars	As at 31 March 2021	As at 31 March 2020
0 - 1 Years	665.47	1,170.46
1 - 3 Years	1,028.63	1,872.30
3 - 5 Years	888.90	1,244.64
> 5 Years	811.37	1,209.51
	3,394.37	**5,496.91**

Note 21: Other financial liabilities

Particulars	As at 31 March 2021	As at 31 March 2020
Interest accrued	8,115.94	8,549.08
Unpaid dividend*	29.32	34.60
Temporary book overdraft	-	1,855.80
Pending remittance on assignment	5,876.90	5,906.56
Employee expenses payable	2,767.40	3,031.15
Liability for expenses	3,245.36	3,813.19
Other payables	5,156.60	3,937.49
	25,191.52	**27,127.87**

* There has been no delay in transfer of amounts required to be transferred to Investor Education and Protection Fund.

Note 22: Current tax liabilities (net)

Particulars	As at 31 March 2021	As at 31 March 2020
Provision for tax (net of advance tax)	943.56	1,435.17
Total	**943.56**	**1,435.17**

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 23: Provisions

Particulars	As at 31 March 2021	As at 31 March 2020
Provision for employee benefits	1,030.94	932.16
Provision - others	94.00	94.00
	1,124.94	**1,026.16**

Note 24: Other non-financial liabilities

Particulars	As at 31 March 2021	As at 31 March 2020
Revenue received in advance	99.05	125.59
Advances and deposits from customers	7,647.60	5,535.32
Payable to customers	943.23	-
Statutory liabilities	712.69	817.98
	9,402.57	**6,478.89**

Note 25: Equity

Particulars	As at 31 March 2021	As at 31 March 2020
Authorised		
1,265,000,000 (31 March 2020: 1,265,000,000) Equity shares of ₹2/- each	25,300.00	25,300.00
58,300,000 (31 March 2020: 58,300,000) Preference shares of ₹100/- each	58,300.00	58,300.00
	83,600.00	**83,600.00**
Issued, subscribed and paid-up		
Equity share capital		
269,616,712 (2020: 269,515,312) Equity shares of ₹2/- each, fully paid up	5,392.33	5,390.31
	5,392.33	**5,390.31**

Reconciliation of shares outstanding at the beginning and at the end of the reporting period

Particulars	As at 31 March 2021		As at 31 March 2020	
	Number	Amount	Number	Amount
Equity shares				
At the commencement of the period	269,515,312	5,390.31	269,324,236	5,386.48
Shares issued on exercise of ESOPs during the year	101,400	2.02	191,076	3.83
Issued, subscribed and paid up share capital	**269,616,712**	**5,392.33**	**269,515,312**	**5,390.31**

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 ₹.

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.

During the year, the Company has allotted on 17 June 2020, 7 August 2020, 6 November 2020 and 4 February 2021 4,800 equity shares, 4,800 equity shares, 66,600 equity shares and 25,200 equity shares respectively of the face value of ₹2/- each to the eligible employees of the Company under Employee Stock Option Plan pursuant to SEBI (ESOS and ESPS) Guidelines, 1999, and with corresponding provision of SEBI (Share Based Employee Benefits) Regulations 2014, as amended from time to time.

During the previous year, the Company has allotted on 14 May 2019, 3 August 2019, 07 November 2019 and 30 January 2020 18,000 equity shares, 18,000 equity shares, 72,600 equity shares and 82,476 equity shares respectively of the face value of ₹2/- each to the eligible employees of the Company under Employee Stock Option Plan pursuant to SEBI (ESOS and ESPS) Guidelines, 1999, and with corresponding provision of SEBI (Share Based Employee Benefits) Regulations 2014, as amended from time to time.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 25: Equity *(contd.)*

After the end of the year, on 6 May, 2021, the Company has allotted 493,714,286 equity shares of face value of ₹2/- each to Rising Sun Holdings Private Limited (RSHPL), Mr. Sanjay Chamria and Mr. Mayank Poddar on preferential basis , aggregating to ₹345,600 lacs, including premium of ₹68/- per share under Chapter V of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended and the Companies Act, 2013 read with relevant rules thereunder and other applicable provisions. Consequent to the said allotment, the total paid-up equity share capital of the Company stands increased to 763,330,998 equity shares of ₹2/- each aggregating to ₹15,266.62 lacs. The equity shares issued and allotted as aforesaid rank pari passu with the existing equity shares of the Company in all respect. Pursuant to the said allotment and completion of the open offer, RSHPL is the largest shareholder of the Company and shall exercise control over the Company. RSHPL is classified as a 'Promoter' of the Company in accordance with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended from time to time. Consequently, going forward Magma Fincorp Limited would be a subsidiary of RSHPL and Magma Housing Finance Limited shall become a step down subsidiary of RSHPL.

On 31 May 2021, the Nomination and Remuneration Committee has allotted 1,009,649 equity shares of the face value of ₹2/- each to the eligible employees of the Company under Employee Stock Option Plan pursuant to SEBI (ESOS and ESPS) Guidelines, 1999, and with corresponding provision of SEBI (Share Based Employee Benefits) Regulations 2014, as amended from time to time. Consequent to the said allotment, the total paid-up equity share capital of the Company stands increased to 764,340,647 equity shares of ₹2/- each aggregating to ₹15,286.81 lacs. The equity shares issued and allotted as aforesaid rank pari passu with the existing equity shares of the Company in all respect.

During current and previous year, the Company did not declare any dividend

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.

Shares bought back
Company has not bought back any of its securities during the five year period immediately preceding the reporting date.

Shareholders holding more than 5% shares

Name of the shareholder	As at 31 March 2021		As at 31 March 2020	
	%	No. of shares	%	No. of shares
Equity shares				
Microfirm Capital Private Limited	12.62	34,015,928	12.62	34,015,928
Celica Developers Private Limited	10.92	29,434,455	10.92	29,434,455
True North Fund V LLP	7.49	20,189,739	10.48	28,255,524
Amansa Holdings Private Limited	7.66	20,656,242	7.66	20,656,242
Lavender Investments Limited	5.60	15,101,431	7.00	18,851,431
Nippon Life India Trustee Limited	5.30	14,285,290	-	-
Reliance Capital Trustee Company Limited	-	-	6.92	18,639,210

Note 26: Other equity

Capital redemption reserve

Capital redemption reserve is created to keep the capital intact when preference shares are redeemed or equity shares are bought back. It is utilised in accordance with the provisions of the Companies Act, 2013.

Employee share option outstanding

The Company instituted the Magma Employee Stock Option Plan (MESOP) in 2007 and Magma Restricted Stock Option Plan 2014 (MRSOP) in 2014, which were approved by the Board of Directors and the shareholders of the Company. The share option outstanding reserve is used to recognise the grant date fair value of option issued under aforesaid plans.

Refer Note 42 for further details on employee stock options.

Statutory reserve (created pursuant to Section 45-IC of the Reserve Bank of India Act, 1934)

Statutory reserve represents the Reserve Fund created under section 45-IC of the Reserve Bank of India Act, 1934. Under section 45-IC, the Company is required to transfer a sum not less than twenty percent of its net profit for the financial year to the statutory reserve. The statutory reserve can be utilised for the purposes as may be specified by the Reserve Bank of India from time to time.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 26: Other equity *(contd.)*

Securities premium reserve

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

Capital reserve

Capital reserve has been created to set aside gains of capital nature from amalgamation and merger. It is utilised in accordance with the provisions of the Companies Act, 2013.

Debt instruments through other comprehensive income

This comprises changes in the fair value of debt instruments recognised in other comprehensive income and accumulated within equity. The group transfers amounts from such component of equity to retained earnings when the relevant debt instruments are derecognised.

Retained earnings

Retained earnings represents total of all profits retained since Company's inception. Retained earnings are credited with current year profits, reduced by losses, if any, dividend payouts, transfers to General reserve or any such other appropriations to specific reserves. It also includes impact of remeasurement of defined benefit plans.

Note 27: Interest Income

Particulars	Year ended 31 March 2021		Year ended 31 March 2020	
	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost
Interest on loans	34,555.16	138,454.60	40,496.70	157,513.83
Interest on deposits with banks	-	2,481.70	-	3,153.41
Other interest income				
- On loans and margins	-	115.52	-	1,029.25
- On security deposit	-	91.30	-	87.47
	34,555.16	**141,143.12**	**40,496.70**	**161,783.96**
Total		**175,698.28**		**202,280.66**

Note 28: Rental Income

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Income from lease rentals		
- On operating lease assets	2,964.77	3,669.37
- On investment property	2.54	2.54
Total	**2,967.31**	**3,671.91**

Note 29: Fees and Commission Income

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Collection and support services	1,292.38	1,870.95
Foreclosure charges	2,219.17	3,036.12
Insurance commission	1,045.77	1,449.36
Others (cheque bouncing charges, valuation charges, etc)	1,493.15	1,083.73
Total	**6,050.47**	**7,440.16**

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 30: Net gain / (loss) on fair value changes*

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
(A) Others		
- On other financial assets	156.90	(236.53)
Total Net gain / (loss) on fair value changes (A)	**156.90**	**(236.53)**
(B) Fair Value changes:		
Realised	-	-
Unrealised	156.90	(236.53)
Total Net gain / (loss) on fair value changes (B)	**156.90**	**(236.53)**

*Fair value changes in this schedule are other than those arising on account of interest income/expense.

Note 31: Net gain on derecognition of financial instruments

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Income from derecognition on account of direct assignment transactions	-	4,361.83
Total	**-**	**4,361.83**

Note 32: Other Income

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Sale of power	845.16	1,014.57
Net gain on derecognition of property, plant and equipment	-	3.26
Miscellaneous income (includes reversal of excess managerial remuneration of ₹317.85 lacs pertaining to last year, refer note 43 for related party disclosure)	1,966.98	3,131.01
Total	**2,812.14**	**4,148.84**

Note 33: Finance cost

Particulars	Year ended 31 March 2021 On Financial liabilities measured at Amortised Cost	Year ended 31 March 2020 On Financial liabilities measured at Amortised Cost
Interest on security deposits	64.98	58.02
Interest on borrowings	68,400.91	92,454.98
Interest on debt securities	7,074.81	5,681.55
Interest on subordinated liabilities	8,738.11	10,720.13
Other interest expense *	262.63	652.46
Other borrowing costs (Includes non EIR borrowing expenses)	2,918.12	2,829.96
	87,459.56	112,397.10

* Refer Note 40 for disclosure related to leases.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 34: Impairment on financial instruments

Particulars	Year ended 31 March 2021		Year ended 31 March 2020	
	On Financial instruments measured at fair value through OCI	On Financial instruments measured at Amortised Cost	On Financial instruments measured at fair value through OCI	On Financial instruments measured at Amortised Cost
Loans	5,408.58	43,348.82	(1,710.06)	6,617.54
Other assets	-	353.12	-	190.14
Bad debts written-off (net of recoveries) (includes gain on sale of written-off assets ₹2,097 lacs). Refer Note 53 (d)(5) *	18,686.10	64,066.01	9,273.83	32,033.26
	24,094.68	**107,767.95**	**7,563.77**	**38,840.94**
Total		**131,862.63**		**46,404.71**

* Includes bad debts written off on other financial assets of ₹184.68 lacs

Note 35: Employee benefits expenses * ^

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Salaries and wages	27,640.30	34,227.63
Contribution to provident and other funds	1,959.01	1,842.78
Share based payments to employees	308.04	141.38
Staff welfare expenses	691.93	1,196.94
Total	**30,599.28**	**37,408.73**

* Refer Note 43 for related party disclosure

^ Refer Note 39 for disclosure related to provisions for employee benefits.

Note 36: Depreciation, amortisation and impairment

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Depreciation on property, plant and equipment	3,827.00	4,221.97
Depreciation on investment property	0.18	0.18
Depreciation on right to use assets	819.47	1,298.73
Amortisation of intangible asset	568.79	1,643.26
Total	**5,215.44**	**7,164.14**

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 37: Others expenses

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Rent	160.24	191.68
Rates and taxes	70.95	766.75
Net loss on derecognition of property, plant and equipment	24.29	-
Electricity charges	385.49	661.20
Repairs and maintenance		
- Machinery	203.00	242.75
- Others	1,663.27	2,025.25
Communication expenses	503.59	856.24
Printing and stationery	239.94	401.73
Advertisement and publicity	240.60	379.07
Directors		
- Fees	142.51	73.87
- Commission	-	15.96
Legal charges	506.44	913.65
Professional fees*	1,062.92	2,005.66
Insurance	81.87	125.72
Travelling and conveyance	503.91	1,993.85
CSR expenditure**	1,159.81	226.45
Outsource collection charges	1,019.61	1,169.09
Intangible assets under development written off	3.14	94.64
Credit guarantee fees	1,596.45	1,983.61
Miscellaneous expenses	245.19	746.72
Total	**9,813.22**	**14,873.89**

Refer Note 43 for related party disclosure

*** Payments to auditors**

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Statutory audit	55.00	55.00
Limited review of quarterly results	30.00	30.00
Other services	12.63	60.38
Reimbursement of expenses	5.73	18.53
Total	**103.36**	**163.90**

**** Details of corporate social responsibility expenditure**

A CSR committee has been formed by the Company as per the Companies Act, 2013. CSR expenses have been incurred through out the year on the activities as specified in Schedule VII of the said Act. The focus area of CSR initiatives undertaken by the Company are education, health and environment. The Company incurs CSR expenses directly or through trust Magma Foundation.

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
(a) Amount required to be spent by the Company during the year	447.39	447.50
(b) Amount spent during the year		
(i) Construction/ acquisition of any asset	-	-
(ii) On purposes other than (i) above	1,159.81	226.45

Note: As per Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, the Company has since transferred a sum of ₹476.76 lacs to Magma Fincorp Limited-Unspent Corporate Social Responsibility Bank account with ICICI Account No.: 000605035547, being the amount related to continuing CSR projects. Company has also created liability of the same amount.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 38: Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Particulars	As at 31 March 2021			As at 31 March 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	26,509.45	-	26,509.45	20,485.66	-	20,485.66
Bank balance other than cash and cash equivalents	33,171.95	1,560.79	34,732.74	37,770.83	6,579.95	44,350.78
Receivables	1,291.57	-	1,291.57	991.41	-	991.41
Loans	349,216.24	507,315.13	856,531.37	401,276.28	716,215.02	1,117,491.30
Investments	-	42,892.20	42,892.20	-	40,242.16	40,242.16
Other financial assets	9,268.56	4,148.27	13,416.83	19,572.75	6,032.90	25,605.65
Total financial assets	**419,457.78**	**555,916.38**	**975,374.16**	**480,096.93**	**769,070.03**	**1,249,166.96**
Non-Financial assets						
Current tax assets (net)	-	8,741.52	8,741.52	-	9,540.56	9,540.56
Deferred tax assets (net)	-	29,797.99	29,797.99	-	10,398.31	10,398.31
Property, plant and equipment	-	12,404.23	12,404.23	-	15,451.77	15,451.77
Intangible assets under development	-	18.15	18.15	-	553.48	553.48
Other intangible assets	-	1,769.00	1,769.00	-	1,546.02	1,546.02
Right to use assets	747.14	2,218.38	2,965.52	1,352.37	3,769.87	5,122.24
Other non-financial assets	2,722.48	406.55	3,129.03	3,545.18	195.75	3,740.93
Total Non-financial assets	**3,469.62**	**55,355.82**	**58,825.44**	**4,897.55**	**41,455.76**	**46,353.31**
Total assets	**422,927.40**	**611,272.20**	**1,034,199.60**	**484,994.48**	**810,525.79**	**1,295,520.27**
LIABILITIES						
Financial liabilities						
Payables	8,457.50	-	8,457.50	1,966.47	-	1,966.47
Debt securities	16,562.94	66,030.14	82,593.08	-	64,915.80	64,915.80
Borrowings (other than debt securities)	438,491.89	196,996.23	635,488.12	523,633.09	336,224.18	8,59,857.27
Subordinated liabilities	24,538.61	48,858.92	73,397.53	2,461.97	73,222.51	75,684.48
Lease liability	665.47	2,728.90	3,394.37	1,170.46	4,326.45	5,496.91
Other financial liabilities	25,191.52	-	25,191.52	27,127.87	-	27,127.87
Total financial liabilities	**513,907.93**	**314,614.19**	**828,522.12**	**556,359.86**	**478,688.94**	**1,035,048.80**
Non-Financial liabilities						
Current tax liabilities (net)	943.56	-	943.56	1,435.17	-	1,435.17
Provisions	38.67	1,086.27	1,124.94	26.16	1,000.00	1,026.16
Other non-financial liabilities	9,352.48	50.09	9,402.57	6,406.54	72.35	6,478.89
Total Non-financial liabilities	**10,334.71**	**1,136.36**	**11,471.07**	**7,867.87**	**1,072.35**	**8,940.22**
Total Liabilities	**524,242.64**	**315,750.55**	**839,993.19**	**564,227.73**	**479,761.29**	**1,043,989.02**

Note 39: Employee benefits

The Company operates the following post-employment plans -

i. **Defined contribution plan**

The contribution made to various statutory funds is recognised as expenses and included in Note 35 'Employee benefits expense' under 'Contribution to provident and other funds' in Statement of Profit and Loss. The detail is as follows :

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Provident and Other Funds	1,642.93	1,510.76

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 39: Employee benefits *(contd.)*

ii. Defined benefit plan

Gratuity

The Company has a defined benefit gratuity plan in India, governed by the Payment of Gratuity Act, 1972. This plan entitles an employee, who has rendered at least five years of continuous service, to gratuity at the rate of fifteen days wages for every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned. The scheme is fully funded with Life Insurance Corporation of India (LIC). This defined benefit plan expose the Company to actuarial risks, such as regulatory risk, credit risk, liquidity risk, etc as defined below.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at 31 March 2021. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity plan and the amounts recognised in the Company's financial statements as at balance sheet date:

Particulars	As at 31 March 2021	As at 31 March 2020
Net defined benefit asset/(liability)	300.67	34.29

A. Funding

The scheme is fully funded with Life Insurance Corporation of India (LIC). The funding requirements are based on the gratuity fund's actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out in Section E below.

Expected contributions to gratuity plan for the year ending 31 March 2022 is ₹31.53 lacs.

B. Reconciliation of the net defined benefit (asset) / liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset)/liability and its components:

Particulars	Year ended 31 March 2021			Year ended 31 March 2020		
	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability
Balance at the beginning of the year	2,481.38	2,515.67	(34.29)	2,047.71	2,201.13	(153.42)
Included in profit or loss						
Current service cost	328.88	-	328.88	364.04	-	364.04
Interest cost (income)	153.99	(166.79)	(12.80)	144.33	(176.35)	(32.02)
	482.87	**(166.79)**	**316.08**	**508.37**	**(176.35)**	**332.02**
Included in other comprehensive income						
Remeasurements loss (gain)						
– Actuarial loss (gain) arising from:						
- demographic assumptions	-	-	-	(1.20)	-	(1.20)
- financial assumptions	(76.27)	-	(76.27)	255.01	-	255.01
- experience adjustment	(188.16)	-	(188.16)	(31.14)	-	(31.14)
– on plan assets	-	-	-	-	100.26	100.26
	(264.43)	**-**	**(264.43)**	**222.67**	**100.26**	**322.93**
Other						
Contributions paid by the employer	-	318.03	(318.03)	-	535.82	(535.82)
Benefits paid	(310.36)	(310.36)	-	(297.37)	(297.37)	-
	(310.36)	**7.67**	**(318.03)**	**(297.37)**	**238.45**	**(535.82)**
Balance at the end of the year	**2,389.46**	**2,690.13**	**(300.67)**	**2,481.38**	**2,515.67**	**(34.29)**

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 39: Employee benefits *(contd.)*

C. Plan assets

Particulars	As at 31 March 2021	As at 31 March 2020
Investment with Life insurance Corporation	100%	100%

On an annual basis, an asset-liability matching is done whereby the Company contributes the net increase in the actuarial liability to the plan manager (insurer) in order to manage the liability risk.

D. Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

Particulars	As at 31 March 2021	As at 31 March 2020
Discount rate	6.90%	6.62%
Future salary growth	5.00%	5.00%
Withdrawal rate:		
Upto 40 years	4.20%	4.20%
40 years and above	Nil	Nil
Early retirement and disability:		
40-54 years	1.80%	1.80%
55-57 years	2.20%	2.20%
Expected rate of return on plan assets	6.62%	7.60%
Mortality	IALM (2012-14)	IALM (2012-14)

E. Sensitivity analysis of significant assumptions

The following table present a sensitivity analysis to one of the relevant actuarial assumption, holding other assumptions constant, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

Particulars	As at 31 March 2021		As at 31 March 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% movement)	2,324.26	2,457.39	2,411.84	2,553.92
Future salary growth (0.5% movement)	2,530.12	2,258.85	2,631.28	2,342.51
Withdrawal rate (2% movement)	2,389.60	2,389.31	2,481.50	2,481.25
Mortality rate (1% movement)	2,389.60	2,389.31	2,481.50	2,481.25

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

F. Expected maturity analysis of the defined benefit plans in future years

Particulars	As at 31 March 2021	As at 31 March 2020
1 year	104.45	161.48
Between 2-5 years	461.56	460.34
Between 6-10 years	901.43	829.86
Over 10 years	4,551.45	4,701.30
Total	**6,018.89**	**6,152.98**

As at 31 March 2021, the weighted-average duration of the defined benefit obligation was 12.93 years (31 March 2020: 13.14 years).

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 39: Employee benefits *(contd.)*

G. Description of risk exposures

Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such company is exposed to various risks as follow -

Credit Risk: If the scheme is insured and fully funded on Projected Unit Credit ('PUC') basis there is a credit risk to the extent the insurer(s) is/ are unable to discharge their obligations including failure to discharge in timely manner.

Pay-as-you-go Risk: For unfunded schemes financial planning could be difficult as the benefits payable will directly affect the revenue and this could be widely fluctuating from year to year. Moreover there may be an opportunity cost of better investment returns affecting adversely the cost of the scheme.

Discount Rate risk: The Company is exposed to the risk of fall in discount rate. A fall in discount rate will eventually increase in the ultimate cost of providing the above benefit thereby increasing the value of the liability.

Liquidity Risk: This risk arises from the short term asset and liability cash-flow mismatch thereby causing the company being unable to pay the benefits as they fall due in the short term. Such a situation could be the result of holding large illiquid assets disregarding the results of cash-flow projections and cash outgo inflow mismatch. (Or it could be due to insufficient assets/cash).

Future Salary Increase Risk: The Scheme cost is very sensitive to the assumed future salary escalation rates for all final salary defined benefit Schemes. If actual future salary escalations are higher than that assumed in the valuation actual Scheme cost and hence the value of the liability will be higher than that estimated.

Demographic Risk: In the valuation of the liability certain demographic (mortality and attrition rates) assumptions are made. The Company is exposed to this risk to the extent of actual experience eventually being worse compared to the assumptions thereby causing an increase in the scheme cost.

Regulatory Risk: Gratuity Benefit must comply with the requirements of the Payment of Gratuity Act, 1972 (as amended up-to-date). There is a risk of change in the regulations requiring higher gratuity payments (e.g. raising accrual rate from 15/26 etc.)

iii. Other long-term benefits

The Company provides compensated absences benefits to the employees of the Company which can be carried forward to future years. Amount recognised in the Statement of profit and loss for compensated absences is as under-

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Amount recognised in statement of profit and loss		
Compensated absences	349.02	390.11

Note 40: Leases

The Company has adopted Ind AS 116 effective 01 April 2019, using the modified retrospective method. The Company has applied the Accounting Standard to its leases with the cumulative impact recognised on the date of initial application ie 01 April 2019. This has resulted in recognizing a right-of-use asset and a corresponding lease liability. The effect of the adoption is not significant to the profit for the period.

A. Lease in the capacity of Lessee

a) Nature : Leases considered here are taken for offices use, guesthouse and godown

b)

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Amount recognised in statement of profit or loss		
1) Depreciation on right to use assets (gross)	1,042.63	1,502.96
2) Interest expense on lease liability	251.71	642.39
3) Rent paid for leases which are not considered under IND AS 116	75.90	109.79
4) Income from Subletting right of use assets	-	-
Other disclosures		
5) Total cash outflow for leases	1,240.15	1,770.69
6) Additions to right to use assets	782.13	7,239.36
7) Carrying amount of right to use assets (refer note 14)	2,965.52	5,122.24

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 40: Leases *(contd.)*

	Particulars	Year ended 31 March 2021	Year ended 31 March 2020
c)	Bifurcation of rent paid during the year		
	- Principal	988.44	1,128.30
	- Interest	251.71	642.39

B. Lease in the capacity of Lessor

a) Nature : Operating and finanace lease of Vehicles primarily to Corporate clients

b) Company manages the risk associated with any rights it retains in underlying assets as per the terms of the respective lease contracts. There is a dedicated team which manages this portfolio.

c) Future lease payments

At year end, the future lease receivables under finance leases are as follows:

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
1st Year	8,756.41	9,138.60
2nd Year	6,340.38	7,287.45
3rd Year	3,763.46	4,644.15
4th Year	1,354.74	1,997.71
5th Year	320.56	381.89
More than 5 year	1.90	-

At year end, the future lease receivables under operating leases are as follows:

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
1st Year	2,914.00	3,477.21
2nd Year	1,978.80	2,535.97
3rd Year	956.08	1,494.37
4th Year	394.32	512.73
5th Year	117.22	160.63
More than 5 year	-	-

d) Reconciliation - Finance lease

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Net investment in lease (carrying amount of Finance lease)	17,104.06	19,285.19
Unearned finance income	3,433.39	4,164.61
Total lease payments	**20,537.45**	**23,449.80**

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 41: Earnings per share (EPS)

Particulars	Units	Year ended 31 March 2021	Year ended 31 March 2020
a) (i) Weighted average number of equity shares for basic EPS	Nos	269,552,784	269,394,955
(ii) Effect of potential ordinary equity shares on employee stock options	Nos	1,473,054	630,817
(iii) Weighted average number of equity shares for diluted EPS	Nos	271,025,838	270,025,772
b) Net profit/ (loss) after tax	₹ in Lacs	(57,836.08)	(1,001.08)
c) (i) Net (profit/ (loss) for equity shareholders for basic EPS	₹ in Lacs	(57,836.08)	(1,001.08)
(ii) Net profit/ (loss) for equity shareholders for diluted EPS	₹ in Lacs	(57,836.08)	(1,001.08)
d) (i) Earnings per share (Face value of ₹2/- per share) – basic	₹	(21.46)	(0.37)
(ii) Earnings per share (Face value of ₹2/- per share) – diluted	₹	(21.46)	(0.37)

Note 42: Share-based payments

A Description of share-based payment arrangements

The company instituted the Magma Employee Stock Option Plan (MESOP) in 2007 and Magma Restricted Stock Option Plan 2014 (MRSOP) in 2014, which were approved by the Board of Directors and the shareholders of the Company.

MESOP, 2007

Under MESOP 2007, the Company provided for the creation and issue of 1,000,000 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 and are exercisable within 3/4 years from the date of vesting. Following the sub-division of one equity share of the face value of ₹10/- each into five equity shares of the face value of ₹2/- each during the financial year ended 31 March 2011, the number of options increased from 1,000,000 to 5,000,000.

During the year, the Nomination and Remuneration Committee of the Board of Directors has granted 92,000 options (31 March 2020: 1,103,711 options) under MESOP 2007 to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹2/- each).

MRSOP, 2014

Under MRSOP 2014, the Company provided for the creation and issue of 5,000,000 options, that would eventually convert into equity shares of ₹2/- each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of the Nomination and Remuneration Committee of the Board of Directors and at the exercise price of the face value of ₹2/- each. The options generally will vest in a graded manner and are exercisable within 3 years from the date of vesting.

During the year, the Nomination and Remuneration Committee of the Board of Directors has granted 1,280,515 options (31 March 2020: Nil) under MRSOP 2014 to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹2/- each).

B Measurement of Fair values

The fair value of employee share options has been measured using Black-Scholes model. The weighted average fair value of each option of Magma Fincorp Limited was ₹46.28 (31 March 2020: ₹58.93).

The fair value of the options and the inputs used in the measurement of the grant-date fair values of the equity-settled share based payment plans are as follows:

Particulars	Units	31 March 2021	31 March 2020
Fair value at grant date	₹	14.41 - 146.98	14.41 - 146.98
Share price at grant date	₹	39.45 - 151.50	39.45 - 151.50
Exercise price	₹	2.00 - 120.00	2.00 - 120.00
Expected volatility (weighted average volatility)	%	39.83 - 53.05	39.83 - 49.99
Expected life (expected weighted average life)	years	2.38 - 5.21	2.38 - 5.21
Expected dividends	%	0.53 - 2.03	0.53 - 2.03
Risk-free interest rate (based on government bonds)	%	4.60 - 8.06	5.98 - 8.06

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 42: Share-based payments *(contd.)*

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behavior.

During the previous year, the Nomination and Remuneration Committee of the Board of Directors through Resolution by circulation passed on 19 November 2019 has approved the change in the method of pricing of options. Some unexercised or unvested options granted earlier under the MESOP Plan 2007 have been repriced at market price as on the date of such change, i.e. ₹39.45/- for each option.

The incremental fair value due to modification of the exercise price ranges from ₹10.02 to ₹13.88.

The fair value of the options and the inputs used in the measurement of the fair values as on the date of modification are as follows:

Particulars	Units	31 March 2020
Fair value	₹	10.02 - 13.88
Share price at grant date	₹	39.45
Exercise price	₹	39.45
Expected volatility (weighted average volatility)	%	43.94 - 46.05
Expected life (expected weighted average life)	years	1.92 - 3.90
Expected dividends	%	2.03
Risk-free interest rate (based on government bonds)	%	5.47 - 5.88

C Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under the share option plans were as follows:

MESOP, 2007

Particulars	Year ended 31 March 2021		Year ended 31 March 2020	
	Number of share options	Wtd. Avg. price	Number of share options	Wtd. Avg. price
Outstanding options at the beginning of the year	**2,204,088**	**72.61**	**1,895,310**	**91.03**
Add: Granted during the year	92,000	2.00	1,103,711	35.99
Less: Exercised during the year	101,400	2.00	191,076	13.46
Less: Lapsed/forfeited during the year	69,731	34.88	603,857	82.21
Outstanding options at the end of the year	**2,124,957**	**74.16**	**2,204,088**	**72.61**
Options vested and exercisable at the end of the year	1,107,867	36.31	531,056	37.58

The options outstanding at 31 March 2021 have an exercise price in the range of ₹2 to ₹60 (31 March 2020: ₹2 to ₹60) and a weighted average remaining contractual life of 1.2 years (31 March 2020: 1.5 years).

The weighted average share price at the date of exercise for share options exercised in 2020-21 was ₹36.69 (2019-20: ₹68.44).

MRSOP 2014

Particulars	Year ended 31 March 2021		Year ended 31 March 2020	
	Number of share options	Wtd. Avg. price	Number of share options	Wtd. Avg. price
Outstanding options at the beginning of the year	**300,000**	**100.00**	**600,000**	**100.00**
Add: Granted during the year	1,280,515	38.21	-	-
Less: Lapsed/forfeited during the year	-	-	300,000	100.00
Outstanding options at the end of the year	**1,580,515**	**49.94**	**300,000**	**100.00**
Options vested and exercisable at the end of the year	-	-	-	-

The options outstanding at 31 March 2021 have an exercise price in the range of ₹38.21 to ₹100 (31 March 2020: ₹100) and a weighted average remaining contractual life of 1.61 years (31 March 2020: 1.56 years).

No options were exercised during the year FY 20-21 and FY 19-20.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 42: Share-based payments *(contd.)*

D Equity shares reserved for issue under options

Particulars	No. of options granted	Exercise price (₹)	Year ended 31 March 2021		Year ended 31 March 2020	
			No. of options	Amount	No. of options	Amount
Under MESOP 2007:						
Tranche VI	50,000	60.00	10,000	0.20	20,000	0.40
Tranche XIII	225,000	100.00	-	-	-	-
Tranche XIV	90,000	120.00	-	-	-	-
Tranche XV	75,000	120.00	-	-	-	-
Tranche XVI A	726,083	39.45	400,411	8.01	400,411	8.01
Tranche XVI B	322,000	2.00	56,400	1.13	158,000	3.16
Tranche XVII	8,000	2.00	2,800	0.06	2,800	0.06
Tranche XVIII	6,000	2.00	-	-	2,400	0.05
Tranche XIX	60,000	39.45	60,000	1.20	60,000	1.20
Tranche XX	30,000	39.45	30,000	0.60	30,000	0.60
Tranche XXI	100,000	39.45	100,000	2.00	100,000	2.00
Tranche XXII	44,000	2.00	25,600	0.51	31,000	0.62
Tranche XXIII	9,000	39.45	9,000	0.18	9,000	0.18
Tranche XXIV A	125,000	39.45	125,000	2.50	125,000	2.50
Tranche XXIV B	175,000	39.45	175,000	3.50	175,000	3.50
Tranche XXV	1,001,711	39.45	942,746	18.85	988,477	19.77
Tranche XXVI	102,000	2.00	96,000	1.92	102,000	2.04
Tranche XXVII	92,000	2.00	92,000	1.84	-	-
Under MRSOP 2014:						
Tranche I (D)	300,000	100.00	300,000	6.00	300,000	6.00
Tranche II	1,263,495	38.21	1,263,495	25.27	-	-
Tranche II (A)	17,020	38.21	17,020	0.34	-	-

Note 43: Related parties

(i) Name of related parties and description of relationship:

A

Names of the Related parties where control exists	Nature of Relationship
Magma Housing Finance Limited	Subsidiary Company

B

Joint Venture	
Magma HDI General Insurance Company Limited	
Jaguar Advisory Services Private Limited	

C

Key Managerial Personnel ('KMP')	Nature of Relationship
Mr. Mayank Poddar	Chairman Emeritus and Whole Time Director (upto 07 November 2020)
Mr. Sanjay Chamria	Vice Chairman and Managing Director
Mr. Kailash Baheti	Chief Financial Officer
Mrs. Shabnum Zaman	Company Secretary

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 43: Related parties *(contd.)*

	Directors	Nature of Relationship
D	Mr. Narayan K Seshadri	Chairman and Independent Director (upto 31 August 2020)
	Mr. Mayank Poddar	Non Executive Director (w.e.f. 8 November 2020)
	Mr. Satyabrata Ganguly	Independent Director (upto 24 September 2019)
	Ms. Madhumita Dutta-Sen	Director (Upto 15 May 2019)
	Mr. V K Viswanathan	Independent Director (Upto 8 February 2021)
	Mrs. Vijayalakshmi R Iyer	Independent Director (w.e.f. 31 January 2019)
	Mr. Sunil Rewachand Chandiramani	Independent Director (w.e.f. 10 December 2019)
	Mr. Bontha Prasada Rao	Independent Director (w.e.f. 10 December 2019)

	Private Company in which KMP/Director or his relative is Member or Director	
E	Celica Developers Private Limited	
	Microfirm Capital Private Limited	
	Magma Consumer Finance Private Limited	

	Relatives of Directors / KMP	
F	Harshvardhan Chamria	
	Mayank Poddar H U F	
	Kalpana Poddar	
	Ashita Poddar	
	Bimla Devi Baheti	
	Shashi Baheti	
	Apoorva Baheti	
	Ankita Baheti	
	Kailash Baheti HUF	
	Mansi Poddar	
	Shaili Poddar	
	Adarsh Tulshan	
	Sanjay Chamria (HUF)	
	Banwarilal Chamria and Others (HUF)	

(ii) Related party transactions during the year and balance receivable from and payable to related parties as at the balance sheet date:

Name of related party	Nature of transaction	Transaction value for the year ended 31 March 2021	Outstanding amount as at 31 March 2021	Transaction value for the year ended 31 March 2020	Outstanding amount as at 31 March 2020
A) Subsidiary					
Magma Housing Finance Limited	Cost allocation made*	1,262.39	-	1,163.50	-
	Investment in equity shares	-	31,970.94	10,000.00	31,970.94
	Long-term loans and advances given	-	-	57,000.00	-
	Refund of long-term loans and advances given	-	-	57,000.00	-
	Direct assignment purchase	-	-	22,946.51	-
	Direct assignment servicing fees paid	34.51	2.26	36.67	2.72
	Interest income	-	-	683.87	-

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 43: Related parties *(contd.)*

Name of related party	Nature of transaction	Transaction value for the year ended 31 March 2021	Outstanding amount as at 31 March 2021	Transaction value for the year ended 31 March 2020	Outstanding amount as at 31 March 2020
B) Joint venture					
1 Magma HDI General Insurance Company Limited	Investment in equity shares	-	10,917.91	-	8,267.87
	Share Application money paid **	-	-	2,650.04	2,650.04
	Short-term loans and advances given	13,358.16	431.99	19,973.13	833.90
	Refund / adjustment of short-term loans and advances given	13,760.07	-	19,987.62	-
	Claims received	5.92	-	1.66	-
	Insurance commission income	1,234.54	68.27	1,710.10	67.82
	Insurance premium paid	118.22	-	11.91	-
	Subscription to public issue of NCD	-	7,500.00	7,500.00	7,500.00
	Interest accrued but not due on NCD	787.29	711.99	712.19	712.19
	Interest Paid on NCD	787.50	-	-	-
2 Jaguar Advisory Services Private Limited	Investment in equity shares	-	2.20	-	2.20
C) Private Company in which director is member or director					
1 Celica Developers Private Limited	Security Deposit refund ***	-	-	163.05	-
	Equity dividend paid	-	-	235.48	-
2 Magma Consumer Finance Private Limited	Subscription to public issue of NCD	-	8.68	-	-
	Interest accrued but not due on NCD	-	0.72	-	-
	Interest Paid on NCD	0.27	-	-	-
	Equity dividend paid	-	-	14.56	-
3 Microfirm Capital Private Limited	Equity dividend paid	-	-	272.13	-
D) Key Managerial Personnel					
1 Mr. Mayank Poddar	Director's remuneration	112.71	-	168.40	-
	Refund received of earlier year Remuneration #	136.27	-	-	-
	Mediclaim premium paid recoverable # #	0.08	-	-	-
2 Mr. Sanjay Chamria	Director's remuneration	224.40	-	224.40	-
	Refund received of earlier year Remuneration #	181.58	-	-	-
	Mediclaim premium paid recoverable # #	0.08	-	-	-
3 Mr. Kailash Baheti	Salary	217.25	-	213.18	-
	Subscription to public issue of NCD	-	10.00	10.00	10.00
	Interest accrued but not due on NCD	0.98	1.86	0.89	0.89
	Mediclaim premium paid recoverable # #	0.08	-	-	-
	Equity dividend paid	-	-	0.40	-
4 Mrs. Shabnum Zaman	Salary	27.42	-	27.55	-
	Mediclaim premium paid recoverable # #	0.06	-	-	-
E) Directors					
1 Mr. Narayan K Seshadri	Sitting fees	15.00	-	18.00	-
2 Mr. Mayank Poddar	Sitting fees	8.00	-	-	-
3 Mr. Satya Brata Ganguly	Sitting fees	-	-	8.80	-
4 Mr. V K Viswanathan	Sitting fees	27.00	-	18.00	-
	Equity dividend paid	-	-	0.01	-
5 Mrs. Madhumita Dutta-Sen	Sitting fees	-	-	1.00	-
6 Mr. Sunil Rewachand Chandiramani	Sitting fees	32.10	-	3.30	-
7 Mrs. Vijayalakshmi R Iyer	Sitting fees	32.10	-	19.00	-
8 Mr. Bontha Prasada Rao	Sitting fees	16.20	-	-	-

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 43: Related parties *(contd.)*

Name of related party	Nature of transaction	Transaction value for the year ended 31 March 2021	Outstanding amount as at 31 March 2021	Transaction value for the year ended 31 March 2020	Outstanding amount as at 31 March 2020
F) Other related parties					
1 Mr. Harshvardhan Chamria	Salary	118.46	-	118.05	-
	Mediclaim premium paid recoverable # #	0.08	-	-	-
2 Mayank Poddar H U F	Rent expense	11.19	-	11.19	-
	Advances given / Prepaid Rent ***	-	4.64	4.73	4.69
3 Kalpana Poddar	Rent expense	22.38	-	22.38	-
	Advances given / Prepaid Rent ***	-	9.29	9.47	9.38
	Equity dividend paid	-	-	0.44	-
4 Ashita Poddar	Rent expense	11.19	-	11.19	-
	Advances given / Prepaid Rent ***	-	4.64	4.73	4.69
	Equity dividend paid	-	-	0.13	-
5 Bimla Devi Baheti	Subscription to public issue of NCD	-	10.00	10.00	10.00
	Interest accrued but not due on NCD	0.98	1.86	0.89	0.89
6 Shashi Baheti	Subscription to public issue of NCD	-	10.00	10.00	10.00
	Interest accrued but not due on NCD	0.98	1.86	0.89	0.89
7 Apoorva Baheti	Subscription to public issue of NCD	-	10.00	10.00	10.00
	Interest accrued but not due on NCD	0.98	1.86	0.89	0.89
8 Ankita Baheti	Subscription to public issue of NCD	-	10.00	10.00	10.00
	Interest accrued but not due on NCD	0.98	1.86	0.89	0.89
9 Kailash baheti HUF	Subscription to public issue of NCD	-	10.00	10.00	10.00
	Interest accrued but not due on NCD	0.98	1.86	0.89	0.89
10 Mansi Poddar	Equity dividend paid	-	-	2.28	-
11 Shaili Poddar	Equity dividend paid	-	-	1.00	-
12 Adarsh Tulshan	Equity dividend paid	-	-	0.04	-
13 Sanjay Chamria (HUF)	Subscription to public issue of NCD	-	25.00	25.00	25.00
	Interest accrued but not due on NCD	2.56	2.32	2.32	2.32
	Interest Paid on NCD	2.56	-	-	-
14 Banwarilal Chamria and Others(HUF)	Subscription to public issue of NCD	-	25.00	25.00	25.00
	Interest accrued but not due on NCD	2.56	2.32	2.32	2.32
	Interest Paid on NCD	2.56	-	-	-

Related parties identified includes related parties as per section 2(76) of the Companies Act, 2013.

* represents expenses recovered towards infrastructural support, operational assistance and other services.

** The equity shares were alloted on 28 April 2020 by Magma HDI.

*** includes the impact of fair valuation of security deposits.

The remuneration paid to KMP for the Financial Year 2019-20 had exceeded the limit specified under Regulation 17(6) (e) of the SEBI regulations. Since, resolution for payment of excess remuneration was not passed with requisite majority, the same has been reversed by the Company during the quarter ended 30 September 2020.The KMP has repaid the outstanding amount in 3rd quarter of FY 21 net of adjustment of TDS.

Mediclaim Paid includes recoverable portion of Top up Insurance with MHDI.

Note :

Pursuant to loss due to additional provision for COVID-19,the existing managerial remuneration paid by the Company to its Whole Time Director (upto 7 November 2020) and the Vice Chairman and Managing Director of the Company for the financial year ended 31 March 2021, being in excess of the limits prescribed under Section 197 read with Schedule V of the Companies Act, 2013 by ₹ NIL and ₹49.93 Lacs for Whole Time Director and Vice Chairman and Managing Director respectively and in excess of limit prescribed under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 by ₹112.71 lacs and ₹224.40 lacs for Whole Time Director and Vice Chairman and Managing Director respectively. The Company is in process of obtaining approval from its shareholders vide special resolution at the forthcoming annual general meeting for such excess remuneration paid. The Company is reasonably certain of getting the required approval.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 43: Related parties *(contd.)*

(iii) Compensation of key managerial personnel

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Short-term employee benefits	571.49	621.95
Post-employment defined benefit*	10.29	11.58
Share-based payments	-	-
	581.78	633.53

*Excludes provision for encashable leave and gratuity for certain key management personnel as these are determined for the Company as a whole.

Terms and conditions

All transactions with these related parties are priced on an arm's length basis. Outstanding amount as at the end of the year, in respect of loan and advances are unsecured and to be settled in cash and / or adjusted against goods or services.

Note 44: Contingent liability

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

a) Contingent liabilities

Particulars	As at 31 March 2021	As at 31 March 2020
Claims against the Company not acknowledged as debt		
i) Income tax matters under dispute	147.48	122.33
ii) VAT and GST matters under dispute	288.12	522.05
iii) Service tax matters under dispute	293.89	392.51
iv) Legal cases against the Company *	172.42	201.70

* 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. Future cash outflows in respect of the above, if any, is determinable only on receipt of judgement / decisions pending with the relevant authorities.

b) Commitments

Particulars	As at 31 March 2021	As at 31 March 2020
Estimated amount of contracts remaining to be executed on capital account and not provided for	133.02	160.99

c) The amount included above represents best possible estimate arrived at on the basis of available information. The Management believes that it has a reasonable case in its defense of the proceedings and accordingly no further provision has been created.

d) The Company has a process whereby periodically all long term contracts are assessed for material foreseeable losses. As at year end, the Company does not have any long term contracts (including derivative contracts) for which there were material foreseeable losses.

2) Others

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 against which ₹404 lacs was paid and charged to the statement of profit and loss in earlier years. Both, the Company and the Department had gone into appeal in CESTAT against the order. Finally, in July 2017, order has been passed by Calcutta High Court where in Company's appeal has been allowed except for ₹93 lacs. Accordingly, the Company has filed application seeking refund of balance amount of ₹311 lacs from Department which has been rejected by the Department. However, as per the Department there is an interpretation issue in the Order and accordingly they have raised a Demand of ₹618.03 lacs plus interest. The Company has filed a writ petition in Calcutta High Court wherein it has challenged the rejection of refund application and recovery of demand. The Company

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 44: Contingent liability *(contd.)*

has furnished Fixed Deposit with State Bank of India amounting to ₹619 lacs under the legal advice. There is a stay on the recovery proceedings till the disposal of the writ petition.

b) 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. The writ petition was dismissed by the Hon'ble High Court of Calcutta. The Company has filed an appeal against the order in the Division Bench of the Hon'ble High Court of Calcutta which has been admitted and next hearing is awaited. However, basis prudence, the Company has made a provision for the same amounting to ₹458.08 lacs as at 31 March 2021 (31 March 2020 ₹437.28 lacs).

c) On February 28, 2019, the Supreme Court of India held that allowances paid by establishments to its employees which meet the test of universality should be considered as 'basic wages' while computing provident fund amounts for employees whose basic wages is less than statutory thresholds. On evaluation of the impact of the aforesaid judgement, the Management is of the view that no material additional liability would arise on account of the same.

d) In respect of a regulatory matter pertaining to the capital raise in the year 2012, the JV company, MHDI had received a show cause notice from the authorities and pursuant to it, the Company and its promoter entity, Celica Developers Private Limited (Celica) have agreed to indemnify investor(s) in MHDI to protect their proportionate interests in the event of any levy of penalty/fine on MHDI. The Company and Celica have executed an inter se indemnity agreement for sharing of pay out, if any, arising from the indemnity provided.

Based on the legal opinion obtained by MHDI, Management is of the view that the chances of any liability arising are remote. Consequently, chances of the inter se indemnity getting invoked is also considered remote.

Note 45: Transfers of financial assets

In the ordinary course of business, the Company enters into transactions that result in the transfer of financial assets. In accordance with the accounting policy set out in Note 2, the transferred financial assets continue to be recognised or derecognised as per the conditions specified in Ind AS.

The Company transfers financial assets that are not derecognised in their entirety are primarily through securitisation transactions, in which loans to customers are transferred to securitisation special purpose vehicles.

Transferred financial assets that are not derecognised in their entirety

Securitisation

Certain loans to customers are sold by the Company to securitisation special purpose vehicles, which in turn issue Pass Through Certificates ('PTC') to investors collateralised by the purchased assets. In securitisation transactions entered, the Company transfers loans to an unconsolidated securitisation vehicle, however it retains credit risk (principally by providing credit enhancement). The Company retains substantial risks and rewards of such loan transferred and accordingly, does not derecognise the loans transferred in its entirety and recognises an associated liability for the consideration received.

The following table sets out the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

Particulars	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
	Loans to customers	Loans to customers
As at 31 March 2021		
Assets		
Securitisation	77.18	222,508.18
Carrying amount of assets	**77.18**	**222,508.18**
Associated liabilities		
Loans from PTC Investors	-	192,382.10
Carrying amount of associated liabilities	-	**192,382.10**

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 45: Transfers of financial assets *(contd.)*

Particulars	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
	Loans to customers	Loans to customers
For those liabilities that have recourse only to the transferred financial assets		
Assets		
Securitisation	77.18	222,508.18
Fair value of assets	**77.18**	**222,508.18**
Associated liabilities		
Loans from PTC Investors	-	195,539.86
Fair value of associated liabilities	**-**	**195,539.86**

Particulars	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
	Loans to customers	Loans to customers
As at 31 March 2020		
Assets		
Securitisation	12,909.62	334,542.77
Carrying amount of assets	**12,909.62**	**334,542.77**
Associated liabilities		
Loans from PTC Investors	12,946.93	314,115.21
Carrying amount of associated liabilities	**12,946.93**	**314,115.21**
For those liabilities that have recourse only to the transferred financial assets		
Assets		
Securitisation	12,869.21	332,392.81
Fair value of assets	**12,869.21**	**332,392.81**
Associated liabilities		
Loans from PTC Investors	13,020.79	317,933.50
Fair value of associated liabilities	**13,020.79**	**317,933.50**

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 46: Financial instruments - fair value and risk management

A. Financial instruments by category

The following table shows the carrying amounts of financial assets and financial liabilities.

Particulars	As at 31 March 2021			
	Others	FVTPL	FVTOCI	Amortised cost
Financial assets:				
Cash and cash equivalents	-	-	-	26,509.45
Bank balance other than cash and cash equivalents	-	-	-	34,732.74
Receivables	-	-	-	1,291.57
Loans	-	-	172,082.47	684,448.90
Other investment	-	0.99	-	0.16
Investments in subsidiary and joint venture	42,891.05	-	-	-
Other financial assets	-	2,521.36	-	10,895.47
	42,891.05	**2,522.35**	**172,082.47**	**757,878.29**
Financial liabilities:				
Payables	-	-	-	8,457.50
Debt securities	-	-	-	82,593.08
Borrowings (other than debt securities)	-	-	-	635,488.12
Subordinated liabilities	-	-	-	73,397.53
Lease liability	-	-	-	3,394.37
Other financial liabilities	-	-	-	25,191.52
	-	-	-	**828,522.12**

Particulars	As at 31 March 2020			
	Others	FVTPL	FVTOCI	Amortised cost
Financial assets:				
Cash and cash equivalents	-	-	-	20,485.66
Bank balance other than cash and cash equivalents	-	-	-	44,350.78
Receivables	-	-	-	991.41
Loans	-	-	215,607.60	901,883.70
Other investment	-	0.99	-	0.16
Investments in subsidiary and joint venture	40,241.01	-	-	-
Other financial assets	-	3,083.42	-	22,522.23
	40,241.01	**3,084.41**	**215,607.60**	**990,233.94**
Financial liabilities:				
Payables	-	-	-	1,966.47
Debt securities	-	-	-	64,915.80
Borrowings (other than debt securities)	-	-	-	859,857.27
Subordinated liabilities	-	-	-	75,684.48
Lease liability	-	-	-	5,496.91
Other financial liabilities	-	-	-	27,127.87
	-	-	-	**1,035,048.80**

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 46: Financial instruments - fair value and risk management *(contd.)*

B. Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are:

(a) recognised and measured at fair value and

(b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

Financial assets and liabilities measured at fair value - recurring fair value measurements

As at 31 March 2021	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans	-	-	172,082.47	172,082.47
Other investment	-	0.99	-	0.99
Other financial assets	-	2,521.36	-	2,521.36
	-	**2,522.35**	**172,082.47**	**174,604.82**

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at 31 March 2021	Amortised cost	Fair Value	Level 1	Level 2	Level 3	Total
Financial assets:						
Bank balance other than cash and cash equivalents	34,732.74	34,740.22	-	34,740.22	-	34,740.22
Loans	684,448.90	684,222.25	-	-	684,222.25	684,222.25
Other investments	0.16	0.16	-	0.16	-	0.16
Other financial assets	10,895.47	10,895.47	-	10,895.47	-	10,895.47
	730,077.27	**729,858.10**	-	**45,635.85**	**684,222.25**	**729,858.10**
Financial liabilities:						
Debt securities	82,593.08	87,748.28	-	87,748.28	-	87,748.28
Borrowings (other than debt securities)	635,488.12	639,008.20	-	639,008.20	-	639,008.20
Subordinated liabilities	73,397.53	76,016.46	-	76,016.46	-	76,016.46
Lease liability	3,394.37	3,394.37	-	3,394.37	-	3,394.37
Other financial liabilities	25,191.52	25,191.52	-	25,191.52	-	25,191.52
	820,064.62	**831,358.83**	-	**831,358.83**	-	**831,358.83**

Financial assets and liabilities measured at fair value - recurring fair value measurements

As at 31 March 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans	-	-	215,607.60	215,607.60
Other investment	-	0.99	-	0.99
Other financial assets	-	3,083.42	-	3,083.42
	-	**3,084.41**	**215,607.60**	**218,692.01**

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at 31 March 2020	Amortised cost	Fair Value	Level 1	Level 2	Level 3	Total
Financial assets:						
Bank balance other than cash and cash equivalents	44,350.78	44,418.48	-	44,418.48	-	44,418.48
Loans	901,883.70	897,801.62	-	-	897,801.62	897,801.62
Other investments	0.16	0.16	-	0.16	-	0.16
Other financial assets	22,522.23	22,522.23	-	22,522.23	-	22,522.23
	968,756.87	**964,742.49**	-	**66,940.87**	**897,801.62**	**964,742.49**
Financial liabilities:						
Debt securities	64,915.80	67,829.24	-	67,829.24	-	67,829.24
Borrowings (other than debt securities)	859,857.27	864,004.14	-	864,004.14	-	864,004.14
Subordinated liabilities	75,684.48	75,986.35	-	75,986.35	-	75,986.35
Lease liability	5,496.91	5,496.91	-	5,496.91	-	5,496.91
Other financial liabilities	27,127.87	27,127.87	-	27,127.87	-	27,127.87
	1,033,082.33	**1,040,444.51**	-	**1,040,444.51**	-	**1,040,444.51**

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 46: Financial instruments - fair value and risk management *(contd.)*

Financial instruments valued at carrying value

The respective carrying values of certain on-balance sheet financial instruments approximate their fair value. These financial instruments include cash in hand, balances with other banks, receivables, payables and certain other financial assets and liabilities, with maturities less than a year from the balance sheet date. Carrying values were assumed to approximate fair values for these financial instruments as they are short-term in nature and their recorded amounts approximate fair values or are receivable or payable on demand.

C. Valuation framework

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximise the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. If all significant inputs required to fair value an instrument are observable the instrument is included in level 2.

Level 3 : If one or more of the significant inputs is not based in observable market data, the instruments is included in level 3. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. The Company develops Level 3 inputs based on the best information available in the circumstances.

Financial instruments measured at fair value and fair value of financial instruments carried at amortised cost

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value and sensitivity
Financial assets and liabilities measured at amortised cost	Discounted cash flows: The valuation model considers the present value of expected receipt/ payment discounted using appropriate discounting rates.	Not applicable	Not applicable
Financial assets and liabilities measured at FVOCI	Discounted cash flows: The valuation model considers the present value of expected receipt/ payment discounted using appropriate discounting rates.	The discount rate is the average lending rate at which the loans are disbursed.	There is an inverse correlation. Higher the discount rate i.e average lending rate for the disbursed loans, lower the fair value of the assets.
Financial assets measured at FVTPL	Comparable company method (CCM) considering Price/Sales ('P/S') multiple and NAV based method.	Not applicable	Not applicable
Investment	Comparable company method (CCM) considering Price/Sales ('P/S') multiple and NAV based method.	Not applicable	Not applicable
Derivative instruments	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates that reflects the credit risk of various parties.	Not applicable	Not applicable

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 46: Financial instruments - fair value and risk management *(contd.)*

D. Movement in Level 3 financial instruments measured at fair value

Particulars	As at 1 April 2020	Purchase / origination	Sales / run-off	Transfer into Level 3	Interest income	Other Comprehensive Income	As at 31 March 2021
Financial instruments at FVOCI*	228,563.69	61,202.99	134,003.36	-	34,555.16	128.66	190,447.14

Particulars	As at 1 April 2019	Purchase / origination	Sales / run-off	Transfer into Level 3	Interest income	Other Comprehensive Income	As at 31 March 2020
Financial instruments at FVOCI*	249,243,33	112,434.05	195,467.89	22,309.63	40,496.70	(452.13)	228,563.69

* The above numbers are gross carrying amount. Refer Note 47

Note 47: Financial risk management

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

i Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

Efficient and timely management of risks involved in the Company's activities is critical for the financial soundness and profitability of the Company. Risk management involves the identifying, measuring, monitoring and managing of risks on a regular basis. The objective of risk management is to increase shareholders' value and achieve a return on equity that is commensurate with the risks assumed. To achieve this objective, the Company employs leading risk management practices and recruits skilled and experienced people.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

ii Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's asset on finance;

The carrying amounts of financial assets represent the maximum credit risk exposure.

a) Credit risk management

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- a breach of contract such as a default or past due event;
- when a borrower becomes 3 months overdue in its contractual payments;

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

b) Probability of default (PD)

Days past due (DPD) analysis is the primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by type of product or borrower as well as by DPD.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 47: Financial risk management *(contd.)*

The Company employs statistical models to analyze the data collected and generate estimates of the PD of exposures and how these are expected to change as a result of passage of time.

Expected loss has been calculated as an unbiased and probability-weighted amount for multiple scenarios. The probability of default was calculated for 3 scenarios: upside (0%), downside (32%) and base (68%). These weightage has been decided on best practices and expert's judgement. Weight of downside has been increased from 16% to 32% and that of upside reduced from 16% to 0% to make additional provision on account of COVID -19 scenario.

c) Definition of default

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

The Company considers probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Following indicators are incorporated:

- DPD analysis as on each reporting date
- significant increase in credit risk on other financial instruments of same borrower
- significant changes in value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements.

d) Exposure at default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation;

To calculate the ECL for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12 month ECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Company determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios.

e) Loss given default (LGD)

Loss given default (LGD) represents estimated financial loss the company is likely to suffer in respect of default account and it is used to calculate provision requirement on EAD along with PD. The Company uses collection details on previously defaulted cases for calculating LGD including estimated direct cost of collection from default cases. Appropriate discounting rates are applied to calculate present value of future estimated collection net of direct collection cost. LGD thus calculated is used for all stages, i.e. Stage 1, Stage 2 and Stage 3.

f) Discounting

ECL is computed by estimating timing of expected credit shortfalls associated with defaults and discounting them using effective interest rate.

g) Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 1 month overdue, the credit risk is deemed to have increased significantly since initial recognition.

The Company has applied a three-stage approach to measure expected credit losses (ECL) on loans and other credit exposures accounted for at amortised cost and FVOCI. Loss rates are calculated using a 'roll rate' method based on the probability of a

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 47: Financial risk management *(contd.)*

receivable progressing through successive stages of delinquency to write-off. Assets migrate through following three stages based on the changes in credit quality since initial recognition:

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

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

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

h) Expected Credit Loss on Loans

The Company assesses whether the credit risk on a financial asset has increased significantly on collective basis. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type, product type, collateral type, and other relevant factors.

The Company considers defaulted assets as those which are contractually 3 months overdue, other than those assets where there is empirical evidence to the contrary. Financial assets which are contractually 1 month overdue are classified under Stage 2 - life time ECL, not credit impaired, barring those where there is empirical evidence to the contrary. An asset migrates down the ECL stage based on the change in the risk of a default occurring since initial recognition. If in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loan loss provision stage reverses to 12-months ECL from lifetime ECL.

The Company measures the amount of ECL on a financial instrument in a way that reflects an unbiased and probability-weighted amount. The Company considers its historical loss experience and adjusts the same for current observable data. The key inputs into the measurement of ECL are the probability of default, loss given default and exposure at default. These parameters are derived from the Company's internally developed statistical models and other historical data. In addition, the Company uses reasonable and supportable information on future economic conditions including macroeconomic factors. Since incorporating these forward looking information increases the judgment as to how the changes in these macroeconomic factor will affect ECL, the methodology and assumptions are reviewed regularly.

Forward looking information

In its ECL models, the Company relies on a broad range of forward looking information as macro economic inputs. As required by Ind AS 109, Macro Economic (ME) overlays are required to be factored in ECL Models and accordingly, Company have used consumer price index as the relevant ME variable. Overtime, new ME variable may emerge to have a better correlation and may replace ME being used now.

As per the Company's assessment, due to COVID-19 wave 2, the Company is expected to evidence the stress in repayments during quarters ending 30 June 2021 and 30 September 2021 and thereafter gradual improvement from quarter ending 31 December 21 with resumption of normalcy during quarter ended 31 March 2022. ECL provision calculated as per ECL the model may not be enough to take care of the additional losses and hence Company has created additional ECL provision in form of Management overlay. The overlay is computed based on stressing of cash flows as on 31 March 2021 based on expected recovery pattern in the form of 'Roll Forward' and 'Roll Back' trends during year ending 31 March 2022.

Stage 3 Assets vs GNPA NNPA as per RBI framework

Stage 3 assets as at 31 March 2021, includes restructured loan where assets are considered as credit impaired whereas for the limited purpose of regulatory disclosures based on dispensation given by RBI, the same has been considered as standard assets. The restructured assets have been provided for accordingly under Ind AS.

Similarly, Stage 2 assets as at 31 March 2021 includes restructured loan where assets are considered as significant increase in credit risk whereas for the limited purpose of regulatory disclosures based on general RBI guidelines on restructuring the same has been considered as Sub - Standard assets. The restructured assets have been provided for accordingly under Ind AS, subject to minimum provisioning requirement as per RBI guidelines.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 47: Financial risk management *(contd.)*

Further, Stage 1 and 2 assets as at 31 March 2021 also includes assets which are disbursed during moratorium period ie from 1st March 20 to 1st August 20 or were NPA as on 29 Feb 2020 and moratorium was provided to them under RBI notification dated 27 March 2020 and 17 April 2020. For the limited purpose of regulatory disclosures based on general RBI guidelines on restructuring, the same has been considered as sub-standard assets. The restructured assets have been provided as per Ind AS.

Policy on write off of loan assets

Financial assets are fully provided for or written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities under the Company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in statement of profit or loss on actual realization from customer.

i) COVID-19

COVID-19 Wave 1:

In accordance with the Reserve Bank of India (RBI) COVID-19 Regulatory Package announced on March 27, 2020, April 17, 2020 and May 23, 2020 and the Board approved moratorium policy, the Company offered moratorium on payment of all installments and / or interest, as applicable, falling due between March 1, 2020 and August 31, 2020 to eligible borrowers as per the Company's policy. For all loans where moratorium was availed by the borrowers, the Company had kept ageing of such loans and their asset classification at standstill during the moratorium period. The Company's business was adversely impacted during the period of lockdown in March-June 2020 period, and the impact continued for some time even subsequently.

There was an adverse impact of COVID-19 on the credit loss incurred by the Company for the year ended March 2021. This being first such incident, the impact was additionally factored in our books of accounts by stressing the Expected Credit Loss (ECL) parameters, where required.

COVID-19 Wave 2:

The COVID-19 wave 2 induced significant rise in infections and tragic loss of human lives, resulting in lockdowns that have caused disturbance in the overall operations at beginning of the new financial year. The impact has spread in hinterland tier towns and impacted the collections from the customers, once again disturbing the operations of the Company significantly.

The Company estimates that impact of COVID-19 wave 2 and resultant lockdowns shall lead to higher credit losses. Unlike moratorium, the management expects muted response to the restructuring guidelines announced by the Reserve Bank of India on May 6, 2021 as its implementation would require physical connect with the customers, which is not feasible until the lockdowns are lifted. This will result in forward flow of the loan book to higher buckets in future and will thereafter take time to return to normalcy leading to significant increase in credit risk.

In view of above, the management on a prudent basis decided to implement a stricter write off policy of NPA accounts and also provide additionally as on 31 March, 2021 for credit losses that are likely on account of the wave 2. Accordingly :

(a) The Company has moved to more stringent write off policy for its portfolio. For Asset backed finance portfolio, write-off has been advanced to 180+ days past due (dpd) against 730+ dpd earlier; on Unsecured SME portfolio the write off has been advanced to 90+ dpd against 450+ dpd earlier, and on mortgage portfolio the write off has been introduced at 730+ dpd. This has resulted in additional charge of ₹26,813.42 lacs during the year ended 31 March 2021. The recovery efforts would continue for the written off portfolio, and recoveries made will be credited to profit and loss account in the subsequent quarters in line with the applicable accounting policies.

(b) The Company has made an additional COVID-19 provision of ₹57,680.90 lacs as at 31 March 2021. The Company holds cumulative additional provision against the potential impact of COVID-19 to the tune of ₹66,342.52 lacs (₹10,924.41 lacs as on 31 March 2020) and basis management estimate is adequate to cover the impact of wave 2 of COVID-19 on the entire loan portfolio.

Had the Company not moved to more stringent write off and not taken the additional COVID-19 provision impact, the profit before tax and profit after tax for the year ended 31 March 2021 would have been ₹7,229.29 lacs and ₹5,392.71 lacs respectively.

Further, the underlying forecasts and assumptions applied by the Company in determination of ECL provision (including additional COVID-19 provision) are subject to uncertainties which are often outside the control of the Company and accordingly, actual results may differ from these estimates.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 47: Financial risk management *(contd.)*

The following table provides information about the exposure to credit risk and expected credit loss for assets on finance.

Loans measured at amortised cost (Including trade advance, excluding staff loans and EIS receivables)

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit -impaired
As at 31 March 2021				
Current (not past due)	534,586.93	3.29%	17,591.98	No
Upto 1 month overdue	90,869.37	17.34%	15,760.66	No
More than 1 month and upto 2 months overdue	63,710.48	23.53%	14,993.14	No
More than 2 month and upto 3 months overdue	50,456.16	33.55%	16,927.84	No
More than 3 months overdue	35,266.74	70.82%	24,976.85	Yes
	774,889.68	**11.65%**	**90,250.47**	

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit -impaired
As at 31 March 2020				
Current (not past due)	672,644.22	1.01%	6,822.37	No
Upto 1 month overdue	88,227.16	4.50%	3,973.19	No
More than 1 month and upto 2 months overdue	66,039.24	8.61%	5,683.18	No
More than 2 month and upto 3 months overdue	49,574.27	12.43%	6,163.30	No
More than 3 months overdue	73,038.34	32.72%	23,896.33	Yes
	949,523.23	**4.90%**	**46,538.37**	

Loans at fair value through OCI

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit -impaired
As at 31 March 2021				
Current (not past due)	155,053.76	3.05%	4,732.35	No
Upto 1 month overdue	7,585.30	17.10%	1,297.08	No
More than 1 month and upto 2 months overdue	10,637.73	32.49%	3,456.22	No
More than 2 month and upto 3 months overdue	10,582.22	41.47%	4,387.93	No
More than 3 months overdue	6,588.13	68.17%	4,491.09	Yes
	190,447.14	**9.64%**	**18,364.67**	

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit -impaired
As at 31 March 2020				
Current (not past due)	191,778.03	0.76%	1,458.43	No
Upto 1 month overdue	10,662.50	5.02%	534.76	No
More than 1 month and upto 2 months overdue	4,854.61	15.17%	736.41	No
More than 2 month and upto 3 months overdue	6,840.22	33.67%	2,302.78	No
More than 3 months overdue	14,428.33	54.92%	7,923.71	Yes
	228,563.69	**5.67%**	**12,956.09**	

Expected credit loss on trade receivables and other financial assets

Trade receivables primarily includes receivables against sale of power, support services and operating lease. These receivables are of short term nature and there has been no impairment allowance on the same. Credit risk on excess interest spread receivable is low as it primarily falls in Stage 1. Other financial asset are measured at FVTPL and hence the credit risk is already factored in the fair value.

Cash and cash equivalents and bank balance other than cash and cash equivalents

The Company holds cash and cash equivalents and bank balance of ₹61,242.19 lacs at 31 March 2021 (31 March 2020: ₹64,836.44 lacs). The cash and cash equivalents are held with bank and financial institution counterparties with sound credit ratings.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 47: Financial risk management *(contd.)*

Derivatives

The derivatives are entered into with bank and financial institution counterparties with sound credit ratings.

An analysis of changes in gross carrying amount and corresponding ECL allowances is as follows :

(i) Movements in the gross carrying amount in respect of loans, i.e. asset on finance

Loans measured at amortised cost (Including trade advance, excluding staff loans and EIS receivables)

Reconciliation of gross carrying amount	Stage 1	Stage 2	Stage 3
Gross carrying amount on 1 April 2019	**941,414.90**	**120,960.99**	**57,622.72**
Transfer to Stage 1	14,868.05	(14,046.91)	(821.14)
Transfer to Stage 2	(93,378.11)	94,927.95	(1,549.84)
Transfer to Stage 3	(29,466.55)	(31,287.26)	60,753.81
Transfer from Amortised cost to Fair value through OCI	(22,301.35)	(8.28)	0.00
New financial assets originated or purchased	335,394.68	11,121.90	5,571.35
Financial assets that have been derecognised / repaid	(380,774.95)	(61,616.98)	(25,828.49)
Write offs	(4,885.29)	(4,437.90)	(22,710.07)
Gross carrying amount on 31 March 2020	**760,871.38**	**115,613.51**	**73,038.34**
Transfer to Stage 1	31,928.37	(28,820.55)	(3,107.82)
Transfer to Stage 2	(71,669.76)	76,008.56	(4,338.80)
Transfer to Stage 3	(17,411.29)	(13,142.40)	30,553.69
Transfer from Amortised cost to Fair value through OCI	-	-	-
New financial assets originated or purchased	169,508.74	2,239.97	893.26
Financial assets that have been derecognised / repaid	(240,780.48)	(24,569.21)	(18,044.50)
Write offs	(6,990.66)	(13,163.24)	(43,727.43)
Gross carrying amount on 31 March 2021	**625,456.30**	**114,166.64**	**35,266.74**

Loans at fair value through OCI

Reconciliation of gross carrying amount	Stage 1	Stage 2	Stage 3
Gross carrying amount on 1 April 2019	**217,805.57**	**17,743.04**	**13,694.72**
Transfer to Stage 1	2,625.24	(2,257.08)	(368.16)
Transfer to Stage 2	(7,047.57)	7,339.27	(291.70)
Transfer to Stage 3	(7,312.09)	(3,237.48)	10,549.57
Transfer from Amortised cost to Fair value through OCI	22,301.35	8.28	-
New financial assets originated or purchased	109,702.50	2,356.65	374.90
Financial assets that have been derecognised / repaid	(134,703.48)	(9,729.91)	(1,716.10)
Write offs	(930.99)	(527.94)	(7,814.90)
Gross carrying amount on 31 March 2020	**202,440.53**	**11,694.83**	**14,428.33**
Transfer to Stage 1	1,858.24	(1,791.66)	(66.58)
Transfer to Stage 2	(16,913.67)	17,005.14	(91.47)
Transfer to Stage 3	(2,415.43)	(1,340.91)	3,756.34
Transfer from Amortised cost to Fair value through OCI	-	-	-
New financial assets originated or purchased	60,638.47	255.33	309.19
Financial assets that have been derecognised / repaid	(79,640.30)	(1,402.27)	409.13
Write offs	(3,328.78)	(3,200.51)	(12,156.81)
Gross carrying amount on 31 March 2021	**162,639.06**	**21,219.95**	**6,588.13**

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 47: Financial risk management *(contd.)*

ii) **Movements in the allowance for impairment in respect of loans, i.e. asset on finance**

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

Loans measured at amortised cost (Including trade advance, excluding staff loans and EIS receivables)

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses	
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired
Loss allowance on 1 April 2019	**9,566.72**	**10,878.33**	**19,298.50**
Transfer to Stage 1	1,432.33	(1,165.22)	(267.11)
Transfer to Stage 2	(1,558.77)	2,053.72	(494.95)
Transfer to Stage 3	(532.69)	(3,015.27)	3,547.96
COVID-19 wave 2 additional provision	-	-	-
Transfer from Amortised cost to Fair value through OCI	(47.10)	(0.30)	-
New financial assets originated or purchased	4,036.60	1,000.19	1,253.83
Financial assets that have been derecognised / repaid	(1,772.98)	3,288.44	10,781.47
Write offs	(328.55)	(1,193.41)	(10,223.37)
Loss allowance on 31 March 2020	**10,795.56**	**11,846.48**	**23,896.33**
Transfer to Stage 1	3,405.90	(2,695.53)	(710.37)
Transfer to Stage 2	(1,643.57)	2,911.64	(1,268.07)
Transfer to Stage 3	(389.10)	(1,478.19)	1,867.29
COVID-19 wave 2 additional provision	22,088.70	18,009.10	8,330.40
Transfer from Amortised cost to Fair value through OCI	-	-	-
New financial assets originated or purchased	2,302.51	243.90	258.19
Financial assets that have been derecognised / repaid	(2,522.79)	5,236.68	10,313.09
Write offs	(684.57)	(2,153.10)	(17,710.01)
Loss allowance on 31 March 2021	**33,352.64**	**31,920.98**	**24,976.85**

Loans at fair value through OCI

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses	
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired
Loss allowance on 1 April 2019	**4,346.34**	**3,324.03**	**6,995.78**
Transfer to Stage 1	433.25	(299.15)	(134.10)
Transfer to Stage 2	(184.60)	287.02	(102.42)
Transfer to Stage 3	(354.32)	(1,142.70)	1,497.02
COVID-19 wave 2 additional provision	-	-	-
Transfer from Amortised cost to Fair value through OCI	47.10	0.30	-
New financial assets originated or purchased	901.08	1,384.89	211.21
Financial assets that have been derecognised / repaid	(2,964.93)	1.14	4,614.47
Write offs	(230.73)	(516.34)	(5,158.25)
Loss allowance on 31 March 2020	**1,993.19**	**3,039.19**	**7,923.71**
Transfer to Stage 1	278.36	(248.94)	(29.42)
Transfer to Stage 2	(257.09)	296.67	(39.58)
Transfer to Stage 3	(32.27)	(196.07)	228.34
COVID-19 wave 2 additional provision	3,988.50	3,888.50	1,375.70
Transfer from Amortised cost to Fair value through OCI	-	-	-
New financial assets originated or purchased	745.46	76.48	93.77
Financial assets that have been derecognised / repaid	(388.51)	2,983.21	1,766.53
Write offs	(298.21)	(1,994.89)	(6,827.96)
Loss allowance on 31 March 2021	**6,029.43**	**7,844.15**	**4,491.09**

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 47: Financial risk management *(contd.)*

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Upon renegotiation, such accounts are classified as Stage 2 or Stage 3 depending upon nature and status of account at the time of renegotiation. Such accounts are upgraded only upon observation of satisfactory repayments of one year from the date of renegotiation.

Exposure to modified financial assets not resulting in de-recognition :

Particulars	As at 31 March 2021	As at 31 March 2020
Gross carrying amount	32,165.81	2,518.44
Loss allowance	6,120.13	298.97
Net carrying amount	26,045.68	2,219.47

j) **Concentration risk**

Pursuant to the guidelines of the RBI, credit exposure to an individual borrower must not exceed 15% of owned fund and 25% of owned fund of the Company to any single group of borrower. The Company is in compliance with these guidelines.

In addition, the Company views the concentration of risk on the basis of below product category.

Loans to customers (carrying value)	As at 31 March 2021	As at 31 March 2020
Asset backed finance (ABF)	773,123.62	947,187.14
Loan against property (LAP)	61,065.89	74,003.62
Small and medium enterprise (SME)	129,381.25	154,560.07
Total	**963,570.76**	**1,175,750.83**

Loans to customers (%)	As at 31 March 2021	As at 31 March 2020
Asset backed finance (ABF)	80.24%	80.56%
Loan against property (LAP)	6.34%	6.29%
Small and medium enterprise (SME)	13.42%	13.15%
Total	**100.00%**	**100.00%**

Fair value of collateral relating to credit impaired financial assets

Particulars	As at 31 March 2021	As at 31 March 2020
Collateral value of underlying assets	47,923.02	120,760.74
Gross carrying amount	41,854.87	87,466.67
Loss allowance	29,467.93	31,820.04

iii **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions in a timely manner, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

The Company has obtained fund and non-fund based working capital lines from various banks. Further, the Company has access to funds from debt markets through commercial paper, non-convertible debentures and other debt instruments including term loans. Cash Credit / WCDL limits are renewed on annual basis and are therefore revolving in nature. The Company also manages liquidity by raising funds through Securitisation / assignment transactions.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 47: Financial risk management *(contd.)*

Exposure to liquidity risk

The following are the remaining gross and undiscounted contractual maturities of financial liabilities (including interest portion) at the reporting date.

As at 31 March 2021	Contractual cash flows					
	Carrying amount	Gross nominal outflow	0-12 months	1-3 years	3-5 years	More than 5 years
Non - derivative financial liabilities						
Trade Payable	8,457.50	8,457.50	8,457.50	-	-	-
Debt securities	82,593.08	102,728.90	24,331.49	53,425.77	24,326.99	644.65
Borrowings (other than debt securities)	635,488.12	683,426.77	467,650.49	197,743.20	18,033.08	-
Subordinated liability	73,397.53	96,847.70	31,540.42	34,527.38	16,618.01	14,161.89
Lease liability	3,394.37	4,622.18	1,002.48	1,513.40	1,164.86	941.44
Other financial liability	25,191.52	25,191.52	25,191.52	-	-	-

As at 31 March 2020	Contractual cash flows					
	Carrying amount	Gross nominal outflow	0-12 months	1-3 years	3-5 years	More than 5 years
Non - derivative financial liabilities						
Trade Payable	1,966.47	1,966.47	1,966.47	-	-	-
Debt securities	64,915.80	89,199.32	6,199.30	31,688.63	50,617.44	693.95
Borrowings (other than debt securities)	859,857.27	949,275.88	570,104.32	325,306.03	53,865.53	-
Subordinated liability	75,684.48	1,08,153.55	11,176.46	49,257.59	19,682.03	28,037.47
Lease liability	5,496.91	7,434.19	1,717.59	2,614.72	1,667.77	1,434.11
Other financial liability	27,127.87	27,127.87	27,127.87	-	-	-

iv. **Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company – primarily ₹. In cases where the borrowings is denominated in foreign currency, the Company uses derivatives to manage market risks.

Interest rate risk

Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rates. Any movement in the reference rates could have an impact on the Company's cash flows as well as costs.

The Company is subject to variable interest rates on some of its interest bearing financial assets/ liabilities. The Company also uses a mix of interest rate sensitive financial instruments to manage the liquidity and fund requirements for its day to day operations like short-term loans.

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management is as follows:

Particulars	As at 31 March 2021	As at 31 March 2020
Fixed rate instruments		
Financial assets	923,725.57	1,179,499.49
Financial liabilities	670,431.83	774,615.64
Variable rate instruments		
Financial assets	51,648.59	69,667.47
Financial liabilities	158,090.29	260,433.16

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 47: Financial risk management *(contd.)*

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 bps in interest rate at the reporting date would have increased or decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Particulars	Profit or loss	
	100 bps increase	100 bps decrease
As at 31 March 2021		
Variable rate instruments	(1,064.42)	1,064.42
As at 31 March 2020		
Variable rate instruments	(1,907.66)	1,907.66

The model assumes that interest rate changes are instantaneous parallel shifts in the yield curve. Although some assets and liabilities may have similar maturities or periods to re-pricing, these may not react correspondingly to changes in market interest rates. Also, the interest rates on some types of assets and liabilities may fluctuate with changes in market interest rates, while interest rates on other types of assets may change with a lag.

The risk estimates provided assume a parallel shift of 100 basis points interest rate across all yield curves. This calculation also assumes that the change occurs at the balance sheet date and has been calculated based on risk exposures outstanding as at that date. The period-end balances are not necessarily representative of the average debt outstanding during the period. This analysis assumes that all other variables remain constant.

Legal and operational risk

Legal risk

Legal risk is the risk relating to losses due to legal or regulatory action that invalidates or otherwise precludes performance by the end user or its counterparty under the terms of the contract or related netting agreements.

The Company has developed preventive controls and formalised procedures to identify legal risks so that potential losses arising from non-adherence to laws and regulations, negative publicity, etc. are significantly reduced.

As at 31 March 2021, there were legal cases pending against the Company aggregating ₹172.42 lacs (31 March 2020: ₹201.70 lacs). Based on the opinion of the Company's legal advisors, the management believes that no substantial liability is likely to arise from these cases.

Operational risk

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

The framework, at its core, has the following elements :

1. Documented Operational Risk Management Policy.
2. Well defined Governance Structure.
3. Use of Identification and Monitoring tools such as Loss Data Capture, Risk and Control Self Assessment, Key Risk Indicators.
4. Standardised reporting templates, reporting structure and frequency.
5. Regular workshops and training for enhancing awareness and risk culture.

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

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

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

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

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 48: Change in liabilities arising from financing activities

Particulars	As at 1 April 2020	Loan Taken	Loan Paid	Non Cash Changes*	As at 31 March 2021
Debt securities	64,915.80	17,500.00	-	177.28	82,593.08
Borrowings (other than debt securities)	859,857.27	112,150.78	(337,855.95)	1,336.02	635,488.12
Subordinated liabilities	75,684.48	-	(2,500.53)	213.58	73,397.53
Total Liabilities from financing activities	**1,000,457.55**	**129,650.78**	**(340,356.48)**	**1,726.88**	**791,478.73**

Particulars	As at 1 April 2019	Loan Taken	Loan Paid	Non Cash Changes*	As at 31 March 2020
Debt securities	36,279.16	55,141.45	(25,697.36)	(807.45)	64,915.80
Borrowings (other than debt securities)	1,047,286.77	355,519.23	(542,857.29)	(91.44)	859,857.27
Subordinated liabilities	91,404.98	-	(16,000.00)	279.50	75,684.48
Total Liabilities from financing activities	**1,174,970.91**	**410,660.68**	**(584,554.65)**	**(619.39)**	**1,000,457.55**

* Represents adjustments on account of EIR and other adjustments as required under Ind AS

Note 49: Capital management

The Company maintains and actively managed capital base to cover risks inherent in the business and meets the Capital Adequacy Requirements (CRAR) of the Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI. The Company has complied in full with all its externally imposed capital requirements over the reported period. The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value. The funding requirements are met through equity, non-convertible debentures and other long-term/ short-term borrowings. The Company's policy is aimed at appropriate combination of short-term and long term borrowings. The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

i. Regulatory capital

The Company's regulatory capital consists of the sum of the following elements :

- Tier 1 capital, which includes ordinary share capital, retained earnings and reserves and deduction for intangible assets and other regulatory adjustments relating to items that are not included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities and impairment provision in respect of standard assets.

Particulars	As at 31 March 2021	As at 31 March 2020
CRAR (%) *	20.29	25.90
CRAR -Tier I Capital (%)	17.36	23.02
CRAR -Tier II Capital (%)	2.93	2.88

* For the purpose calculation of CRAR , securitisation (PTC) transactions has been considered as 'zero risk weight asset' as per Reserve Bank of India notification dated 13 March 2020, while the corresponding investments in pass through certificates have been considered as 'on balance sheet exposures' in determination of risk weighted assets. The corresponding credit enhancement facilities have been deducted from Tier I and Tier II capital accordingly.

ii. Capital allocation

Management uses regulatory capital ratios to monitor its capital base. There is no allocation of capital required as Company is operating primarily in a single segment i.e., financing.

The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 50: Operating segments

The Executive Committee (EXCOM) of the Company has been identified as the Chief Operating Decision Maker (CODM) pursuant to the requirements of Ind AS 108, "Operating Segments." The Company's operating segments are established in the manner consistent with the components of the Company that are reviewed regularly by the CODM for the purpose of allocation of resources and evaluation of performance. The Company is engaged primarily in the business of financing and there are no separate reportable segments as per Ind AS 108. The Company does not have operations outside India and hence there is no external revenue or assets which require disclosure

No revenue from transactions with a single customer amounted to 10% or more of the Company's total revenue for the year ended 31 March 2021 and 31 March 2020.

Note 51: Revenue from contracts with customers

(a) Below table provides disaggregation of the Company's revenue from contracts with customers:

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Type of service		
Fees and commission income	6,050.47	7,440.16
Other income	2,128.28	3,103.65
Total	**8,178.75**	**10,543.81**
Geographical markets		
India	8,178.75	10,543.81
Outside India	-	-
Total	**8,178.75**	**10,543.81**
Timing of recognition of revenue		
Performance obligation satisfied at a point in time	8,178.75	10,543.81
Performance obligation satisfied over period of time	-	-
Total	**8,178.75**	**10,543.81**

(b) Trade receivables

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Trade receivables	1,261.71	851.39
	1,261.71	**851.39**

Note 52: Loans and advances to subsidiary company pursuant to Regulation 33 (e) and 53 (f) of SEBI (Listing Obligation and Disclosure Requirements), 2015

Name of the Subsidiary	Maximum Outstanding	Closing Amount Outstanding
Magma Housing Finance Limited*		
Year ended 31 March 2021	-	-
Year ended 31 March 2020	20,000.00	-

*Above loans and advances have been given for general business purposes.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 53: Balance Sheet Disclosures as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and other RBI notification

* Amounts included herein are based on current and previous year financials, as per Ind AS.

(a) Capital

Particulars	As at 31 March 2021	As at 31 March 2020
(i) CRAR (%) #	20.29	25.90
(ii) CRAR -Tier I Capital (%)	17.36	23.02
(iii) CRAR -Tier II Capital (%)	2.93	2.88
(iv) Subordinated debt as Tier-II capital	65,570.70	65,395.68
(v) Perpetual debt instruments	7,826.83	10,288.80

For the purpose calculation of CRAR , securitisation (PTC) transactions has been considered as 'zero risk weight asset' as per Reserve Bank of India notification dated 13 March 2020, while the corresponding investments in pass through certificates have been considered as 'on balance sheet exposures' in determination of risk weighted assets. The corresponding credit enhancement facilities have been deducted from Tier I and Tier II capital accordingly.

(b) Investments

Particulars	As at 31 March 2021	As at 31 March 2020
Value of Investments		
(i) Gross Value of Investments #		
(a) In India	45,413.56	43,325.58
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net Value of Investments #		
(a) In India	45,413.56	43,325.58
(b) Outside India	-	-

Includes other financial assets of ₹2,521.36 lacs (31 March 2020 : ₹3,083.42 lacs).

(c) Derivative

The Company does not have any derivative exposure during the financial year ended 31 March 2021 and 31 March 2020.

(d) Disclosures relating to Securitisation^

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

Particulars	As at 31 March 2021	As at 31 March 2020
1 No. of Special Purpose Vehicles (SPVs) sponsored by the NBFC for securitisation transactions **	26	32
2 Total amount of securitised assets as per books of the SPVs sponsored	181,259.68	306,439.29
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	23,300.32	29,617.54
Others	13,672.92	18,311.49

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 53: Balance Sheet Disclosures as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and other RBI notification *(contd.)*

Particulars	As at 31 March 2021	As at 31 March 2020
4 Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
(i) Exposure to own securitisation		
First loss	-	-
Others	25,858.94	29,847.85
(ii) Exposure to third party securitisations		
First loss	-	-
Others	-	-
b) On-balance sheet exposures		
(i) Exposure to own securitisation		
First loss	-	-
Others	18,832.10	21,352.39
(ii) Exposure to third party securitisations		
First loss	-	-
Others	-	-

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

The above figures are being reported based on certificate issued by the auditors of the SPV.

^ Securitization (PTC) transaction do not meet the derecognition criteria under Ind AS and are recognised as 'on balance sheet exposures'. Accordingly income and discounting charges are included in revenue from operations and finance cost respectively. Amounts stated above are for the purpose of disclosure.

(ii) 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:

Particulars	As at 31 March 2021	As at 31 March 2020
1 Excess interest spread receivable	14,508.50	20,357.58
2 Unrealised gain on securitisation transactions	14,508.50	20,357.58

2 Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

The Company has not sold any financial assets to securitisation / reconstruction company for asset reconstruction during the financial year ended 31 March 2021 and 31 March 2020.

3 Details of the net book value of investments in security receipts:

Particulars	As at 31 March 2021	As at 31 March 2020
(i) Backed by non-performing assets sold by the Company as underlying #	2,521.36	3,083.42
(ii) Backed by non-performing assets sold by other banks / financial institutions / non-banking financial companies as underlying.	-	-
Total book value of investments in security receipts	**2,521.36**	**3,083.42**

Represents carrying amount of security receipts as per RBI guidelines.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 53: Balance Sheet Disclosures as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and other RBI notification *(contd.)*

4 Details of Assignment transactions undertaken by NBFCs

Particulars	As at 31 March 2021	As at 31 March 2020
(i) No. of accounts	-	10,830
(ii) Aggregate value (net of provisions) of accounts sold	-	99,997.61
(iii) Aggregate consideration	-	99,997.61
(iv) Additional consideration realised in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain / loss over net book value	-	-

5 Details of non-performing financial assets purchased / sold

a) Details of non-performing financial assets purchased:

The Company has not purchased any non-performing financial assets during the financial year ended 31 March 2021 and 31 March 2020.

b) Details of non-performing financial assets sold:

Particulars	As at 31 March 2021	As at 31 March 2020
(i) No. of accounts sold	13,011	-
(ii) Aggregate outstanding (net of provisions)*	-	-
(iii) Aggregate consideration received	2,097.00	-

* Gross outstanding ₹37,041.34 lacs already written off

(e) Asset Liability Management - Maturity pattern of certain items of Assets and Liabilities

Particulars	1 to 7 days	8 to 14 days	15 days to 30/31days	Over 1 Month 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
Deposits placed	25,014.40	0.90	30.46	393.84	54.51	808.85	1,086.21	348.28	-	-	27,737.45
Advances	23,355.89	9,554.68	15,870.53	45,768.48	49,551.20	98,508.19	185,174.52	460,693.76	67,993.01	17,224.51	973,694.77
Investments	-	-	-	-	-	-	2,521.36	-	-	42,892.20	45,413.56
Borrowings	-	1,244.47	15,066.62	12,471.83	54,431.53	43,158.29	357,305.87	247,904.43	39,779.61	23,130.57	794,493.22
Foreign currency assets	-	-	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-	-	-

(f) Exposures

1 Exposure to real estate sector

Particulars	As at 31 March 2021	As at 31 March 2020
Category		
(i) Direct exposure		
A. Residential mortgages	51,338.51	61,571.57
B. Commercial mortgages	9,727.38	12,432.05
C. Investments in Mortgage Backed Securities (MBS) and other securitised exposures #		
a. Residential	-	-
b. Commercial Real Estate	968.46	773.16
(ii) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-

\# Includes security receipts.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 53: Balance Sheet Disclosures as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and other RBI notification *(contd.)*

2 Exposure to Capital Market

The Company does not have any exposure to capital market during the financial year ended 31 March 2021 and 31 March 2020.

3 Details of financing of parent company products

The Company does not have a parent company and hence this discloure is not applicable.

4 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC

The Company has not exceeded the prudential exposure limits during the financial year ended 31 March 2021 and 31 March 2020.

5 Unsecured advances

Particulars	As at 31 March 2021	As at 31 March 2020
Unsecured Advances	129,381.25	154,560.07

The Company has not given any unsecured advances against intangible securities such as charge over the rights, licenses, authority, etc. during the financial year ended 31 March 2021 and 31 March 2020.

(g) Registration obtained from other financial sector regulators.

Particulars	Registration no..	Date of registration / renewal
1 Ministry of Corporate Affairs	L51504WB1978PLC031813	18 December 1978
2 Insurance Regulatory and Development Authority	CA0154 (Composite)	09 March 2019

(h) Details of penalties imposed by RBI and other regulators

No penalties has been imposed by RBI and other regulators on the Company during the financial year ended 31 March 2021 and 31 March 2020.

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

Nature	Date of rating assigned #	Rating assigned	Previous rating assigned
1 Secured debentures	15-Feb-21	CARE AA-	CARE AA-
		-	IND AA-
		-	ICRA AA-
	08-Jul-20	BWR AA-	BWR AA
	18-Feb-21	ACUITE AA	ACUITE AA
2 Subordinated debentures	15-Feb-21	CARE AA-	CARE AA-
	08-Jul-20	BWRAA-	BWRAA
	18-Feb-21	ACUITE AA	ACUITE AA
3 Perpetual debt instruments	15-Feb-21	CARE A+	CARE A+
	08-Jul-20	BWR A+	BWR AA-
4 Securitisation	21-Dec-20	AA	-
	01-Mar-21	AA+	-
	01-Mar-21	AA	-
	24-Mar-21	AA+	-
	24-Mar-21	AAA	-
5 Commercial papers	15-Feb-21	CARE A1+	CARE A1+
	17-Feb-21	CRISIL A1+	CRISIL A1+
6 Bank facility	15-Feb-21	CARE AA-	CARE AA-
	16-Feb-21	ICRA AA-	ICRA AA-
	19-Feb-21	IND AA-	IND AA-

Date of rating assigned relates to rating valid on 31 March 2021.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 53: Balance Sheet Disclosures as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and other RBI notification *(contd.)*

j) Remuneration of non-executive Directors

Name of directors	Nature of payment	Year ended 31 March 2021	Year ended 31 March 2020
1 Mr. Narayan K Seshadri	Sitting Fees	15.00	18.00
2 Mr. Mayank Poddar	Sitting Fees	8.00	-
3 Mr. Satya Brata Ganguly	Sitting Fees	-	8.80
4 Mr. V K Viswanathan	Sitting Fees	27.00	18.00
5 Ms. Madhumita Dutta-Sen	Sitting Fees	-	1.00
6 Mr. Sunil Rewachand Chandiramani	Sitting Fees	32.10	3.30
7 Mr. Bontha Prasada Rao	Sitting Fees	16.20	-
8 Mrs. Vijayalakshmi R Iyer	Sitting Fees	32.10	19.00

(k) Provisions and Contingencies

Break up of 'Provisions and Contingencies' shown in the Statement of Profit and Loss	Year ended 31 March 2021	Year ended 31 March 2020
Under "Impairment on financial instruments"		
1 Provision for standard assets	51,495.29	(397.97)
2 Provision for non-performing assets	(2,737.89)	5,305.45
3 Other provisions	353.12	190.14
Under "Tax expenses"		
Provision made towards income tax (includes deferred tax)	(19,428.95)	4,419.38
Under "Employee Benefit Expenses"		
Provision for compensated absences	349.02	390.11

(l) Concentration of Advances, Exposures and NPAs

1 Concentration of Advances

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Total advances to twenty largest borrowers	18,463.27	25,936.87
Percentage of advances to twenty largest borrowers to total advances	1.9%	2.2%

2 Concentration of Exposures

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Total exposure to twenty largest borrowers/ customers	18,463.27	25,936.87
Percentage of exposures to twenty largest borrowers/ customers to total exposure on borrowers/ customers	1.9%	2.2%

3 Concentration of NPAs

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Total exposure to top four NPA accounts	876.09	633.45

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 53: Balance Sheet Disclosures as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and other RBI notification *(contd.)*

4 Sector-wise GNPAs

Sector	% of NPAs to Total Advances in the sector	
	Year ended 31 March 2021	Year ended 31 March 2020
(i) Agriculture and allied activities	8.8%	12.8%
(ii) MSME	0.8%	4.9%
(iii) Corporate borrowers #	-	-
(iv) Services	6.0%	9.1%
(v) Unsecured personal loans	-	-
(vi) Auto loans	6.3%	5.2%
(vii) Other personal loans	8.0%	8.5%

Corporate borrowers is included in the respective sector

(m) Movement of NPAs

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
i) Net NPAs to Net Advances (%) ^	2.9%	4.8%
ii) Movement of NPAs (Gross) *		
a) Opening balance	87,466.67	71,317.44
b) Additions during the year	33,551.04	64,679.76
c) Reductions during the year	79,162.84	48,530.53
d) Closing balance	41,854.87	87,466.67
iii) Movement of Net NPAs *		
a) Opening balance	55,646.63	45,023.16
b) Additions during the year	7,970.27	40,922.52
c) Reductions during the year	51,229.97	30,299.05
d) Closing balance	12,386.93	55,646.63
iv) Movement of provisions for NPAs (excluding provisions on standard assets) *		
a) Opening balance	31,820.04	26,294.28
b) Provisions made during the year	25,580.77	23,757.24
c) Write-off / write-back of excess provisions	27,932.87	18,231.48
d) Closing balance	29,467.94	31,820.04

The Company classifies non-performing assets (NPAs) at 3 months overdue and is compliant with the requirement for the financial year ending 31 March 2021 as per the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated 1 September 2016. As company has adopted Ind-AS, provision on NPAs has been made as per expected credit loss method.

* Disclosure as per IND-AS, as required in RBI notification no. DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated 13 March 2020

^ Stage 3 assets as at 31 March 2021, includes restructured loan where assets are considered as credit impaired whereas for the limited purpose of regulatory disclosures based on dispensation given by RBI, the same has been considered as standard assets. The restructured assets have been provided for accordingly under Ind AS.

Similarly, Stage 2 assets as at 31 March 2021 includes restructured loan where assets are considered as significant increase in credit risk whereas for the limited purpose of regulatory disclosures based on general RBI guidelines on restructuring the same has been considered as Sub - Standard assets. The restructured assets have been provided for accordingly under Ind AS, subject to minimum provisioning requirement as per RBI guidelines.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 53: Balance Sheet Disclosures as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and other RBI notification *(contd.)*

Further, Stage 1 and 2 assets as at 31 March 2021 also includes assets which are disbursed during moratorium period ie from 1 March 20 to 1 August 20 or were NPA as on 29 Feb 2020 and moratorium was provided to them under RBI notification dated 27 March 2020 and 17 April 2020. For the limited purpose of regulatory disclosures based on general RBI guidelines on restructuring, the same has been considered as sub-standard assets. The restructured assets have been provided as per Ind AS.

(n) Disclosure of complaints

Customer complaints	Year ended 31 March 2021	Year ended 31 March 2020
No. of complaints pending at the beginning of the year	3	10
No. of complaints received during the year	543	349
No. of complaints redressed during the year	538	356
No. of complaints pending at the end of the year	8	3

(o) Disclosures relating to fraud in terms of the notification issued by Reserve Bank of India

During the year ended 31 March 2021, 20 frauds (31 March 2020: 34 frauds) has been reported to RBI. The un-recovered amounts aggregating to ₹460.22 lacs (31 March 2020: ₹287.04 lacs) have been fully provided for / written-off.

(p) Liquidity Coverage Ratio (LCR) disclosures

Qualitative disclosure

Liquidity Coverage Ratio (LCR) is a tool for measuring and promoting short term resilience of the Company to potential liquidity disruptions by ensuring maintenance of sufficient unencumbered high quality liquid assets (HQLAs) to survive at severe stress scenario lasting for 30 calendar days. Reserve Bank of India (RBI) introduced the LCR requirement for all deposit-taking NBFCs and non-deposit taking NBFCs with an asset size of ₹5,000 crore and above. The ratio comprises of HQLAs as numerator and net cash outflows in next 30 calendar days as denominator.

HQLA computation consist of two parts i.e.

(i) Assets to be included as HQLA without any haircut i.e. cash, government securities, etc. and

(ii) Assets to be considered for HQLA with haircuts (ranging 15% to 50%) which comprises of investments in highly rated non-financial corporate bonds and listed equity investments which are considered at prescribed haircuts.

In order to determine net cash outflows, the Company considers total expected cash outflow minus total expected cash inflows for the subsequent 30 calendar days. As per regulations, stressed cash flows is computed by assigning a predefined stress percentage to the overall cash inflows and cash outflows. Net cash outflow over next 30 days is computed as stressed outflows less minimum of stressed inflows or 75% of stressed outflow. Accordingly, LCR would be computed by dividing Company's stock of HQLA by its total net cash outflow.

The LCR requirement has been inducted in a phased manner with Company required to maintain minimum LCR of 50% from December 1, 2020 eventually increasing to 100% by December 1, 2024. The Company has implemented the LCR framework and has consistently maintained LCR well above the regulatory threshold for all the quarters during the current financial year. The Company has maintained an average LCR of 103.56% for the quarter ended March 31, 2021 as against minimum regulatory requirement of 50%. The Company has maintained average HQLAs of ₹10,483.73 lacs for the quarter ended March 31, 2021.

Apart from LCR, Company also uses various liquidity indicators to measure the liquidity risk in terms of funding stability, concentration risk i.e. concentration by significant counter-parties and concentration by significant instruments / product, stock ratios etc.

The Company has adopted the liquidity risk framework as required under RBI regulation. The Board of Directors have delegated responsibility of balance sheet Liquidity Risk Management to the Asset Liability Committee (ALCO). ALCO reviews asset liability mismatches (ALM) and ensures that there are no excessive concentration of either assets or liability side of the balance sheet. Liquidity risk is managed in accordance with ALM policy. The same is reviewed periodically to incorporate regulatory changes, economic scenario and business requirements of the Company.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 53: Balance Sheet Disclosures as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and other RBI notification *(contd.)*

Quantitative disclosure

Particulars	Quarter ended 30 June 2020		Quarter ended 30 September 2020		Quarter ended 31 December 2020		Quarter ended 31 March 2021	
	Total Unweighted Value (average)*	Total Weighted Value (average)#	Total Unweighted Value (average)*	Total Weighted Value (average)#	Total Unweighted Value (average)*	Total Weighted Value (average)#	Total Unweighted Value (average)*	Total Weighted Value (average)#
High Quality Liquid Assets								
Total High Quality Liquid Assets (HQLA)	7,853.81	7,853.81	15,940.36	15,940.36	12,456.96	12,456.96	10,483.73	10,483.73
Cash Outflows								
Deposits (for deposit taking companies)	-	-	-	-	-	-	-	-
Unsecured wholesale funding	-	-	-	-	833.33	958.33	500.00	575.00
Secured wholesale funding	17,550.64	20,183.24	21,028.16	24,182.38	19,210.30	22,091.84	20,572.16	23,657.98
Additional requirements, of which								
Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
Credit and liquidity facilities	-	-	-	-	-	-	-	-
Other contractual funding obligations	16,285.21	18,727.99	15,325.24	17,624.03	14,691.84	16,895.62	14,138.90	16,259.74
Other contingent funding obligations	-	-	-	-	-	-	-	-
TOTAL CASH OUTFLOWS	33,835.85	38,911.23	36,353.40	41,806.41	34,735.47	39,945.79	35,211.06	40,492.72
Cash Inflows								
Secured lending ##	35,581.14	26,685.86	61,864.05	46,398.04	59,433.52	44,575.14	58,882.69	44,162.02
Inflows from fully performing exposures	36,754.92	27,566.19	44,463.78	33,347.84	48,216.12	36,162.09	48,199.88	36,149.91
Other cash inflows	14,133.76	10,600.32	8,899.13	6,674.35	11,914.46	8,935.85	9,006.52	6,754.89
TOTAL CASH INFLOWS	86,469.82	64,852.37	115,226.96	86,420.23	119,564.10	89,673.08	116,089.09	87,066.82
TOTAL HQLA		7,853.81		15,940.36		12,456.96		10,483.73
TOTAL NET CASH OUTFLOWS		9,727.81		10,451.60		9,986.45		10,123.18
LIQUIDITY COVERAGE RATIO (%)		80.74%		152.52%		124.74%		103.56%

* Unweighted values calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

Weighted values calculated after the application of respective stress factors on inflow and outflow.

Includes unutilised CC/ WCDL limit

HQLA includes cash on hand and demand deposits with Scheduled Commercial Banks.

(q) Public disclosure on liquidity risk

1) Funding Concentration based on significant counterparty (both deposits and borrowings)

Number of Significant Counterparties	Amount	% of Total deposits	% of Total Liabilities
18	726,773.91	Not Applicable	86.52%

2) Top 20 large deposits (amount and % of total deposits)

- Not applicable

3) Top 10 borrowings (amount and % of total borrowings)

Amount	% of Total Borrowings
5,91,662.89	74.75%

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 53: Balance Sheet Disclosures as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and other RBI notification *(contd.)*

4) Funding Concentration based on significant instrument/product

Sr no	Name of the Instrument / Product	Amount	% of Total Liabilities
1	Non Convertible Debentures	82,593.08	9.83%
2	Term Loans	168,955.08	20.11%
3	Working Capital (Cash credit & WCDL)	274,150.94	32.64%
4	Loan from PTC Investors	192,382.10	22.90%
5	Subordinate Debt Instruments	65,570.70	7.81%

5) Stock Ratios:

Particulars	Ratios
a) Commercial Paper as a % of total public funds	Nil
Commercial Paper as a % of total liabilities	Nil
Commercial Paper as a % of total assets	Nil
b) Non convertible debentures (Original maturity of less than 1 year) as a % of total public funds	Nil
Non convertible debentures (Original maturity of less than 1 year) as a % of total liabilities	Nil
Non convertible debentures (Original maturity of less than 1 year) as a % of total assets	Nil
c) Other short-term liabilities as a % of total public funds	66.24%
Other short-term liabilities as a % of total liabilities	62.41%
Other short-term liabilities as a % of total assets	50.69%

Other short term liabilities includes Cash Credit and WCDL which are renewed on annual basis and are therefore revolving in nature.

6) Institutional set-up for liquidity risk management

Board constituted Asset Liability committee (ALCO) reviews asset liability mismatches (ALM). It also ensures that there are no excessive concentration of either assets or liability side of the balance sheet.

ALM is monitored as a regular process and necessary steps are taken wherever required. Company also maintains sufficient liquidity buffer through credit lines and other means to meet its liability when they are due, under both normal and stressed conditions in a timely manner. Maturity profile of financial assets and financial liabilities is assessed along with borrowing and business and as a part of review of liquidity position.

The Company has obtained fund and non-fund based working capital lines and Term Loans from various banks and financial institutions. Further, the Company has access to funds from debt markets through non-convertible debentures and other debt instruments. Cash Credit / WCDL limits are renewed on annual basis and are therefore revolving in nature. The Company also manages liquidity by raising funds through Securitisation/ assignment transactions.

Liquidity risk is managed in accordance with ALM policy. Same is reviewed periodically to incorporate regulatory changes, economic scenario and business requirements.

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 53: Balance Sheet Disclosures as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and other RBI notification *(contd.)*

(r) Comparison between provisions required under IRACP and impairment allowances made under IND AS 109 as per RBI notification no. DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated 13 March 2020

As on 31 March 2021

Asset Classification as per RBI Norms (1)	Asset classification as per Ind AS 109 (2)	Gross Carrying Amount as per Ind AS (3)	Loss Allowances (Provisions) as required under Ind AS 109 (4)	Net Carrying Amount (5=3-4)	Provisions required as per IRACP norms (6) *	Difference between Ind AS 109 provisions and IRACP norms (7=4-6)
Performing Assets						
Standard	Stage 1	759,012.29	38,765.81	720,246.48	3,094.60	35,671.21
	Stage 2	127,195.60	39,088.86	88,106.74	2,014.90	37,073.96
	Stage 3	962.45	479.39	483.06	67.84	411.55
Subtotal		887,170.34	78,334.06	808,836.28	5,177.34	73,156.72
Non-Performing Assets						
Substandard	Stage 1	9,407.70	210.53	9,197.17	940.77	(730.24)
	Stage 2	6,745.81	832.22	5,913.59	727.08	105.14
	Stage 3	34,911.28	24,671.49	10,239.79	5,547.26	19,124.23
		51,064.79	25,714.24	25,350.55	7,215.11	18,499.13
Doubtful						
upto 1 year	Stage 3	4,937.29	3,548.84	1,388.45	1,620.26	1,928.58
1 to 3 years	Stage 3	241.42	217.24	24.18	182.65	34.59
More than 3 years	Stage 3	445.05	410.12	34.93	472.80	(62.68)
Subtotal		5,623.76	4,176.20	1,447.56	2,275.71	1,900.49
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		56,688.55	29,890.44	26,798.11	9,490.82	20,399.62
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	8,467.48	143.99	8,323.49	-	143.99
	Stage 2	1,255.28	153.57	1,101.71	-	153.57
	Stage 3	357.37	140.85	216.52	-	140.85
Subtotal		10,080.13	438.41	9,641.72	-	438.41
Total	**Stage 1**	**776,887.47**	**39,120.33**	**737,767.14**	**4,035.37**	**35,084.96**
	Stage 2	**135,196.69**	**40,074.65**	**95,122.04**	**2,741.98**	**37,332.67**
	Stage 3	**41,854.86**	**29,467.93**	**12,386.93**	**7,890.81**	**21,577.12**
	Total	**953,939.02**	**108,662.91**	**845,276.11**	**14,668.16**	**93,994.75**
Lower income booked on Stage 3		1,743.09	1,743.09	-	-	1,743.09
	Total	**955,682.11**	**110,406.00**	**845,276.11**	**14,668.16**	**95,737.84**

* Includes interest suspended on Stage 3 assets

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 53: Balance Sheet Disclosures as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and other RBI notification *(contd.)*

Stage 3 assets as at 31 March 2021, includes restructured loan where assets are considered as credit impaired whereas for the limited purpose of regulatory disclosures based on dispensation given by RBI, the same has been considered as standard assets. The restructured assets have been provided for accordingly under Ind AS.

Similarly, Stage 2 assets as at 31 March 2021 includes restructured loan where assets are considered as significant increase in credit risk whereas for the limited purpose of regulatory disclosures based on general RBI guidelines on restructuring the same has been considered as Sub - Standard assets. The restructured assets have been provided for accordingly under Ind AS, subject to minimum provisioning requirement as per RBI guidelines.

Further, Stage 1 and 2 assets as at 31 March 2021 also includes assets which are disbursed during moratorium period ie from 1 March 20 to 1 August 20 or were NPA as on 29 Feb 2020 and moratorium was provided to them under RBI notification dated 27 March 2020 and 17 April 2020. For the limited purpose of regulatory disclosures based on general RBI guidelines on restructuring, the same has been considered as sub-standard assets. The restructured assets have been provided as per Ind AS.

(s) **Details of Morotorium facility provided by the Company as per RBI notification no. DOR.No.BP.BC.63/21.04.048/2019-20 dated 17 April 2020**

Due to stress caused by the pandemic COVID-19, Reserve Bank of India (RBI) vide its circular on "COVID-19 – Regulatory Package" dated March 27, 2020 and April 17 2020, has permitted all financial institution, including NBFCs, to grant moratorium to its customers on installment of outstanding term loans falling due during the period from 1 March 20 to 31 August 20. Accordingly, Company has provided loan moratorium to borrowers as mentioned below:

i) Loan moratorium has been provided to 269,150 borrowers (31 March 2020 : 261,976).The total outstanding as on 31 March 2021 is ₹563,978.87 lacs (31 March 2020: ₹830,094.91) consisting of 199,341 cases (31 March 2020 : 261,976).

ii) Respective amount where asset classification benefits is extended - Nil

iii) Provisions made as on 31 March 2021 in respect of such loans is ₹37,532.09 lacs (31 March 2020 : ₹28,892.83 lacs).

iv) As company follows Ind- AS, other disclosure required under above circular are not applicable.

There are nil account as on 31 March 2021 where the asset classification benefit is extended for cases where moratorium was provided until 31 August 2020, as the asset classification is based on the actual performance of the account after end of moratorium.

The Company has made the adequate provision for impairment loss under ECL methodology as on 31 March 2021.

(t) **Detail of restructured advances**

Particulars		Under SME Debt Restructuring Mechanism				
		Standard	Sub-Standard	Doubtful	Loss	Total
Restructured Accounts as on 1 April 2020	**No of borrowers**	**-**	**123**	**-**	**-**	**123**
	Amount Outstanding	**-**	**2,492.04**	**-**	**-**	**2,492.04**
	Provision thereon	**-**	**285.62**	**-**	**-**	**285.62**
Fresh restructuring during the year	No of borrowers	2,091	192	5	-	2,288
	Amount Outstanding	17,794.78	1,511.96	72.03	-	19,378.77
	Provision thereon	3,191.36	695.66	26.23	-	3,913.25
Upgradations to restructured standard category during the year	No of borrowers	94	(94)	-	-	-
	Amount Outstanding	1,809.66	(1,898.60)	-	-	(88.94)
	Provision thereon	103.63	(204.23)	-	-	(100.60)
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of year	No of borrowers	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-
	Provision thereon	-	-	-	-	-
Downgradations of restructured accounts during the year	No of borrowers	-	1	(1)	-	-
	Amount Outstanding	-	20.22	(24.06)	-	(3.84)
	Provision thereon	-	(31.15)	(6.14)	-	(37.29)
Write-offs of restructured accounts during the year	No of borrowers	34	12	-	-	46
	Amount Outstanding	366.36	255.21	-	-	621.57
	Provision thereon	61.77	35.87	-	-	97.64
Restructured Accounts as on 31 March 2021 *	**No of borrowers**	**2,151**	**208**	**6**	**-**	**2,365**
	Amount Outstanding	**19,238.08**	**1,829.97**	**96.09**	**-**	**21,164.14**
	Provision thereon	**3,233.22**	**772.33**	**32.37**	**-**	**4,037.92**

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 53: Balance Sheet Disclosures as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and other RBI notification *(contd.)*

Amount of movement in respective blocks includes recovery made during the year

Particulars		Others				
		Standard	Sub-Standard	Doubtful	Loss	Total
Restructured Accounts as on 1 April 2020	**No of borrowers**	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-
	Provision thereon	-	-	-	-	-
Fresh restructuring during the year	No of borrowers	598	9,797	84	-	10,479
	Amount Outstanding	6,260.39	26,415.02	370.92	-	33,046.33
	Provision thereon	1,069.23	4,654.24	191.51	-	5,914.98
Upgradations to restructured standard category during the year	No of borrowers	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-
	Provision thereon	-	-	-	-	-
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of year	No of borrowers	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-
	Provision thereon	-	-	-	-	-
Downgradations of restructured accounts during the year	No of borrowers	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-
	Provision thereon	-	-	-	-	-
Write-offs of restructured accounts during the year	No of borrowers	23	3,821	-	-	3,844
	Amount Outstanding	63.81	6,983.56	-	-	7,047.37
	Provision thereon	7.20	1,801.40	-	-	1,808.60
Restructured Accounts as on 31 March 2021 *	**No of borrowers**	**575**	**5,976**	**84**	**-**	**6,635**
	Amount Outstanding	**6,196.58**	**19,431.46**	**370.92**	**-**	**25,998.96**
	Provision thereon	**1,062.03**	**2,852.84**	**191.51**	**-**	**4,106.38**

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

Amount of movement in respective blocks includes recovery made during the year

Particulars		Total				
		Standard	Sub-Standard	Doubtful	Loss	Total
Restructured Accounts as on 1 April 2020	**No of borrowers**	-	**123**	-	-	**123**
	Amount Outstanding	-	**2,492.04**	-	-	**2,492.04**
	Provision thereon	-	**285.62**	-	-	**285.62**
Fresh restructuring during the year	No of borrowers	2,689	9,989	89	-	12,767
	Amount Outstanding	24,055.17	27,926.98	442.95	-	52,425.10
	Provision thereon	4,260.59	5,349.90	217.74	-	9,828.23
Upgradations to restructured standard category during the year	No of borrowers	94	(94)	-	-	-
	Amount Outstanding	1,809.66	(1,898.60)	-	-	(88.94)
	Provision thereon	103.63	(204.23)	-	-	(100.60)
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of year	No of borrowers	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-
	Provision thereon	-	-	-	-	-
Downgradations of restructured accounts during the year	No of borrowers	-	1	(1)	-	-
	Amount Outstanding	-	20.22	(24.06)	-	(3.84)
	Provision thereon	-	(31.15)	(6.14)	-	(37.29)
Write-offs of restructured accounts during the year	No of borrowers	57	3,833	-	-	3,890
	Amount Outstanding	430.17	7,238.77	-	-	7,668.94
	Provision thereon	68.97	1,837.27	-	-	1,906.24
Restructured Accounts as on 31 March 2021 *	**No of borrowers**	**2,726**	**6,184**	**90**	**-**	**9,000**
	Amount Outstanding	**25,434.66**	**21,261.43**	**467.01**	**-**	**47,163.10**
	Provision thereon	**4,295.25**	**3,625.17**	**223.88**	**-**	**8,144.30**

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

Notes to the financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 53: Balance Sheet Disclosures as required under Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and other RBI notification *(contd.)*

Amount of movement in respective blocks includes recovery made during the year

(u) **Details of resolution framework for COVID-19- related stress as per RBI notification no. DOR.No.BP.BC/3/21.04.048/2020-21 dated 6 August 2020**

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) Exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	-	-	-	-	-
Corporate persons*	-	-	-	-	-
MSMEs	-	-	-	-	-
Others	595	7,313.44	-	-	1,148.30
Total	**595**	**7,313.44**	-	-	**1,148.30**

*As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

(v) **Detail of restructured advances - Micro, Small and Medium Enterprises (MSME) sector as per RBI notification no. DOR.No.BP.BC/4/21.04.048/2020-21 dated 6 August 2020**

No of accounts restructured*	Amount
2,288	21,011.75

* Includes MSME cases restructured under Non MSME restructure guidelines.

(w) In accordance with the instructions in aforementioned RBI circular dated April 07 2021, and the Indian Banks' Association ('IBA') advisory letter dated 19 April 2021, the Company has put in place a Board approved policy to refund / adjust the 'interest on interest' charged to borrowers during the moratorium period i.e., 1 March 2020 to 31 August 2020. The Company has estimated the said amount and made a provision of ₹906.58 lacs in the financial statements for the year ended March 31, 2021.

As per our report of even date attached

For and on behalf of the Board of Directors of
Magma Fincorp Limited

For B S R & Co. LLP
Chartered Accountants
ICAI Firm registration No.: 101248W/ W-100022

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Sunil Rewachand Chandiramani
Non-Executive Independent Director
(DIN: 00524035)

Kailash Baheti
Chief Financial Officer

Ashwin Suvarna
Partner
Membership No.: 109503

Shabnum Zaman
Company Secretary

Place : Mumbai
Date : 31 May 2021

Place : Kolkata
Date : 31 May 2021

Place : Mumbai
Date : 31 May 2021

Schedule annexed to the balance sheet for the year ended 31 March 2021

(All amounts are in ₹ lacs unless otherwise stated)

Disclosure of details as required in terms of Paragraph 19 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

1 Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid *

Sr no	Particulars	Amount outstanding as at 31 March 2021	Amount overdue as at 31 March 2021
	Liabilities		
(a)	Debentures		
	- Secured	82,593.08	-
	- Unsecured	73,397.53	-
(b)	Deferred Credits	-	-
(c)	Term Loans	168,955.08	-
(d)	Inter-Corporate Loans and Borrowing	-	-
(e)	Commercial Paper	-	-
(f)	Public Deposits	-	-
(g)	Cash Credit / Working Capital Demand Loans from Banks	274,150.94	-

* Does not include loan from PTC investors which forms part of borrowings under Ind AS as the same does not meet the derecognition criteria under Ind AS.

2 Break-up of Loans and Advances, including Bills Receivables (other than those included in (3) below)

Sr no	Particulars	Amount outstanding as at 31 March 2021
	Assets	
(a)	Secured	-
(b)	Unsecured	16,395.56

3 Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards AFC activities * #

Sr no	Particulars	Amount outstanding as at 31 March 2021
(i)	Lease Assets including Lease Rentals under Sundry Debtors	5,042.30
(ii)	Stock on Hire including Hire Charges under Sundry Debtors	-
(iii)	Other loans counting towards AFC activities	
	(a) Loans where assets have been repossessed	3,732.54
	(b) Loans other than (a) above	959,838.22

AFC classification has been discontinued by RBI with effect from 22 February 2019

* Securitization (PTC) transaction do not meet the de-recognition criteria under Ind AS and are recognised in books of accounts. Accordingly amounts stated above are inclusive of PTC transactions for the purpose of disclosure.

Schedule annexed to the balance sheet for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

4 Break-up of Investments

Sr no	Particulars	Amount outstanding as at 31 March 2021
	Current Investments	
1	Quoted	
	(i) Shares (a) Equity	-
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of Mutual Funds	-
	(iv) Government Securities	-
	(v) Others (please specify)	-
2	Unquoted	
	(i) Shares (a) Equity	-
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of Mutual Funds	-
	(iv) Government Securities	-
	(v) Others (please specify)	-

Sr no	Particulars	Amount outstanding as at 31 March 2021
	Long-term Investments	
1	Quoted	
	(i) Shares (a) Equity	-
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of Mutual Funds	-
	(iv) Government Securities	-
	(v) Others (please specify)	-
2	Unquoted	
	(i) Shares (a) Equity	42,892.04
	(b) Preference	-
	(ii) Debentures and Bonds	-
	(iii) Units of Mutual Funds	-
	(iv) Government Securities	-
	(v) Others	
	- National Savings Certificate	0.16
	- Security Receipts	2,521.36

Schedule annexed to the balance sheet for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

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

Sr no	Category	Secured	Unsecured	Total as at 31 March 2021
1	Related Parties			
	(a) Subsidiaries	-	-	-
	(b) Companies in the same group	-	500.26	500.26
	(c) Other related parties		11.92	11.92
2	Other than Related Parties	839,231.81	145,264.63	984,496.44
	Total	**839,231.81**	**145,776.81**	**985,008.62**

* Securitization (PTC) transaction do not meet the de-recognition criteria under Ind AS and are recognised in books of accounts. Accordingly amounts stated above are inclusive of PTC transactions for the purpose of disclosure.

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

Sr no	Category	Market Value / Break up or Fair Value or NAV as at 31 March 2021	Book Value (Net of Provisions) as at 31 March 2021
1	Related Parties		
	(a) Subsidiaries	49,684.89	31,970.94
	(b) Companies in the same group	16,505.68	10,920.11
	(c) Other related parties	-	-
2	Other than Related Parties	2,567.14	2,522.51
	Total	**68,757.71**	**45,413.56**

7 Other information

Sr no	Particulars	Total as at 31 March 2021
(i)	Gross Non-Performing Assets *	
	(a) Related parties	-
	(b) Other than Related parties	41,854.87
(ii)	Net Non-Performing Assets *	
	(a) Related parties	-
	(b) Other than Related parties	12,386.93
(iii)	Assets acquired in satisfaction of debt	-

* Disclosure as per IND-AS, as required in RBI notification no. DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated 13 March 2020

Sunil Rewachand Chandiramani
Non-Executive Independent Director
(DIN: 00524035)

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Kailash Baheti
Chief Financial Officer

Shabnum Zaman
Company Secretary

Mumbai
Date : 31 May 2021

Place : Kolkata
Date : 31 May 2021

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report

Independent Auditors' Report

To the Members of
Magma Fincorp Limited

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Magma Fincorp Limited (hereinafter referred to as the 'Holding Company') and its subsidiary (Holding Company and its subsidiary together referred to as 'the Group') and its joint ventures, which comprise the consolidated balance sheet as at 31 March 2021, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the 'consolidated financial statements').

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on separate financial statements of such subsidiary, and joint ventures as were audited by the other auditors, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its joint ventures as at 31 March 2021, of its consolidated loss and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section* of our report. We are independent of the Group and its joint ventures in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in terms of the Code of Ethics issued by the Institute of Chartered Accountants of India (the 'ICAI') and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub paragraph (a) of the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

Emphasis of matter

We draw attention to Note 44(ii) to the consolidated financial statements, relating to remuneration paid to the Whole Time Director (upto 7 November 2020) and the Vice Chairman and Managing Director of the Holding Company for the financial year ended 31 March 2021, being in excess of the limits prescribed under Section 197 read with Schedule V of the Companies Act, 2013 by ₹ NIL and Rs. 49.93 lacs for Whole Time Director and Vice Chairman and Managing Director respectively and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 by ₹ 112.71 lacs and ₹ 224.40 lacs for Whole Time Director and Vice Chairman and Managing Director respectively, which is subject to the approval of the shareholders. Further, the Holding Company is reasonably certain of getting the required approval.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report *(contd.)*

Key Audit Matters *(contd.)*

Loss allowance for Expected Credit Loss (ECL) on loans and advances

Refer to the accounting policies in Note 2(f) - Significant areas of estimation uncertainty, critical judgements and assumptions in applying accounting policies, Note 2(i) – Financial Instruments – Impairment of financial assets, Note 50 to the Financial Statements: Financial risk management,

Charge to the standalone Statement of Profit and Loss: INR 144,799.26 Lakhs [Refer Note 35 to the standalone financial statements]

Loss allowance for Expected Credit Loss (ECL) on as at 31 March 2021: INR 117,525.17 Lakhs [Refer Note 6 to the consolidated financial statements]

Key audit matter	How the matter was addressed in our audit
Subjective estimate Loans represent a significant portion of the Group's assets. Recognition and measurement of loss allowance on ECL on loans and advances involve significant management judgement. Under Ind AS 109, Financial Instruments, loss allowance on loans are determined using ECL model. Computation of loss allowance on loans basis ECL model involves significant judgments and estimates. The Group's loss allowance is derived from estimates including the historical default, loss ratios and forward looking risk variables. The Group exercises judgements in determining the quantum of loss based on a range of factors. **The most significant factors are:** - Segmentation of loan book - Determination of exposure at default - Loan staging criteria - Calculation of probability of default / loss given default - Consideration of probability weighted scenarios and forward looking macro-economic factors - Past experience and forecast data on customer behaviour on repayments, captured in the form of roll forwards and roll backs of monthly instalments The application of ECL model requires several data inputs including estimation of 12 month ECL for a pool of loans and life time ECL for other pool of loans. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model. **Impact of COVID-19** The Group has identified the impact of, and uncertainty related to the COVID-19 pandemic as a key element and consideration for recognition and measurement of loss allowance for expected credit loss on loans, in particular the level of estimation, on account of: - short and long term macroeconomic effect on businesses in the country and globally and its consequential first order and cascading negative impact on revenue and employment generation opportunities. - impact of the pandemic on the Group's customers and their ability to repay dues; and - application of regulatory package announced by the Reserve Bank of India (RBI) and its consequential impact on asset classification and provisioning	In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence: **Design / controls** • Performed walkthroughs and assessed the design and implementation of controls in respect of the Group's loss allowance process such as the timely recognition of impairment loss, the completeness and accuracy of reports used in the impairment allowance process and management review processes over the measurement of loss allowance and the related disclosures on credit risk management. • Evaluation of the impairment principles used by management based on the requirements of Ind AS 109, our business understanding and industry practice. • Understanding and testing continuing and enhanced processes, systems and controls implemented in relation to impairment allowance process, particularly in view of COVID-19 regulatory package. • Evaluating key controls over collation of relevant information used for determining estimates for management overlays on account of COVID-19. • Testing the controls over 'Governance Framework' in line with the RBI guidance and with Group's laid down policy • Assessing the design and implementation of key internal financial controls over identification and measurement of impairment charge. • Testing of key review controls over measurement of loss allowances and disclosures in financial statements. • Assessed sufficiency of the disclosures on key judgements, assumptions and quantitative data with respect to loss allowance in the financial statements. **Involvement of specialists** We involved financial risk modelling specialists for the following: • Evaluating the appropriateness of the Group's Ind AS 109 impairment methodologies and reasonableness of assumptions used (including those used for management overlays); and • The reasonableness of the Group's considerations of the impact of the current economic environment due to COVID-19 on the loss allowance determination. **Substantive tests** • Assessing management rationale for determination of criteria for SICR considering both: adverse effects of COVID-19 and mitigants in the form of the RBI / Government financial relief package. • Assessing the changes made in macroeconomic factors and management overlays to calibrate the risks that are not yet fully captured by the existing model.

Independent Auditors' Report *(contd.)*

Key Audit Matters *(contd.)*

Loss allowance for Expected Credit Loss (ECL) on loans and advances *(contd.)*

Key audit matter	How the matter was addressed in our audit
The Group has conducted a qualitative assessment of significant increase in credit risk (SICR) of the loan portfolio considering the moratorium benefit to borrowers prescribed by the RBI and considered updated macroeconomic scenarios and the use of management overlays to reflect potential impact of COVID-19 on loss allowance on its loan portfolio. On account of COVID – wave 2, the challenges relating to collections, both on account of operations and customer ability, have compounded. Hence, management's outlook on credit default has changed from the past and it is expected that probability of default would accelerate beyond the projections made through the ECL model. Accordingly, management has adopted a methodology to project future roll forwards and roll backs of instalments and capturing the likely defaults in a stressed scenario, by using assumptions on collection trends. This is a subject matter of significant estimate. Accordingly, given the significant level of estimates and judgements involved in determining loss allowance for ECL on Loans, we have considered measurement of this to be a key audit matter.	• Tested through independent check, Group's assessment of COVID-19 impact on segments of its loan portfolio and the resultant loss allowance • Verifying application of accounting principles, validating completeness and accuracy of the data and reasonableness of assumptions used in the model. • Test of details over of calculation of loss allowance for assessing the completeness, accuracy and relevance of data. • For model derived outputs, verifying the calculations through re-computation where practicable. • Challenged judgments made in respect of calculation methodologies, segmentation, economic factors, the period of historical loss rates used and the valuation of recovery assets and collateral • Assessing the factual accuracy of the additional financial statements disclosures made by the Group regarding impact of COVID-19

Information Technology (IT) systems and controls

Key audit matter	How the matter was addressed in our audit
The Company's key financial accounting and reporting processes are highly dependent on information systems including automated controls, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. The Company uses multiple systems for its overall financial reporting process. Further, the prevailing COVID-19 situation, has caused the required IT applications to be made accessible on a remote basis. We have identified 'Information Technology systems' as key audit matter because of the significant level of automation, the various layers and elements of the IT architecture and the risks associated with remote access of key applications by staff during the year.	**Our response** Our audit procedures to assess the IT system management included the following: We involved our IT Specialist to: • Understand General IT Controls (GITC) i.e. Access Controls, Program/ System Change, Program Development, Computer Operations (i.e. Job Processing, Data/System Backup) over key financial accounting and reporting systems and supporting control systems (referred to as in-scope systems). • Understand IT infrastructure i.e. operating systems and databases supporting the in-scope systems. • Test the General IT Controls for design and operating effectiveness for the audit period over the in-scope systems. • Understand IT application controls covering: - user access and roles, segregation of duties; and - key interfaces, reports, reconciliations and system processing. • Test the IT application controls for design and operating effectiveness for the audit period. • Test the automated controls supporting financial reporting process to determine whether these controls remained unchanged during the audit period or were changed following the standard change management process. • Test the controls over the IT infrastructure covering user access (including privilege users), and system changes; and • Enquiry on data security controls in the context of staff working from remote location at the year end.

Independent Auditors' Report *(contd.)*

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and based on the work done/ audit report of other auditors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's and Board of Directors' Responsibilities for the Consolidated Financial Statements

The Holding Company's Management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/ loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group including its joint ventures in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. The respective Management and Board of Directors of the companies included in the Group and of its joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of each company, and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, 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, which have been used for the purpose of preparation of the consolidated financial statements by the Management and Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Management and Board of Directors of the companies included in the Group and of its joint ventures are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its joint ventures is responsible for overseeing the financial reporting process of each company.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on internal financial controls with reference to the consolidated financial statements and the operating effectiveness of such controls based on our audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the consolidated financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board

Independent Auditors' Report *(contd.)*

of Director's use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its joint ventures to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group and its joint ventures to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in para (a) of the section titled 'Other Matters' in this audit report.

We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance of the Holding Company included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

We did not audit the financial statements of one subsidiary whose financial statements reflect total assets of Rs. 313,360.38 lakhs as at 31 March 2021, total revenues of Rs. 47,254.33 lakhs and net cash inflows of Rs 9,190.15 lakhs for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit (and other comprehensive income) of Rs. 26.67 lakhs for the year ended 31 March 2021, in respect of two joint ventures, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary and joint ventures, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary and joint ventures is based solely on the audit reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

A. As required by Section 143(3) of the Act, based on our audit and on the consideration of reports of the other auditors on separate financial statements of such subsidiary and its joint ventures as were audited by other auditors, as noted in the 'Other Matters' paragraph, we report, to the extent applicable, that:

   a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;

   b) in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears

Independent Auditors' Report *(contd.)*

from our examination of those books and the reports of the other auditors;

c) the consolidated Balance Sheet, the consolidated Statement of Profit and Loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

d) in our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under section 133 of the Act.

e) On the basis of the written representations received from the Directors of the Holding Company as on 31 March 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company and its joint ventures incorporated in India, none of the directors of the Group companies and its joint ventures incorporated in India is disqualified as on 31 March 2021 from being appointed as a director in terms of Section 164(2) of the Act; and

f) with respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company, its subsidiary company and joint ventures incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

B. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements of the subsidiary and joint ventures, as noted in the 'Other Matters' paragraph:

i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2021 on the consolidated financial position of the Group and its joint ventures. Refer Note 45 to the consolidated financial statements;

ii. The Group and its joint ventures did not have any material foreseeable losses on long-term contracts including derivative contracts during the year ended 31 March 2021. Refer Note 45 to the consolidated financial statements;

iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Holding Company or its subsidiary company and joint ventures incorporated in India during the year ended 31 March 2021; and

iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the financial statements since they do not pertain to the financial year ended 31 March 2021.

C. With respect to the matter to be included in the Auditor's report under section 197(16):

We draw attention to Note 44(ii) to the consolidated financial statements for the year ended 31 March 2021 according to which the remuneration paid to the Whole Time Director (upto 7 November 2020) and the Vice Chairman and Managing Director of the Holding Company for the financial year ended 31 March 2021 amounting to ₹ 112.71 lacs and ₹ 224.40 lacs respectively, and consequently the total managerial remuneration for the financial year ended 31 March 2021 (amounting to ₹ 337.11 lacs) exceed the prescribed limits under Section 197 read with Schedule V of the Companies Act, 2013 by ₹ NIL and ₹ 49.93 lacs for Whole Time Director (upto 7 November 2020) and the Vice Chairman and Managing Director respectively. As per provisions of the Act, the excess remuneration is subject to the approval of the shareholders which the Holding company proposes to obtain in the forthcoming Annual General Meeting.

The Ministry of Corporate Affairs has not prescribed other details under Section 197 (16) which are required to be commented upon by us.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No. 101248W /W-100022

Ashwin Suvarna
Partner
Membership No. 109503
UDIN: 21109503AAAABT4516

Place: Mumbai
Date: 31 May 2021

Annexure A to the Independent Auditor's Report

Annexure A to the Independent Auditors' report on the Consolidated Financial Statements of Magma Fincorp Limited for the year ended 31 March 2021

(Referred to in our report of even date)

Report on the Internal Financial Controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the 'Act')

Referred to in paragraph (A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date

Opinion

In conjunction with our audit of the consolidated financial statements of the Company as at and for the year ended 31 March 2021, we have audited the internal financial controls with reference to consolidated financial statements of Magma Fincorp Limited (hereinafter referred to as the 'Holding Company') and such companies incorporated in India under the Companies Act, 2013 which are its subsidiary company and its joint venture companies as of that date.

In our opinion, the Holding Company and such companies incorporated in India which are its subsidiary company and its joint venture companies, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2021, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the 'Guidance Note').

Management's Responsibility for Internal Financial Controls

The respective Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as the 'Act').

Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements were established and maintained and if such controls operated effectively in all material respects..

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the relevant subsidiary company and joint venture companies in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

Meaning of Internal Financial controls with Reference to Consolidated Financial Statement

The company's internal financial controls with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The company's internal financial controls with reference to consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial controls with Reference to consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated financial statements insofar as it relates to one subsidiary company and two joint venture companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No. 101248W /W-100022

Ashwin Suvarna
Partner
Membership No. 109503
UDIN: 21109503AAAABT4516

Place: Mumbai
Date: 31 May 2021

Consolidated Balance Sheet as at 31 March 2021

(All amounts are in ₹ lacs unless otherwise stated)

Particulars	Note	As at 31 March 2021	As at 31 March 2020
ASSETS			
1. Financial assets			
Cash and cash equivalents	3	35,782.49	20,596.15
Bank balances other than cash and cash equivalents	4	41,686.09	50,232.02
Receivables	5		
(i) Trade receivables		1,017.44	799.29
(ii) Other receivables		274.13	192.12
Loans	6	1,136,122.81	1,354,645.40
Investments accounted using Equity Method	7	17,736.59	15,059.88
Other financial assets	8	25,926.28	32,425.64
Total financial assets		**1,258,545.83**	**1,473,950.50**
2. Non-financial assets			
Current tax assets (net)	9	9,500.78	10,119.72
Deferred tax assets (net)	10	29,416.52	9,381.60
Property, plant and equipment	11	12,505.36	15,578.05
Intangible assets under development	12	18.15	661.94
Other intangible assets	13	1,954.45	1,603.98
Goodwill	14	1,430.34	1,430.34
Right to use assets	15	3,690.23	5,571.51
Other non-financial assets	16	4,156.58	5,673.88
Total non-financial assets		**62,672.41**	**50,021.02**
Total assets		**1,321,218.24**	**1,523,971.52**
LIABILITIES AND EQUITY			
LIABILITIES			
1. Financial liabilities			
Payables	17		
Trade Payables			
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditor other than micro enterprises and small enterprises		9,409.00	2,505.68
Other Payables			
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		-	-
Debt securities	18	126,502.23	70,407.73
Borrowings (other than debt securities)	19	833,458.73	1,042,705.58
Subordinated liabilities	20	83,343.97	85,623.66
Lease liability	21	4,183.51	5,983.06
Other financial liabilities	22	31,732.13	32,304.87
Total financial liabilities		**1,088,629.57**	**1,239,530.58**
2. Non-financial liabilities			
Current tax liabilities (net)	23	943.56	1,435.17
Provisions	24	1,347.84	1,124.63
Other non-financial liabilities	25	10,866.83	7,081.26
Total non-financial liabilities		**13,158.23**	**9,641.06**
EQUITY			
Equity share capital	26	5,392.33	5,390.31
Other equity	27	214,038.11	269,409.57
Total equity		**219,430.44**	**274,799.88**
Total liabilities and equity		**1,321,218.24**	**1,523,971.52**
Significant accounting policies	2		
Notes to the financial statements	3 - 53		
The accompanying notes are an integral part of these financial statements			

As per our report of even date attached

For and on behalf of the Board of Directors of
Magma Fincorp Limited

For B S R & Co. LLP
Chartered Accountants
ICAI Firm registration No.: 101248W/ W-100022

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Sunil Rewachand Chandiramani
Non-Executive Independent Director
(DIN: 00524035)

Kailash Baheti
Chief Financial Officer

Ashwin Suvarna
Partner
Membership No.: 109503

Shabnum Zaman
Company Secretary

Place : Mumbai
Date : 31 May 2021

Place : Kolkata
Date : 31 May 2021

Place : Mumbai
Date : 31 May 2021

Consolidated Statement of Profit and Loss for the year ended 31 March 2021

(All amounts are in ₹ lacs unless otherwise stated)

	Particulars	Note	Year ended 31 March 2021	Year ended 31 March 2020
	Revenue from operations			
	Interest income	28	216,567.75	232,434.29
	Rental income	29	2,967.31	3,671.91
	Fees and commission income	30	7,165.72	8,650.27
	Net gain on fair value changes	31	61.32	-
	Net gain on derecognition of financial instruments	32	5,127.67	6,586.82
(I)	**Total revenue from operations**		**231,889.77**	**251,343.29**
(II)	Other income	33	3,357.98	4,944.49
(III)	**Total income (I+II)**		**235,247.75**	**256,287.78**
	Expenses			
	Finance costs	34	110,045.40	129,382.18
	Net loss on fair value changes	31	-	461.66
	Impairment on financial instruments	35	144,799.26	48,578.97
	Employee benefits expenses	36	38,153.05	44,791.09
	Depreciation, amortisation and impairment	37	5,625.29	7,478.99
	Others expenses	38	12,050.09	17,316.43
(IV)	**Total expenses**		**310,673.09**	**248,009.32**
(V)	**Profit before share of profit/(loss) of joint ventures and tax (III-IV)**		**(75,425.34)**	**8,278.46**
(VI)	**Share of profit/(loss) of equity-accounted investee, net of tax**		548.48	(100.72)
(VII)	**Profit / (loss) before tax (V+VI)**		**(74,876.86)**	**8,177.74**
(VIII)	**Tax expense:**			
	Current tax - current year charge / (reversal)	10	1,202.00	1,656.00
	- earlier year		47.45	(141.35)
	Deferred tax	10	(20,229.87)	3,957.75
	Total tax expense charge / (reversal)		**(18,980.42)**	**5,472.40**
(IX)	**Profit / (loss) for the year (VII-VIII)**		**(55,896.44)**	**2,705.34**
(X)	**Other comprehensive income**			
	A (i) Items that will not be reclassified to profit or loss			
	- Remeasurement of the defined benefit plans		274.39	(323.94)
	- Share of profit of equity-accounted investee, net of tax		2.92	(18.80)
	(ii) Income tax relating to items that will not be reclassified to profit or loss		(69.06)	34.41
	Subtotal (A)		**208.25**	**(308.33)**
	B (i) Items that will be reclassified to profit or loss			
	- Debt instruments through other comprehensive income		500.22	(1,105.76)
	- Share of profit of equity-accounted investee, net of tax		(524.73)	1,064.75
	(ii) Income tax relating to items that will be reclassified to profit or loss		(125.89)	266.35
	Subtotal (B)		**(150.40)**	**225.34**
	Other comprehensive income (A + B)		**57.85**	**(82.99)**
(XI)	**Total comprehensive income for the year, net of tax (IX+X)**		**(55,838.59)**	**2,622.35**
(XII)	**Total comprehensive income for the year, attributable to**			
	(a) Owners of the Company		(55,838.59)	2,622.35
	(b) Non-controlling interests		-	-
	Total		**(55,838.59)**	**2,622.35**
(XIII)	**Profit for the year, attributable to**			
	(a) Owners of the Company		(55,896.44)	2,705.34
	(b) Non-controlling interests		-	-
	Total		**(55,896.44)**	**2,705.34**
(XIII)	**Other comprehensive income for the year, attributable to**			
	(a) Owners of the Company		57.85	(82.99)
	(b) Non-controlling interests		-	-
	Total		**57.85**	**(82.99)**
(XIV)	**Earnings per equity share**			
	Basic (₹)	42	(20.74)	1.00
	Diluted (₹)	42	(20.74)	1.00
	Significant accounting policies	2		
	Notes to the financial statements	3 - 53		
	The accompanying notes are an integral part of these financial statements			

As per our report of even date attached

For and on behalf of the Board of Directors of
Magma Fincorp Limited

For B S R & Co. LLP
Chartered Accountants
ICAI Firm registration No.: 101248W/ W-100022

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Sunil Rewachand Chandiramani
Non-Executive Independent Director
(DIN: 00524035)

Kailash Baheti
Chief Financial Officer

Ashwin Suvarna
Partner
Membership No.: 109503

Shabnum Zaman
Company Secretary

Place : Mumbai
Date : 31 May 2021

Place : Kolkata
Date : 31 May 2021

Place : Mumbai
Date : 31 May 2021

Consolidated Statement of Cash Flows for the year ended 31 March 2021

(All amounts are in ₹ lacs unless otherwise stated)

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
A. Cash flow from operating activities		
Profit/(loss) before tax	(74,876.86)	8,177.74
Adjustments for :		
Depreciation and amortisation expense	5,625.29	7,478.99
Impairment on financial assets	144,799.26	48,578.97
Net loss/(gain) on fair value changes	(61.32)	236.53
Net loss/(gain) on derecognition of property,plant & equipment	34.27	(3.26)
Intangible assets under development written-off	3.14	94.64
Employee share based compensation expense	560.11	360.66
Interest on tax refund	(683.86)	(1,045.19)
Interest on lease liability	301.83	694.67
Gain on prepayment of debt	-	(302.64)
Share of loss/(profit) of equity-accounted investee net of tax	(548.48)	100.72
Liabilities written back	(406.51)	(240.79)
Operating cash flow before working capital changes	74,746.87	64,131.04
Movement in working capital:		
Decrease/(Increase) in receivables	(300.18)	105.57
Decrease in loans	75,337.24	96,856.70
Decrease/(Increase) in other financial assets	2,869.20	(13,119.13)
Decrease/(Increase) in other non financial assets	756.33	(2,407.54)
(Decrease)/Increase in trade payables	7,573.60	(33,853.44)
(Decrease) in other financial liabilities	(399.32)	(12,836.25)
(Decrease)/Increase in provisions	448.61	(133.37)
(Decrease)/Increase in other non financial liabilities	3,835.57	(49.38)
Net cash generated from operating activities before taxes	164,867.92	98,694.20
Income taxes paid (net of refunds)	(438.26)	1,129.36
Net cash generated from operating activities (A)	**164,429.66**	**99,823.56**
B. Cash flow from investing activities		
Purchase of property, plant and equipment	(1,936.07)	(4,734.52)
Proceeds from sale of property, plant and equipment	1,128.38	972.02
Purchase of intangible assets	(317.32)	(1,204.90)
Investment in fixed deposits	(255,877.28)	(120,867.56)
Redemption of fixed deposits	264,417.94	109,221.84
Investment in subsidiary	-	(10,000.00)
Investment in joint venture	-	(2,650.04)
Proceeds from sale of investments	718.96	1,193.51
Net cash generated from/(used in) investing activities (B)	**8,134.61**	**(28,069.65)**

Consolidated Statement of Cash Flows for the year ended 31 March 2021 *(Contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
C. Cash flow from financing activities		
Proceeds from issue of long-term debentures	58,500.00	55,141.45
Redemption of long-term debentures	(5,000.53)	(49,197.36)
Proceeds from long term borrowings	135,476.35	175,042.96
Repayment of long term borrowings	(147,706.60)	(88,785.46)
Proceeds from long term borrowings - pass through certificate	54,574.43	272,064.70
Repayment of long term borrowings - pass through certificate	(198,007.23)	(258,477.89)
Repayment - loan repayable on demand (net) (refer note b)	(53,730.64)	(219,610.02)
Interest on lease liability	(301.83)	(694.67)
Principal portion of lease liability	(1,090.92)	(1,164.90)
Proceeds from issue of equity shares including securities premium	2.02	10,025.73
Share Issue Expense	(92.98)	-
Dividend paid (including tax thereon)	-	(2,600.51)
Net cash (used in) financing activities (C)	**(157,377.93)**	**(108,255.97)**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**15,186.34**	**(36,502.06)**
Cash and cash equivalents at the beginning of the year	20,596.15	57,098.21
Cash and cash equivalents at the end of the year	**35,782.49**	**20,596.15**

(a) Cash and cash equivalents consist of cash on hand, balance with banks and deposits with banks. Please refer Note 3 for detailed disclosure.

(b) The figures has been presented on a net basis as the transactions during the year are voluminous.

The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Indian Accounting Standard (Ind AS-7) on 'Statement of Cash Flows'.

As per our report of even date attached

For and on behalf of the Board of Directors of
Magma Fincorp Limited

For B S R & Co. LLP
Chartered Accountants
ICAI Firm registration No.: 101248W/ W-100022

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Sunil Rewachand Chandiramani
Non-Executive Independent Director
(DIN: 00524035)

Kailash Baheti
Chief Financial Officer

Ashwin Suvarna
Partner
Membership No.: 109503

Shabnum Zaman
Company Secretary

Place : Mumbai
Date : 31 May 2021

Place : Kolkata
Date : 31 May 2021

Place : Mumbai
Date : 31 May 2021

Consolidated statement of Changes in Equity for the year ended 31 March 2021

(All amounts are in ₹ lacs unless otherwise stated)

a. Equity share capital

Balance as at 1 April 2019	Changes in equity share capital during the year	Balance as at 31 March 2020	Changes in equity share capital during the year	Balance as at 31 March 2021
5,386.48	3.83	5,390.31	2.02	5,392.33

b. Other equity

Particulars	Reserve and Surplus							Items of other comprehensive income	Total
	Statutory Reserves (created pursuant to Section 45-IC of the Reserve Bank of India Act,1934)	Statutory Reserves (created pursuant to Section 29C of the National Housing Bank Act,1987)	Capital Reserve	Securities Premium Reserve	Capital Redemption reserve	Share option Outstanding	Retained Earnings	Debt instruments through Other Comprehensive Income	(Equity of the owners of the company)
Balance as at 1 April 2019	33,960.00	3,433.02	480.22	180,648.74	1,421.84	1,186.37	46,965.00	907.12	269,002.31
Profit for the year	-	-	-	-	-	-	2,705.34	-	2,705.34
Other comprehensive income for the year *	-	-	-	-	-	-	(308.33)	225.34	(82.99)
Total comprehensive income for the year	-	-	-	-	-	-	2,397.01	225.34	2,622.35
Transfer to/from retained earnings	-	852.97	-	-	-	-	(852.97)	-	-
Dividend paid	-	-	-	-	-	-	(2,597.65)	-	(2,597.65)
Equity settled share based payment	-	-	-	265.43	-	117.13	-	-	382.56
Balance as at 31 March 2020	33,960.00	4,285.99	480.22	180,914.17	1,421.84	1,303.50	45,911.39	1,132.46	269,409.57
Loss for the year	-	-	-	-	-	-	(55,896.44)	-	(55,896.44)
Other comprehensive income for the year *	-	-	-	-	-	-	208.25	(150.40)	57.85
Total comprehensive income for the year	-	-	-	-	-	-	(55,688.19)	(150.40)	(55,838.59)
Transfer to/from retained earnings	-	608.67	-	-	-	-	(608.67)	-	-
Dividend paid	-	-	-	-	-	-	-	-	-
Share issue expense	-	-	-	(92.98)	-	-	-	-	(92.98)
Equity settled share based payment	-	-	-	147.92	-	412.19	-	-	560.11
Balance as at 31 March 2021	33,960.00	4,894.66	480.22	180,969.11	1,421.84	1,715.69	(10,385.47)	982.06	214,038.11

Note 27 describes the purpose of each reserve within equity

* Amount of other comprehensive income/(loss) transferred to retained earnings pertains to remeasurement of defined benefit plans

Significant accounting policies 2

Notes to the financial statements 3-53

The accompanying notes are an integral part of these financial statements

As per our report of even date attached

For and on behalf of the Board of Directors of
Magma Fincorp Limited

For B S R & Co. LLP
Chartered Accountants
ICAI Firm registration No.: 101248W/ W-100022

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

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Non-Executive Independent Director
(DIN: 00524035)

Kailash Baheti
Chief Financial Officer

Ashwin Suvarna
Partner
Membership No.: 109503

Shabnum Zaman
Company Secretary

Place : Mumbai
Date : 31 May 2021

Place : Kolkata
Date : 31 May 2021

Place : Mumbai
Date : 31 May 2021

Notes to the consolidated financial statements for the year ended 31 March 2021

Note 1: Company Overview

Background

Magma Fincorp Limited ('the Company'), incorporated in Kolkata and headquartered in Mumbai, India is a publicly held non-banking finance company engaged in providing asset finance through its pan India branch network. These consolidated financial statements comprise of the Company and its subsidiary (collectively, referred to as the Group) and the Group's interest in joint ventures. The Company is registered as a systemically important non-deposit taking Non-Banking Financial Company ('NBFC') as defined under Section 45-IA of the Reserve Bank of India (RBI) Act, 1934. The Company is also registered as a corporate agent under Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015. Its equity shares are listed on National Stock Exchange and Bombay Stock Exchange.

Note 2: Significant Accounting Policies and Key Accounting Estimates and Judgements:

a) Basis of consolidation and equity accounting

Consolidated financial statements include result of Magma Fincorp Limited, the parent company, its subsidiaries and joint ventures (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 Housing Finance Limited (MHFL)	India	Subsidiary
Magma HDI General Insurance Company Limited (MHDI)	India	Joint venture
Jaguar Advisory Services Private Limited (JASPL)	India	Joint venture

I) Subsidiary

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies have been applied uniformly among the group for like transactions and other events in similar circumstances

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on 31 March

The excess of cost to the parent company of its investment in the subsidiaries over the parent's portion of equity of the subsidiaries or vice versa is recognised in the consolidated financial statements as goodwill or capital reserve as the case may be.

Non-controlling interests (if any), in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet respectively.

II) Joint arrangement

Under Ind AS 111 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The group has only joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated financial statements.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit and loss, and the group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

b) Statement of compliance and Basis of preparation

The consolidated financial statements for the year ended March 31, 2021 have been prepared by the Group in accordance with Indian Accounting Standards ("Ind AS") notified by the Ministry of Corporate Affairs, Government of India under the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

Further, the Group has complied with all the directions related to Implementation of Indian Accounting Standards prescribed for Non-Banking Financial Companies (NBFCs) in accordance with the RBI notification no. RBI/2019-20/170 DOR NBFC) CC.PD.No.109/22.10.106/2019-20 Dated 13 March 2020. Any application guidance/ clarifications/ directions issued by RBI or other regulators are implemented as and when they are issued/ applicable.

The group consistently applies the following accounting policies to all periods presented in these consolidated financial statements, unless otherwise stated.

These financial statements have been approved by the Company's Board of Directors and authorised for issue on 31 May 2021.

c) Functional and Presentation currency

These consolidated financial statements are presented in Indian Rupees (INR), which is the group's functional currency. All amounts have been denominated in lakhs and rounded off to the nearest two decimal, except when otherwise indicated.

d) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following material items:

- Certain financial assets at Fair value through other comprehensive income (FVTOCI)
- Financial instruments at Fair value through profit and loss (FVTPL) that is measured at fair value
- Net defined benefit (asset)/ liability - fair value of plan assets less present value of defined benefit obligation

e) Measurement of fair values

A number of Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has established policies and procedures with respect to the measurement of fair values. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

Key sources of estimation of uncertainty at the date of consolidated financial statements, which may cause a material adjustment to the carrying amount of assets and liabilities within the next financial year are included in the following notes:

- Note 50 - Impairment of financial instruments: determining inputs into the Expected Credit Loss (ECL) model, including incorporation of forward looking information and assumptions used in estimating recoverable cash flows
- Note 49 - determination of the fair value of financial instruments with significant unobservable inputs
- Note 40 - measurement of defined benefit obligations: key actuarial assumptions
- Note 10 - recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

Judgements:

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in the consolidated financial statement is included in the following notes:

Classification of financial assets: Assessment of the business model within which the assets are held for sale, held for sale and maturity and held for maturity.

g) Revenue recognition

Interest income from financial assets (assets on finance) is recognised on accrual basis using Effective Interest Rate ('EIR') method. EIR is applied on future principal of amortised cost of assets on finance. Interest income on stage 3 assets is recognised on net basis.

The EIR is the rate that exactly discounts the estimated future cash flows through the expected life of the financial instrument

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

to the gross carrying amount of the financial asset. The interest income is recognised on EIR method on a time proportion basis applied on the carrying amount for financial assets including credit impaired financial assets.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability

The 'amortised cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Income from direct assignment transactions represents the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset de-recognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI.

Overdue interest and other charges are treated to accrue on realisation, due to uncertainty of realisation and is accounted for accordingly.

For revenue recognition from leasing transactions of the Group, refer Note 42 on Leases below.

Income from collection and support services is recognised over time as the services are rendered as per the terms of the contract.

Fair value changes from security receipts is recognised in the revenue from operations and provision on the same, if any.

Income from power generation is recognised based on the unit's generated (point in time) as per the terms of the respective power purchase arrangements with respective State Electricity Boards.

Dividend is recognised when the right to receive the dividend is established.

Other Income

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

h) Finance Costs

Finance costs include interest expense computed by applying the effective interest rate on respective financial instruments measured at Amortised cost. Financial instruments include bank term loans, non-convertible debentures, commercial papers, subordinated debts and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Interest expense on lease liabilities computed by applying the Company's weighted average incremental borrowing rate has been included under finance costs.

i) Financial instruments

I) Initial recognition and measurement

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

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

Transaction costs and revenues of financial assets or financial liabilities carried at fair value through the profit or loss account are recognised immediately in the Statement of Profit or Loss. Trade Receivables are measured at transaction price. Trade receivables and debt securities issued are initially recognised when they are originated.

II) Assessment of Business model

The Group's makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

At initial recognition of a financial asset, the Group's determines whether newly recognised financial assets are part of an existing business model or whether they reflect a new business model. The frequency, volume and timing of sales of financial asset in prior periods, the reason for such sales and expectations about future sales activity are important determining factors of the business model. The Group's reassess its business models each reporting period to determine whether the business models have changed since the preceding period.

III) Classifications

Financial assets

A financial asset is classified as subsequently measured at either amortised cost or fair value through other comprehensive income ('FVTOCI') or fair value through profit and loss (FVTPL), depending on the contractual cash flow characteristics of the financial assets and the Group's business model for managing the financial assets.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

Financial instruments at Amortised Cost

A financial asset is measured at amortised cost only if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at Fair Value through Other Comprehensive Income ('FVTOCI')

A financial asset is measured at FVTOCI only if both of the following conditions are met:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at Fair Value through Profit and Loss (FVTPL)

Any financial instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

Equity Investments

All equity investments other than equity investments in subsidiaries, associates and joint ventures are measured at FVTPL. These include all equity investments in scope of Ind AS 109.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost or fair value through profit or loss, as appropriate.

Equity instruments

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

IV) Subsequent measurement

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of discount or premium on acquisition and fees or costs that are an integral part of the EIR and, for financial assets, adjusted for any loss allowance.

FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit or loss. The transaction costs and fees are also recorded related to these instruments in the statement of profit and loss.

FVTOCI

Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognised in the other comprehensive income (OCI). Interest income measured using the EIR method and impairment losses, if any are recognised in the statement of Profit and Loss. On de-recognition, cumulative gain or loss previously recognised in OCI is reclassified from the equity to 'other income' in the statement of Profit and Loss.

V) De-recognition of financial assets and financial liabilities

Financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. The Group continues to recognise the assets on finance on books which has been securitised under pass through arrangement and does not meet the de-recognition criteria.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset de-recognised) and the sum of the consideration received (including the value of any new asset obtained less any new liability assumed) is transferred to statement of Profit or loss.

Financial liabilities

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Securitization and Assignment

In case of transfer of loans through securitisation and direct assignment transactions, the transferred loans are de-recognised and gains/losses are accounted for, only if the Group transfers substantially all risks and rewards specified in the underlying assigned loan contract.

In accordance with the Ind AS 109, on de-recognition of a financial asset under assigned transactions, the difference between the carrying amount and the consideration received are recognised in the Statement of Profit and Loss.

Equity

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

VI) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

VII) Impairment of Financial Assets

The Group recognises loss allowances for Expected Credit Loss (ECL) on all the financial assets that are not measured at FVTPL:

ECL are probability weighted estimate of future credit losses based on the staging of the financial asset to reflect its credit risk. They are measured as follows:

- Stage 1: Financial assets that are not credit impaired – as the present value of all cash shortfalls that are possible within 12 months after the reporting date.
- Stage 2: Financial assets with significant increase in credit risk but not credit impaired – as the present value of all cash shortfalls that result from all possible default events over the expected life of the financial asset.
- Stage 3: Financial assets that are credit impaired – as the difference between the gross carrying amount and the present value of estimated cash flows
- Undrawn loan commitments – as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive.

The Group's policy for determining significant increase in credit risk is set out in Note 48 (ii) (g).

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Management overlay is used to estimate the ECL allowance in circumstances where management believes that the existing inputs, assumptions and model techniques do not factor the related exception scenario or captures all the risk factors relevant to the Group's lending portfolios.

To mitigate the credit risk on financial assets, the Company seeks to use collateral, where possible as per the powers conferred on the Non-Banking Finance Companies under the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 ("SARFAESI").

Financial assets are fully provided for or written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

However, financial assets that are written off could still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are credited to impairment loss on actual realization from customer.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Presentation of ECL allowance for financial asset:

ECL allowance for financial asset measured at amortised cost or FVOCI is shown as a deduction from the gross carrying amount of the assets

Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

j) Leases

I) The Group as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the lease term. In certain lease arrangements, variable rental charges are also recognised over and above minimum commitment charges based on usage pattern.

II) The Group as lessee

i) Right to use assets and Lease liability

The Group assesses whether a contract is or contains a lease, at inception of a contract. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

a) the contract involves the use of an identified asset;

b) the Group has substantially all the economic benefits from use of the asset through the period of the lease; and

c) the Group has the right to direct the use of the asset.

Recognition and initial measurement

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

Subsequent measurement

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

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

Presentation

Lease liability and Right of Use assets have been separately presented in the balance sheet and lease payments have been classified as financing cash flows.

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

ii) De-recognition

An item of right to use assets and lease liability is de-recognised upon termination of lease agreement. Any difference between the carrying amount of right to use asset and lease liability is recognised in statement of profit or loss.

k) Employee Benefits

I) Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

past service provided by the employee and the obligation can be estimated reliably. This includes performance linked incentives. Short term employee obligations are measured at undiscounted basis.

II) Post-employment benefits

Defined contribution plans

A defined contribution plan is a post – employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts.

Provident Fund

Contributions paid / payable to the recognised provident fund, which is a defined contribution scheme, are expensed as the related service is provided and recognised as personnel expenses in profit or loss.

Defined benefit plans

Gratuity

The Group's gratuity benefit scheme is a defined benefit plan. The Group'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. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contribution to the plan.

The change in defined benefit plan liability is split into changes arising out of service, interest cost and re-measurements and the change in defined benefit plan asset is split between interest income and re-measurements. Changes due to service cost and net interest cost / income is recognised in the statement of profit and loss. Re-measurements of net defined benefit liability / (asset) which comprise of the below are recognised in other comprehensive income:

- Actuarial gains and losses:
- The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset).

III) Other long term employee benefits

Compensated absences

The employees of the Group 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. The expenses and actuarial gain / loss on account of the above benefit plans are recognised in the Statement of Profit and Loss on the basis of actuarial valuation.

IV) Share-based payment arrangements - Employee Stock Options

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

In case, the group modifies the terms and condition on which the equity instruments were granted in a manner that is beneficial to the employees, the incremental cost will be recognised over the period starting from the modification date till the date of vesting if the modification occurs during the vesting period. In case, modification occurs after the vesting period, the incremental cost will be recognised immediately.

I) Income Taxes

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 temporary differences between tax base and book base). It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

I) Current tax

Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961. Current tax comprises the tax payable on the taxable income or loss for the year and any adjustment to the tax payable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

The amount of current tax reflects the best estimate of the tax amount expected to be paid after considering the uncertainty, if any, related to income taxes.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

Current tax assets and liabilities are offset only if, the Group:

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

II) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are reviewed at each reporting date and based on management's judgement, are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if the Group:

- has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

m) Property, plant and equipment and Investment property

Recognition and measurement

Property, plant and equipment (PPE) held for use or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses. The cost includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets... PPE is recognised when it is probable that future economic benefits associated with the item will flow to the Company. Subsequent expenditure on PPE after its purchase is capitalised if it is probable that the future economic benefits will flow to the enterprise.

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

Investment Property consists of building let out to earn rentals. The Group follows cost model for measurement of investment property.

Depreciation and amortisation

Depreciation on fixed assets is provided using the straight line method at the rates specified in Schedule II to the Companies Act, 2013. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed.

Sl. No.	Item	Life (in Years)
1	Buildings	60
2	Wind mills	22
3	Furniture and Fixtures	10
4	Vehicles	8
5	Office Equipment	5
6	Server	6
7	Network	6
8	Printer	3
9	Tablet	3

Freehold land is not depreciated.

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 not exceeding 8 years.

For the following class of assets, based on internal assessment, the management believes that the useful lives as given below best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act 2013:

Desktop	6 years
Laptops / Hand Held Device	4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

When significant parts of an item of property, plant and

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

De-recognition

An item of property, plant and equipment or investment property is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment or investment property is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Capital work-in-progress

PPE not ready for the intended use on the date of the Balance Sheet are disclosed as "capital work-in-progress" and carried at cost, comprising direct cost, related incidental expenses and attributable interest.

n) Intangible assets

Recognition and measurement

Intangible assets with finite useful lives that are acquired separately are capitalised and carried at cost less accumulated amortisation and accumulated impairment losses. Cost includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the Company.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate: that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life.

Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

De-recognition

An intangible asset is de-recognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is de-recognised.

Intangible assets under development

Intangible assets not ready for the intended use on the date of Balance Sheet are disclosed as "Intangible assets under development"

o) Impairment of non-financial assets

The Group's non – financial assets including deferred tax is assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group 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. A reversal of an impairment loss is recognised immediately in the Statement of Profit and Loss. Goodwill is tested annually for impairment.

p) Foreign Currency Transactions

Transactions in currencies other than Group's operational currency are recorded on initial recognition using the exchange rates prevailing on the date of the transaction. The foreign currency borrowing being a monetary liability is restated to INR (being the functional currency of the Group) at the prevailing rates of exchange at the end of every reporting period with the corresponding exchange gain/ loss being recognised in profit or loss. Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in the Statement of Profit and Loss in the period in which they arise.

q) Goods and Services Input Tax Credit

Goods and Services Input tax credit is accounted for in the books in the period in which the supply of goods or service received is accounted and when there is no uncertainty in availing/utilising the credits.

r) Provisions and contingencies related to claims, litigation, etc.

A provision is recognised if, as a result of a past event, the Group has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost. Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

I) Onerous contracts

A contract is considered as onerous when the expected economic benefits to be derived by the Group 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 Group recognises any impairment loss on the assets associated with that contract.

II) Contingencies related to claims, litigation, etc.

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.

s) 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 disclosed in the consolidated financial statements where an inflow of economic benefits is probable.

t) Cash and cash equivalent

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

u) Held for Sale

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

v) 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 future, 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 Group are segregated.

w) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the group. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Group. Refer note 56 for details on segment information presented.

x) Earnings per share

Basic earnings per share has been computed by dividing net income attributable to ordinary equity holders by the weighted average number of shares outstanding during the year. Partly paid up equity share is included as fully paid equivalent according to the fraction paid up.

Diluted earnings per share has been computed using the weighted average number of shares and dilutive potential shares, except where the result would be anti-dilutive.

y) Dividend payable (including dividend distribution tax, if any)

Interim dividend declared to equity shareholders, if any, is recognised as liability in the period in which the said dividend has been declared by the Board of Directors. Final dividend declared, if any, is recognised in the period in which the said dividend has been approved by the Shareholders.

The dividend payable (including dividend distribution tax, if any) is recognised as a liability with a corresponding amount recognised directly in equity.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 3: Cash and cash equivalents

Particulars	As at 31 March 2021	As at 31 March 2020
Cash on hand	1,628.14	80.01
Balances with banks		
In current accounts	154.35	20,516.14
In deposits with original maturity of 3 months or less	34,000.00	-
Total	**35,782.49**	**20,596.15**

Note 4: Bank balance other than cash and cash equivalents

Particulars	As at 31 March 2021	As at 31 March 2020
Unpaid dividend account (Earmarked)	29.32	34.59
Bank balance other than cash and cash equivalents		
In deposits with original maturity of 3 months or less	1,621.81	193.00
In deposits with original maturity of more than 3 months	40,034.96	50,004.43
Total	**41,686.09**	**50,232.02**

Balances with banks held as security against borrowings, guarantees lien amounts to ₹2,471.93 lacs (31 March 2020: ₹1,832.95 lacs) and as cash collateral for securitisation of receivables amounts to ₹36,153.08 lacs (31 March 2020: ₹42,467.00 lacs).

Note 5: Receivables

Particulars	As at 31 March 2021	As at 31 March 2020
(i) Trade receivables		
Receivables considered good - Unsecured	1,017.44	799.29
Less: Impairment loss allowance (ECL)	-	-
Sub-total - (i)	**1,017.44**	**799.29**
(ii) Other receivables		
Receivables considered good - Unsecured	274.13	192.12
Less: Impairment loss allowance (ECL)	-	-
Sub-total - (ii)	**274.13**	**192.12**
Total - (i + ii)	**1,291.57**	**991.41**

There is no due by directors or other officers of the company or any firm or private company in which any director is a partner, a director or a member.

Note 6: Loans

Particulars	Amortised Cost	At Fair Value through other comprehensive income	Total
As at 31 March 2021			
(A) (i) Term loans	757,731.50	478,519.57	1,236,251.07
(ii) Leasing	17,365.69	-	17,365.69
(iii) Others			
- Staff loans	31.22	-	31.22
Total (A) - Gross	**775,128.41**	**478,519.57**	**1,253,647.98**
Less: Impairment loss allowance (ECL)	88,883.78	28,641.39	117,525.17
Total (A) - Net	**686,244.63**	**449,878.18**	**1,136,122.81**

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 6: Loans *(contd.)*

Particulars	Amortised Cost	At Fair Value through other comprehensive income	Total
As at 31 March 2021			
(B) (i) Secured by tangible assets *	631,371.35	333,974.67	965,346.02
(ii) Covered by bank/government guarantees #	143,725.84	112,228.80	255,954.64
(iii) Unsecured	31.22	32,316.10	32,347.32
Total (B) - Gross	**775,128.41**	**478,519.57**	**1,253,647.98**
Less: Impairment loss allowance (ECL)	88,883.78	28,641.39	117,525.17
Total (B) - Net	**686,244.63**	**449,878.18**	**1,136,122.81**
(C) Loans in India			
(i) Public sector	-	-	-
(ii) Others	775,128.41	478,519.57	1,253,647.98
Total (C) - Gross	**775,128.41**	**478,519.57**	**1,253,647.98**
Less: Impairment loss allowance (ECL)	88,883.78	28,641.39	117,525.17
Total (C) -Net	**686,244.63**	**449,878.18**	**1,136,122.81**

* Secured by underlying assets financed

#

1) Loans amounting to ₹22,879.31 lacs under amortised cost category and ₹11,397.66 lacs under fair value through other comprehensive income category are covered under Emergency Credit Line Guarantee Scheme for NBFCs administered by NCGTC under aegis of SIDBI for credit facilities extended to eligible borrowers in Micro and Small Industries.

2) Loans amounting to ₹104,562.91 lacs under amortised cost category and ₹85,667.49 lacs under fair value through other comprehensive income category are covered under Credit Guarantee Scheme for NBFCs administered by CGTMSE under aegis of SIDBI for credit facilities extended to eligible borrowers in Micro and Small Industries.

3) Loans amounting to ₹16,283.62 lacs under amortised cost category and ₹15,163.65 lacs under fair value through comprehensive income are covered under Partial Credit Guarantee Scheme for NBFCs/HFCs.

Particulars	Amortised Cost	At Fair Value through other comprehensive income	Total
As at 31 March 2020			
(A) (i) Term loans	930,306.19	465,838.65	1,396,144.84
(ii) Leasing	19,622.76	-	19,622.76
(iii) Others			
- Staff loans	61.72	-	61.72
Total (A) - Gross	**949,990.67**	**465,838.65**	**1,415,829.32**
Less: Impairment loss allowance (ECL)	45,490.89	15,693.03	61,183.92
Total (A) - Net	**904,499.78**	**450,145.62**	**1,354,645.40**
(B) (i) Secured by tangible assets *	823,498.83	292,437.40	1,115,936.23
(ii) Covered by bank/government guarantees #	126,430.12	119,487.39	245,917.51
(iii) Unsecured	61.72	53,913.86	53,975.58
Total (B) - Gross	**949,990.67**	**465,838.65**	**1,415,829.32**
Less: Impairment loss allowance (ECL)	45,490.89	15,693.03	61,183.92
Total (B) - Net	**904,499.78**	**450,145.62**	**1,354,645.40**

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 6: Loans *(contd.)*

Particulars	Amortised Cost	At Fair Value through other comprehensive income	Total
As at 31 March 2020			
(C) Loans in India			
(i) Public sector	-	-	-
(ii) Others	949,990.67	465,838.65	1,415,829.32
Total (C) - Gross	**949,990.67**	**465,838.65**	**1,415,829.32**
Less: Impairment loss allowance (ECL)	45,490.89	15,693.03	61,183.92
Total (C) -Net	**904,499.78**	**450,145.62**	**1,354,645.40**

* Secured by underlying assets financed

#

1) Loans amounting to ₹101,181.71 lacs under amortised cost category and ₹100,646.21 lacs under fair value through other comprehensive income category are covered under Credit Guarantee Scheme for NBFCs administered by CGTMSE under aegis of SIDBI for credit facilities extended to eligible borrowers in Micro and Small Industries.
2) Loans amounting to ₹25,248.41 lacs under amortised cost category and ₹18,841.18 lacs under fair value through comprehensive income are covered under Partial Credit Guarantee Scheme for NBFCs/HFCs.

Note 7: Investments

Particulars	Amortised Cost	At Fair Value through profit or loss	Others*	Total
As at 31 March 2021				
(A) Joint ventures	-	-	17,735.44	17,735.44
Others	0.16	0.99	-	1.15
Total – Gross (A)	**0.16**	**0.99**	**17,735.44**	**17,736.59**
(B) Investments in India	0.16	0.99	17,735.44	17,736.59
Total – Gross (B)	**0.16**	**0.99**	**17,735.44**	**17,736.59**
Less: Allowance for impairment loss (C)	-	-	-	-
Total – Net D= (A)-(C)	**0.16**	**0.99**	**17,735.44**	**17,736.59**

Particulars	Amortised Cost	At Fair Value through profit or loss	Others*	Total
As at 31 March 2020				
(A) Joint ventures	-	-	15,058.73	15,058.73
Others	0.16	0.99	-	1.15
Total – Gross (A)	**0.16**	**0.99**	**15,058.73**	**15,059.88**
(B) Investments in India	0.16	0.99	15,058.73	15,059.88
Total – Gross (B)	**0.16**	**0.99**	**15,058.73**	**15,059.88**
Less: Allowance for impairment loss (C)	-	-	-	-
Total – Net D= (A)-(C)	**0.16**	**0.99**	**15,058.73**	**15,059.88**

* The Company accounts for its investments in joint ventures at deemed cost (carrying value of previous GAAP) in accordance with Ind AS 101.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 8: Other financial assets

Particulars	As at 31 March 2021	As at 31 March 2020
Accrued interest / financial charges	738.61	870.89
Advances recoverable	2,289.62	10,011.13
Application money paid towards securities *	-	2,650.04
Trade advance	1,624.35	2,103.78
Excess interest spread receivable (refer note 48)	15,261.91	13,022.36
Security deposits	571.26	826.01
Advances to related parties #	443.91	845.06
Others	7,136.21	3,863.89
Less: Impairment loss allowance (ECL) **	(2,139.59)	(1,767.52)
	25,926.28	**32,425.64**

* 5,464,000 equity shares of the face value of ₹10/- each at price of ₹48.50/- each (including premium of ₹38.50/- each) have been alloted on 28 April 2020 by Magma HDI.

** Includes allowance created against advance recoverable of ₹505.27 lacs (31 March 20: ₹505.27 lacs) and expected credit loss against excess interest spread receivable (EIS) receivable of ₹77.53 lacs (31 March 20: ₹68.74 lacs) and trade advance of ₹1,556.79 lacs (31 March 20: ₹1,193.51 lacs).

Includes advance given to relatives of directors or members. (Refer Note 44)

Note 9: Current tax assets (net)

Particulars	As at 31 March 2021	As at 31 March 2020
Advance tax and deduction at source (net of provision for taxes)	9,500.78	10,119.72
Total	**9,500.78**	**10,119.72**

Note 10: Income tax

A. Amounts recognised in statement of profit or loss

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Current tax		
Current period (a)	1,202.00	1,656.00
Changes in estimates related to prior years (b)	47.45	(141.35)
	1,249.45	**1,514.65**
Deferred tax (c)		
Attributable to-		
Origination / (Reversal) of temporary differences	(20,084.51)	369.49
Change in tax rate	-	3,588.26
Recognition of previously unrecognised temporary timing differences	(145.36)	-
Sub-total (c)	**(20,229.87)**	**3,957.75**
Tax expense (a)+(b)+(c)	**(18,980.42)**	**5,472.40**

B. Income tax recognised in other comprehensive income

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
	Income Tax	Income Tax
Remeasurements of the defined benefit plans	(69.06)	34.41
Debt Instruments fair value through other comprehensive income	(125.89)	266.35
	(194.95)	300.76

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 10: Income tax *(contd.)*

C. Reconciliation of effective tax rate

Particulars	Year Ended 31 March 2021		Year ended 31 March 2020	
	%	Amount	%	Amount
Profit/(Loss) before tax		(75,425.34)		8,278.46
Tax using the Company's domestic tax rate	25.17%	(18,983.05)	25.17%	2,083.52
Effect of:				
Impact of change in tax rate	-	-	43.34%	3,588.26
Non taxable income / tax incentives / disallowable expenses	(0.20)%	152.45	(0.96)%	(79.84)
Recognition of previously unrecognised temporary timing differences	0.19%	(145.36)	-	-
Others (primarily includes difference in depreciation)	0.07%	(51.91)	(0.26)%	21.81
Effective tax rate	**25.23%**	**(19,027.87)**	**67.81%**	**5,613.75**
Provisions relating to earlier years	-0.06%	47.45	-1.71%	(141.35)
Income tax expense reported in the statement of profit and loss	**25.17%**	**(18,980.42)**	**66.10%**	**5,472.40**

D. Deferred tax asset, net

Movement of deferred tax assets / liabilities

Particulars	As at 1 April 2020	Recognised in profit or loss during the year	Recognised in OCI during the year	Others	As at 31 March 2021
Deferred tax assets:					
Impairment allowance	15,857.00	14,648.91	-	-	30,505.91
Application of effective interest rate method on financial assets and financial liabilities	1,887.09	282.07	-	-	2,169.16
Provision for compensated absence	200.16	23.00	-	-	223.16
Unabsorbed depreciation and amortisation	-	2,572.00	-	-	2,572.00
Minimum alternate tax credit entitlement	-	-	-	-	-
Business loss	-	2,576.37	-	-	2,576.37
Others (primarily other financial liabilities)	138.45	25.34	-	-	163.79
	18,082.70	**20,127.69**	**-**	**-**	**38,210.39**
Deferred tax liabilities:					
Property, plant and equipment	845.88	(236.50)	-	-	609.38
Loans	(692.22)	589.15	125.89	-	22.82
EIS receivable	3,281.16	250.36	-	-	3,531.52
Investments	(387.95)	(94.68)	-	-	(482.63)
Application of effective interest rate method on financial assets and financial liabilities	4,537.88	(593.91)	-	-	3,943.97
Gratuity (excess of plan assets over obligation)	23.34	(9.99)	69.06	-	82.41
Others (primarily other financial assets)	1,093.01	(6.61)	-	-	1,086.40
	8,701.10	**(102.18)**	**194.95**	**-**	**8,793.87**
Net deferred tax assets	**9,381.60**	**20,229.87**	**(194.95)**	**-**	**29,416.52**

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 10: Income tax *(contd.)*

Particulars	As at 1 April 2019	Recognised in profit or loss during the year	Recognised in OCI during the year	Others	As at 31 March 2020
Deferred tax assets:					
Impairment allowance	20,031.87	(4,174.87)	-	-	15,857.00
Application of effective interest rate method on financial assets and financial liabilities	3,534.99	(1,647.90)	-	-	1,887.09
Provision for compensated absences	231.30	(31.14)	-	-	200.16
Unabsorbed depreciation and amortisation	-	-	-	-	-
Minimum alternate tax credit entitlement	719.78	-	-	(719.78)	-
Others (primarily other financial liability)	46.36	92.09	-	-	138.45
	24,564.30	**(5,761.82)**	**-**	**(719.78)**	**18,082.70**
Deferred tax liabilities:					
Property, plant and equipment	2,050.87	(1,204.99)	-	-	845.88
Loans	(224.18)	(201.69)	(266.35)	-	(692.22)
EIS receivable	2,768.79	512.38	-	-	3,281.16
Investments	(322.75)	(65.20)	-	-	(387.95)
Application of effective interest rate method on financial assets and financial liabilities	5,514.35	(976.47)	-	-	4,537.88
Gratuity (excess of plan assets over obligation)	53.61	4.14	(34.41)	-	23.34
Others (primarily other financial assets)	965.25	127.76	-	-	1,093.01
	10,805.93	**(1,804.07)**	**(300.76)**	**-**	**8,701.10**
Net deferred tax assets	**13,758.37**	**(3,957.75)**	**300.76**	**(719.78)**	**9,381.60**

E. Unused tax losses on which deferred tax is not created

Particulars	As at 31 March 2021		As at 31 March 2020	
	Amount	Expiry on	Amount	Expiry on
Long term capital loss				
A.Y. 2016-2017	257.58	A.Y. 2024-2025	257.58	A.Y. 2024-2025
Short term capital loss				
A.Y. 2014-2015	18.18	A.Y. 2022-2023	18.18	A.Y. 2022-2023
	275.76		275.76	

A.Y. - 'Assessment Year'

F. Uncertain tax positions

Refer Note 45 on contingent liabilities and commitment relating to income tax matter under dispute.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 11: Property, plant and equipment

Particulars	Gross carrying amount				Depreciation and amortisation				Net carrying amount	
	As at 31 March 2020	Additions	Deletions / adjustments	As at 31 March 2021	As at 31 March 2020	For the year	Deletions / adjustments	As at 31 March 2021	As at 31 March 2021	As at 31 March 2020
Owned Assets^										
Land	30.26	-	-	30.26	-	-	-	-	30.26	30.26
Buildings *	1,565.16	-	-	1,565.16	115.79	38.92	-	154.71	1,410.45	1,449.37
Wind mills	5,112.34	-	-	5,112.34	1,232.30	409.84	-	1,642.14	3,470.20	3,880.04
Furniture and fixtures	1,267.39	0.62	326.99	941.02	504.67	186.07	308.35	382.39	558.63	762.72
Vehicles	364.01	54.58	38.30	380.29	84.49	54.69	22.05	117.13	263.16	279.52
Office equipment	3,425.91	68.50	618.95	2,875.46	1,708.08	632.40	595.97	1,744.51	1,130.95	1,717.83
Leasehold improvements	1,881.37	-	677.93	1,203.44	813.48	408.02	647.33	574.17	629.27	1,067.89
Assets under Lease										
Investment property	8.60	-	-	8.60	0.54	0.18	-	0.72	7.88	8.06
Vehicles	7,966.55	1,811.39	3,351.21	6,426.73	1,584.19	2,115.01	2,277.03	1,422.17	5,004.56	6,382.36
Total	**21,621.59**	**1,935.09**	**5,013.38**	**18,543.30**	**6,043.54**	**3,845.13**	**3,850.73**	**6,037.94**	**12,505.36**	**15,578.05**

Particulars	Gross carrying amount				Depreciation and amortisation				Net carrying amount	
	As at 1 April 2019	Additions	Deletions / adjustments	As at 31 March 2020	As at 1 April 2019	For the year	Deletions / adjustments	As at 31 March 2020	As at 31 March 2020	As at 1 April 2019
Owned Assets^										
Land	30.26	-	-	30.26	-	-	-	-	30.26	30.26
Buildings *	1,529.62	35.54	-	1,565.16	76.73	39.06	-	115.79	1,449.37	1,452.89
Wind mills	5,112.34	-	-	5,112.34	820.78	411.52	-	1,232.30	3,880.04	4,291.56
Furniture and fixtures	1,096.49	263.61	92.71	1,267.39	395.10	194.28	84.71	504.67	762.72	701.39
Vehicles	371.37	50.26	57.62	364.01	47.09	58.16	20.76	84.49	279.52	324.28
Office equipment	3,261.79	635.97	471.85	3,425.91	1,331.36	842.40	465.68	1,708.08	1,717.83	1,930.43
Leasehold improvements	1,595.85	416.04	130.52	1,881.37	584.86	349.53	120.91	813.48	1,067.89	1,010.99
Assets under Lease										
Investment property	8.60	-	-	8.60	0.36	0.18	-	0.54	8.06	8.24
Vehicles	7,047.79	3,516.60	2,597.84	7,966.55	930.21	2,343.70	1,689.72	1,584.19	6,382.36	6,117.58
Total	**20,054.11**	**4,918.02**	**3,350.54**	**21,621.59**	**4,186.49**	**4,238.83**	**2,381.78**	**6,043.54**	**15,578.05**	**15,867.62**

* Registration of title for 4 buildings is pending.

^ For details of movable / immovable property, plant and equipment hypothecated against borrowings, refer Notes 18 and 19.

For details on contractual commitment, refer note 45

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 12: Intangible assets under development

Particulars	As at 1 April 2019	Additions	Deletions	Written off	As at 31 March 2020	Additions	Deletions	Written off	As at 31 March 2021
Intangible assets under development	94.64	1,137.22	475.28	94.64	661.94	257.03	897.68	3.14	18.15

Note 13: Other intangible assets

Description of assets	Gross carrying amount				Depreciation and amortisation				Net carrying amount	
	As at 31 March 2020	Additions	Deletions / adjustments	As at 31 March 2021	As at 31 March 2020	For the year	Deletions / adjustments	As at 31 March 2021	As at 31 March 2021	As at 31 March 2020
Intangible assets for own use										
Computer software	5,138.98	957.97	2,987.66	3,109.29	3,535.00	607.50	2,987.66	1,154.84	1,954.45	1,603.98
Total	**5,138.98**	**957.97**	**2,987.66**	**3,109.29**	**3,535.00**	**607.50**	**2,987.66**	**1,154.84**	**1,954.45**	**1,603.98**

Description of assets	Gross carrying amount				Depreciation and amortisation				Net carrying amount	
	As at 1 April 2019	Additions	Deletions / adjustments	As at 31 March 2020	As at 1 April 2019	For the year	Deletions / adjustments	As at 31 March 2020	As at 31 March 2020	As at 1 April 2019
Intangible assets for own use										
Computer software	4,487.56	651.42	-	5,138.98	1,871.29	1,663.71	-	3,535.00	1,603.98	2,616.27
Total	**4,487.56**	**651.42**	**-**	**5,138.98**	**1,871.29**	**1,663.71**	**-**	**3,535.00**	**1,603.98**	**2,616.27**

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 14: Goodwill

Particulars	As at 31 March 2021	As at 31 March 2020
At cost, beginning of the year	1,430.34	1,430.34
Additions		
Acquisitions	-	-
Disposals	-	-
Other adjustments	-	-
Total cost	**1,430.34**	**1,430.34**
Accumulated impairment:		
At beginning of the year	-	-
Disposals	-	-
Impairment/(reversal) of impairment	-	-
Other adjustments	-	-
Total impairment	**-**	**-**
Net carrying amount	**1,430.34**	**1,430.34**

The recoverable amount of subsidiary is based on its value in use and the value in use is estimated using discounted cash flows. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industry and have been based on historical data from both external and internal sources. The management believes that any reasonably possible change in the key assumptions would not cause the carrying amount to exceed the recoverable amount.

Note 15: Right to use assets

Particulars	As at 31 March 2021	As at 31 March 2020
Right to use assets*	3,690.23	5,571.51
Total	**3,690.23**	**5,571.51**

* Refer Note 41 for disclosure related to leases.

Note 16: Other non-financial assets

Particulars	As at 31 March 2021	As at 31 March 2020
Other Advances		
Prepaid expenses	1,910.65	3,628.25
Balances with statutory / government authorities	1,549.41	1,591.43
Assets held for sale #	364.70	364.71
Gratuity * (excess of plan assets over obligation)	306.64	73.71
Capital Advances	25.18	15.78
	4,156.58	**5,673.88**

* Refer Note 40 for disclosure related to provisions for employee benefits.

The Group has taken the possession of mortgage properties and is in the process of selling the same.

Particulars	As at 31 March 2021	As at 31 March 2020
Properties	364.70	364.71
Total assets obtained by taking possession of collateral	**364.70**	**364.71**

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 17: Payables

Particulars	As at 31 March 2021	As at 31 March 2020
(I) Trade Payables		
(i) total outstanding dues of micro enterprises and small enterprises*	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	9,409.00	2,505.68
(II) Other Payables		
(i) total outstanding dues of micro enterprises and small enterprises*	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	-	-
	9,409.00	**2,505.68**

* The Group has no dues to micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006, as at 31 March 2021 and 31 March 2020. 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 Group. The same has been relied upon by auditors.

Particulars	As at 31 March 2021	As at 31 March 2020
a) Dues remaining unpaid to any supplier at the year end		
- Principal	-	-
- Interest on the above	-	-
b) Interest paid in terms of Section 16 of the MSMED Act along with the amount of payment made to the supplier beyond the appointed day during the year		
- Principal paid beyond the appointed date	-	-
- Interest paid in terms of Section 16 of the MSMED Act	-	-
c) Amount of interest due and payable for the period of delay on payments made beyond the appointed day during the year	-	-
d) Amount of interest accrued and remaining unpaid	-	-
e) Further interest due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small enterprises	-	-

Note 18: Debt securities

Particulars	As at 31 March 2021	As at 31 March 2020
At Amortised Cost - Secured		
(A) Redeemable non-convertible debentures	126,502.23	70,407.73
Total (A)	**126,502.23**	**70,407.73**
(B) Debt securities in India	126,502.23	70,407.73
Total (B)	**126,502.23**	**70,407.73**

Nature of security

Debentures issued under private placement are secured by mortgage of Group's immovable property situated at (i) Rajarhat, Kolkata in the state of West Bengal (except for 5250 units alloted from 10 December 2019 onwards which are only secured by hypothecated loan assets), (ii) Barasat, Dist - 24 Parganas (N) (200 debentures in Mar 2015 and 100 debentures in Mar 2016) and are also secured against designated Loans assets. The total asset cover is hundred percent or above of the principal amount of the said debentures.

Debentures issued under public issue are secured by mortgage of Group's immovable property situated at Luz Church Road, Mylapore, Chennai and are also secured against designated loan assets. The total asset cover is hundred percent or above of the principal amount of the said debentures.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 18: Debt securities *(contd.)*

Terms of maturity of secured redeemable non-convertible debentures *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
0 - 1 Years	8.20% - 10.10%	10.88%	33,536.16	2,502.07
1 - 3 Years	8.75% - 10.25%	9.20% - 10.10%	70,290.53	22,875.91
3 - 5 Years	9.00% - 10.50%	9.00% - 10.88%	22,209.58	44,565.28
> 5 Years	10.27% - 10.75%	10.27% - 10.75%	465.96	464.47
			126,502.23	**70,407.73**

* As per contractual tenure

Covenant breach

The impact of disruptions caused by COVID-19, additional provisions towards potential credit losses and other reasons have resulted in breach of some of the covenants related to borrowings such as interest coverage ratio, profitability, NPA ratios etc.

The Company has been regular in servicing of its borrowings and has represented to the lenders for waiver and amendment with respect to non-compliance of these covenants, wherever applicable. In most of the cases, the consequence of breach is either an increase in interest rate or review of the terms of collateral. In very few cases, there is provision for a right to recall of the facilities. The Company is confident of getting the waivers, given similar waivers having been received in past, considering Company's long track record with the lenders. Further, the Company believes its contingency refinance/ funding plan, current capital adequacy and additional capital raise of ₹345,600 Lacs done on May 6, 2021 would enable the Company to tide over any impact of covenant breaches.

Note 19: Borrowings (other than debt securities)

Particulars	As at 31 March 2021	As at 31 March 2020
At Amortised Cost		
(A) a) Term loans - Secured*		
- from banks	283,538.94	296,852.32
- from other parties	30,427.25	29,401.10
b) Loans repayable on demand - Secured		
- from banks (Cash credit facilities and working capital demand loans)	299,668.44	353,653.02
c) Other loans		
- Loan from PTC Investors - Secured	219,824.10	362,799.14
- Commercial paper - Unsecured	-	-
Total (A)	**833,458.73**	**1,042,705.58**
(B) Borrowings in India	833,458.73	1,042,705.58
Total (B)	**833,458.73**	**1,042,705.58**

Nature of security

a) Term loans are secured by way of hypothecation of designated loan assets and future rentals receivable therefrom (except for Term Loan of ₹12,500 lacs availed on 30 July 2020 which is secured by way of extension of charge on security on working capital limit and from State Bank of India maturing in July 2021 secured by way of first charge ranking pari-passu over the entire current assets both present and future including the entire book debts against the said term loan).

b) Term loans from PTC investors represents amounts received in respect of securitisation transactions (net of repayments and investment therein) as these transactions do not meet the derecogniton criteria specified under IND AS. These are secured by way of hypothecation of designated Loans assets receivables.

c) Cash Credit facilities and Working Capital Demand Loans from Banks are secured by way of hypothecation of the Company's loan assets, tangible movable assets, plant and machinery, equipment etc. and future rental income therefrom and other current assets (expressly excluding those equipment, plant, machinery, spare parts, tangible movable assets, loan assets etc. and future rental income therefrom which have been or will be purchased / financed out of any other facility from Financial Institutions, Banks or any other financial organisation). These are collaterally secured by way of equitable mortgage over immovable property at Santnagar, New Delhi.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 19: Borrowings (other than debt securities) *(contd.)*

Details of cash credit facilities and working capital demand loans

The cash credit facilities are repayable on demand and carry interest rates ranging from 8.20% p.a. to 11.80 % p.a. (31 March 2020: from 8.70% p.a. to 11.80% p.a.). Working capital demand loans are repayable on demand and carry interest rates ranging from 6.90 % p.a. to 8.80 % p.a. (31 March 2020: from 7.80% p.a. to 9.90% 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. There is no un-hedged foreign currency exposure as on 31 March 2021.

The Company has not defaulted in repayment of principal and interest.

Terms of repayment of term loans (secured) *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Quarterly installments				
0 - 1 Years	5.25% -10.00%	8.75% -10.25%	48,117.00	69,615.46
1 - 3 Years	8.20% - 9.50%	9.15% -10.25%	83,869.14	107,103.91
3 - 5 Years	6.90% -10.00%	9.15% -10.25%	53,668.36	47,430.65
> 5 Years	6.90% - 8.50%	10.50%	26,296.88	18,064.23
			211,951.38	242,214.25
Monthly installments				
0 - 1 Years	6.21% -12.00%	9.05% -12.00%	26,869.66	30,854.94
1 - 3 Years	8.20% -12.00%	9.15% -12.00%	47,826.78	42,438.85
3 - 5 Years	10.50% -12.00%	9.35% -12.00%	27,318.37	10,745.38
> 5 Years	-	-	-	-
			102,014.81	84,039.17
			313,966.19	326,253.42

Terms of maturity of Loan from PTC Investors *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
0 - 1 Years	6.00% -10.71%	6.27% -10.93%	99,072.82	1,34,577.18
1 - 3 Years	6.00% -10.71%	6.27% -10.93%	93,677.17	1,83,315.36
3 - 5 Years	6.00% -9.25%	7.91% -10.71%	6,394.94	16,435.06
> 5 years	8.10% -9.25%	9.10% -9.90%	20,679.17	28,471.54
			2,19,824.10	3,62,799.14

* As per contractual tenure

Covenant breach

The impact of disruptions caused by COVID-19, additional provisions towards potential credit losses and other reasons have resulted in breach of some of the covenants related to borrowings such as interest coverage ratio, profitability, NPA ratios etc.

The Company has been regular in servicing of its borrowings and has represented to the lenders for waiver and amendment with respect to non-compliance of these covenants, wherever applicable. In most of the cases, the consequence of breach is either an increase in interest rate or review of the terms of collateral. In very few cases, there is provision for a right to recall of the facilities. The Company is confident of getting the waivers, given similar waivers having been received in past, considering Company's long track record with the lenders. Further, the Company believes its contingency refinance/ funding plan, current capital adequacy and additional capital raise of ₹345,600 Lacs done on May 6, 2021 would enable the Company to tide over any impact of covenant breaches.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 20: Subordinated liabilities

Particulars	As at 31 March 2021	As at 31 March 2020
At Amortised Cost - Unsecured		
(A) Perpetual debt instruments (Tier I capital) to the extent that do not qualify as equity	7,826.83	10,288.80
Others (Tier II capital) :		
- From banks (subordinated debts)	29,856.97	29,824.68
- Redeemable subordinate debt instruments to the extent that do not qualify as equity"	45,660.17	45,510.18
Total (A)	83,343.97	85,623.66
(B) Subordinated liabilities in India	83,343.97	85,623.66
Total (B)	83,343.97	85,623.66

Terms of maturity of perpetual debt debentures (Tier I capital) *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
0 - 1 Years	-	12.50%	-	2,461.97
1 - 3 Years	12.00% -12.10%	-	4,988.33	-
3 - 5 Years	12.10%	12.00% -12.10%	681.65	4,978.52
> 5 Years	11.00% -12.10%	11.00% -12.10%	2,156.85	2,848.31
			7,826.83	10,288.80

Terms of maturity of redeemable subordinated debt instruments (Tier II capital) *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
0 - 1 Years	11.00% -11.45%	-	22,897.91	-
1 - 3 Years	10.30% -11.50%	10.30% -11.50%	11,881.07	28,474.78
3 - 5 Years	10.20%	10.70% -10.90%	415.47	6,111.78
> 5 Years	10.00% -10.40%	10.00% -10.40%	10,465.72	10,923.62
			45,660.17	45,510.18

Terms of repayment of subordinated instruments from banks (unsecured) (Tier II capital) *

Maturity schedule	Interest rate range (p.a.)		Amount	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
0 - 1 Years	10.10%	-	1,640.70	-
1 - 3 Years	10.10%	11.00%	8,298.41	8,262.06
3 - 5 Years	12.50%	11.00%	9,946.44	1,637.70
> 5 Years	12.50%	12.50%	9,971.42	19,924.92
			29,856.97	29,824.68

* As per contractual tenure

The Company has not defaulted in repayment of principal and interest.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 21: Lease liability

Particulars	As at 31 March 2021	As at 31 March 2020
Lease liability*	4,183.51	5,983.06
	4,183.51	**5,983.06**

* Refer Note 41 for disclosure related to leases.

Terms of maturity of Lease liability

Particulars	As at 31 March 2021	As at 31 March 2020
0 - 1 Years	787.18	1,218.98
1 - 3 Years	1,270.06	1,999.56
3 - 5 Years	1,112.87	1,394.36
> 5 Years	1,013.40	1,370.16
	4,183.51	**5,983.06**

Note 22: Other financial liabilities

Particulars	As at 31 March 2021	As at 31 March 2020
Interest accrued	10,481.77	8,549.08
Unpaid dividend *	29.32	34.60
Temporary book overdraft	-	4,454.00
Pending remittance on assignment	8,364.68	7,145.42
Employee expenses payable	3,875.31	3,886.75
Liability for expenses	3,712.77	4,235.19
Other payables	5,268.28	3,999.83
	31,732.13	**32,304.87**

* There has been no delay in transfer of amounts required to be transferred to Investor Education and Protection Fund.

Note 23: Current tax liabilities (net)

Particulars	As at 31 March 2021	As at 31 March 2020
Provision for tax (net of advance tax)	943.56	1,435.17
Total	**943.56**	**1,435.17**

Note 24: Provisions

Particulars	As at 31 March 2021	As at 31 March 2020
Provision for employee benefits	1,203.84	1,030.63
Provision - others	144.00	94.00
	1,347.84	**1,124.63**

Note 25: Other non-financial liabilities

Particulars	As at 31 March 2021	As at 31 March 2020
Revenue received in advance	99.05	125.59
Advances and deposits from customers	8,907.66	5,957.63
Payable to customers	943.23	-
Statutory liabilities	916.89	998.04
	10,866.83	**7,081.26**

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 26: Equity

Particulars	As at 31 March 2021	As at 31 March 2020
Authorised		
1,265,000,000 (31 March 2020: 1,265,000,000) Equity shares of ₹2/- each	25,300.00	25,300.00
58,300,000 (31 March 2020: 58,300,000) Preference shares of ₹100/- each	58,300.00	58,300.00
	83,600.00	**83,600.00**
Issued, subscribed and paid-up		
Equity share capital		
269,616,712 (2020: 269,515,312) Equity shares of ₹2/- each, fully paid up	5,392.33	5,390.31
	5,392.33	**5,390.31**

Reconciliation of shares outstanding at the beginning and at the end of the reporting period

Particulars	As at 31 March 2021		As at 31 March 2020	
	Number	Amount	Number	Amount
Equity shares				
At the commencement of the period	269,515,312	5,390.31	269,324,236	5,386.48
Shares issued on exercise of ESOPs during the year	101,400	2.02	191,076	3.83
Issued, subscribed and paid up share capital	**269,616,712**	**5,392.33**	**269,515,312**	**5,390.31**

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 ₹.

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.

During the year, the Company has allotted on 17 June 2020, 7 August 2020, 6 November 2020 and 4 February 2021 4,800 equity shares, 4,800 equity shares, 66,600 equity shares and 25,200 equity shares respectively of the face value of ₹2/- each to the eligible employees of the Company under Employee Stock Option Plan pursuant to SEBI (ESOS and ESPS) Guidelines, 1999, and with corresponding provision of SEBI (Share Based Employee Benefits) Regulations 2014, as amended from time to time. Consequent to the said allotment, the total paid-up equity share capital of the Company stands increased to 269,616,712 equity shares of ₹2/- each aggregating to ₹5,392.33 lacs. The equity shares issued and allotted as aforesaid rank pari passu with the existing equity shares of the Company in all respect.

During the previous year, the Company has allotted on 14 May 2019, 3 August 2019, 07 November 2019 and 30 January 2020 18,000 equity shares, 18,000 equity shares, 72,600 equity shares and 82,476 equity shares respectively of the face value of ₹2/- each to the eligible employees of the Company under Employee Stock Option Plan pursuant to SEBI (ESOS and ESPS) Guidelines, 1999, and with corresponding provision of SEBI (Share Based Employee Benefits) Regulations 2014, as amended from time to time.

After the end of the year, on 6 May, 2021, the Company has allotted 493,714,286 equity shares of face value of ₹2/- each to Rising Sun Holdings Private Limited (RSHPL), Mr. Sanjay Chamria and Mr. Mayank Poddar on preferential basis , aggregating to ₹345,600 lacs, including premium of ₹68/- per share under Chapter V of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended and the Companies Act, 2013 read with relevant rules thereunder and other applicable provisions. Consequent to the said allotment, the total paid-up equity share capital of the Company stands increased to 763,330,998 equity shares of ₹2/- each aggregating to ₹15,266.62 lacs. The equity shares issued and allotted as aforesaid rank pari passu with the existing equity shares of the Company in all respect. Pursuant to the said allotment and completion of the open offer, RSHPL is the largest shareholder of the Company and shall exercise control over the Company. RSHPL is classified as a 'Promoter' of the Company in accordance with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended from time to time. Consequently, going forward Magma Fincorp Limited would be a subsidiary of RSHPL and Magma Housing Finance Limited shall become a step down subsidiary of RSHPL.

On 31 May 2021, the Nomination and Remuneration Committee has allotted 1,009,649 equity shares of the face value of ₹2/- each to the eligible employees of the Company under Employee Stock Option Plan pursuant to SEBI (ESOS and ESPS) Guidelines, 1999, and with

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 26: Equity *(contd.)*

corresponding provision of SEBI (Share Based Employee Benefits) Regulations 2014, as amended from time to time. Consequent to the said allotment, the total paid-up equity share capital of the Company stands increased to 764,340,647 equity shares of ₹2/- each aggregating to ₹15,286.81 lacs. The equity shares issued and allotted as aforesaid rank pari passu with the existing equity shares of the Company in all respect.

During the current and previous year, the Company did not declare any dividend

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.

Shares bought back

Company has not bought back any of its securities during the five year period immediately preceding the reporting date.

Shareholders holding more than 5% shares

Name of the shareholder	As at 31 March 2021		As at 31 March 2020	
	%	No. of shares	%	No. of shares
Equity shares				
Microfirm Capital Private Limited	12.62	34,015,928	12.62	34,015,928
Celica Developers Private Limited	10.92	29,434,455	10.92	29,434,455
True North Fund V LLP	7.49	20,189,739	10.48	28,255,524
Amansa Holdings Private Limited	7.66	20,656,242	7.66	20,656,242
Lavender Investments Limited	5.60	15,101,431	7.00	18,851,431
Nippon Life India Trustee Limited	5.30	14,285,290	-	-
Reliance Capital Trustee Company Limited	-	-	6.92	18,639,210

The Group maintains and actively managed capital base to cover risks inherent in the business and meets the Capital Adequacy Requirements (CRAR) of the Reserve Bank of India (RBI). The adequacy of the Group's capital is monitored using, among other measures, the regulations issued by RBI. The Group has complied in full with all its externally imposed capital requirements over the reported period. The primary objectives of the Group's capital management policy are to ensure that the Group complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value. The funding requirements are met through equity, non-convertible debentures and other long-term/ short-term borrowings. The Group's policy is aimed at appropriate combination of short-term and long term borrowings. The Group manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

Note 27: Other equity

Capital redemption reserve

Capital Redemption Reserve is created to keep the capital intact when preference shares are redeemed or equity shares are bought back. It is utilised in accordance with the provisions of the Companies Act, 2013

Employee share option outstanding

The Company instituted the Magma Employee Stock Option Plan (MESOP) in 2007 and Magma Restricted Stock Option Plan 2014 (MRSOP) in 2014, which were approved by the Board of Directors and the shareholders of the Company. The share option outstanding reserve is used to recognise the grant date fair value of option issued under aforesaid plans.

Refer Note 43 for further details on employee stock options.

Statutory reserve (created pursuant to Section 45-IC of the Reserve Bank of India Act, 1934)

Statutory reserve represents the Reserve Fund created under section 45-IC of the Reserve Bank of India Act, 1934. Under section 45-IC, the Company is required to transfer a sum not less than twenty percent of its net profit for the financial year to the statutory reserve. The statutory reserve can be utilised for the purposes as may be specified by the Reserve Bank of India from time to time.

Statutory reserve (created pursuant to Section 29C of National Housing Bank Act, 1987)

Statutory reserve represents the Reserve Fund created under section 29C of the National Housing Bank Act, 1987. Under section 29C, the MHFL (subsidiary) is required to transfer a sum not less than twenty percent of its net profit for the financial year to the statutory reserve. The statutory reserve can be utilised for the purposes as may be specified by the National Housing Bank from time to time.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 27: Other equity *(contd.)*

Securities premium reserve

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

Capital reserve

Capital reserve has been created to set aside gains of capital nature from amalgamation and merger. It is utilised in accordance with the provisions of the Companies Act, 2013

Debt instruments through other comprehensive income

This comprises changes in the fair value of debt instruments recognised in other comprehensive income and accumulated within equity. The group transfers amounts from such component of equity to retained earnings when the relevant debt instruments are derecognised.

Retained earnings

Retained earnings represents total of all profits retained since Company's inception. Retained earnings are credited with current year profits, reduced by losses, if any, dividend payouts, transfers to General reserve or any such other appropriations to specific reserves. It also includes impact of remeasurement of defined benefit plans.

Note 28: Interest Income

Particulars	Year ended 31 March 2021		Year ended 31 March 2020	
	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost
Interest on loans	73,871.21	138,814.65	67,273.87	161,266.62
Interest on deposits with banks	-	3,664.63	-	3,458.84
Other interest income				
- On loans and margins	-	125.96	-	347.49
- On security deposit	-	91.30	-	87.47
	73,871.21	**142,696.54**	**67,273.87**	**165,160.42**
Total		**216,567.75**		**232,434.29**

Note 29: Rental Income

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Income from lease rentals		
- On operating lease assets	2,964.77	3,669.37
- On investment property	2.54	2.54
Total	**2,967.31**	**3,671.91**

Note 30: Fees and Commission Income

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Collection and support services	1,398.08	1,967.61
Foreclosure charges	2,480.53	3,226.83
Insurance commission	1,045.77	1,449.36
Commitment fees	685.25	888.10
Others (cheque bouncing charges, valuation charges, etc.)	1,556.09	1,118.37
Total	**7,165.72**	**8,650.27**

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 31: Net gain / (loss) on fair value changes*

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
(A) Others		
- On other financial assets	61.32	(461.66)
Total Net gain / (loss) on fair value changes (A)	61.32	(461.66)
(B) Fair Value changes:		
Realised	-	-
Unrealised	61.32	(461.66)
Total Net gain / (loss) on fair value changes (B)	61.32	(461.66)

* Fair value changes in this schedule are other than those arising on account of interest income/expense.

Note 32: Net gain on derecognition of financial instruments

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Income from derecognition on account of direct assignment transactions	5,127.67	6,586.82
Total	5,127.67	6,586.82

Note 33: Other Income

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Sale of power	845.16	1,014.57
Net gain on derecognition of property, plant and equipment	-	3.26
Gain from sale of repossessed assets	26.12	-
Miscellaneous income (includes reversal of excess managerial remuneration ₹317.85 lacs pertaining to last year) (Refer Note 44 for related party disclosures)	2,486.70	3,926.66
Total	3,357.98	4,944.49

Note 34: Finance cost

Particulars	Year ended 31 March 2021 On Financial liabilities measured at Amortised Cost	Year ended 31 March 2020 On Financial liabilities measured at Amortised Cost
Interest on security deposits	64.98	58.02
Interest on borrowings	86,205.14	106,703.38
Interest on debt securities	10,048.44	6,944.23
Interest on subordinated liabilities	9,998.79	11,984.25
Other interest expense*	262.73	652.46
Other borrowing costs (Includes non EIR Borrowing Expenses)	3,465.32	3,039.84
	110,045.40	129,382.18

* Refer Note 41 for disclosure related to leases.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 35: Impairment on financial instruments

Particulars	Year ended 31 March 2021		Year ended 31 March 2020	
	On Financial instruments measured at fair value through OCI	On Financial instruments measured at Amortised Cost	On Financial instruments measured at fair value through OCI	On Financial instruments measured at Amortised Cost
Loans	12,967.29	43,392.91	(1,051.83)	6,545.97
Other assets	-	353.12	-	190.14
Bad debts written-off(net of recoveries) includes gain on sale of written-off assets ₹2,097.00). *	23,702.10	64,383.84	10,524.65	32,370.04
	36,669.39	**108,129.87**	**9,472.82**	**39,106.15**
Total		**144,799.26**		**48,578.97**

* Includes bad debts written off on other financial assets of 184.68 lacs

Note 36: Employee benefits expenses * ^

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Salaries and wages	34,419.03	40,906.82
Contribution to provident and other funds	2,368.76	2,228.50
Share based payments to employees	560.11	360.66
Staff welfare expenses	805.15	1,295.11
Total	**38,153.05**	**44,791.09**

* Refer Note 44 for related party disclosures

^ Refer Note 40 for disclosure related to provisions for employee benefits.

Note 37: Depreciation, amortisation and impairment

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Depreciation on property plant and equipment	3,844.95	4,238.65
Depreciation on investment property	0.18	0.18
Depreciation on right to use assets	1,172.66	1,576.45
Amortisation of intangible asset	607.50	1,663.71
Total	**5,625.29**	**7,478.99**

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 38: Others expenses

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Rent	192.23	212.88
Rates and taxes	94.26	781.77
Net loss on derecognition of property, plant and equipment	34.27	-
Electricity charges	461.13	736.82
Repairs and maintenance		
- Machinery	343.32	350.23
- Others	1,669.21	2,025.84
Communication expenses	622.25	937.75
Printing and stationery	296.85	500.27
Advertisement and publicity	312.93	496.82
Directors		
- Fees	167.09	84.59
- Commission	-	15.96
Legal charges	560.04	1,142.26
Professional fees *	1,807.40	2,821.58
Insurance	81.87	125.72
Travelling and conveyance	743.35	2,365.75
CSR expenditure **	1,418.61	266.45
Outsource collection charges	1,014.19	1,176.11
Intangible assets under development written off	3.14	94.64
Credit guarantee fees	1,596.45	1,983.61
Miscellaneous expenses	631.50	1,197.38
Total	**12,050.09**	**17,316.43**

Refer Note 44 for related party disclosure

*Payments to auditors ##

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Statutory audit	55.00	55.00
Limited review of quarterly results	30.00	30.00
Other services	12.63	60.38
Reimbursement of expenses	5.73	18.53
Total	**103.36**	**163.90**

Does not include the remuneration paid to the auditor's of subsidiary.

****Details of corporate social responsibility expenditure**

A CSR committee has been formed by the Group as per the Companies Act, 2013. CSR expenses have been incurred through out the year on the activities as specified in Schedule VII of the said Act. The focus area of CSR initiatives undertaken by the Group are education, health and environment.

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
(a) Amount required to be spent by the Group during the year	703.90	532.14
(b) Amount spent during the year (in cash)		
(i) Construction/ acquisition of any asset	-	-
(ii) On purposes other than (i) above	1,418.61	266.45

Note: As per Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, the Group has since transferred a sum of ₹476.76 lacs to Magma Fincorp Limited-Unspent Corporate Social Responsibility Bank account with ICICI Account No.: 000605035547, being the amount related to continuing CSR projects. Group has created liability of the same amount.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 39: Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Particulars	Year ended 31 March 2021			Year ended 31 March 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial Assets						
Cash and cash equivalents	35,782.49	-	35,782.49	20,596.15	-	20,596.15
Bank balance other than cash and cash equivalents	37,458.22	4,227.87	41,686.09	42,430.66	7,801.36	50,232.02
Receivables	1,291.57	-	1,291.57	991.41	-	991.41
Loans	394,449.83	741,672.98	1,136,122.81	441,655.35	912,990.05	1,354,645.40
Investments	-	17,736.59	17,736.59	-	15,059.88	15,059.88
Other financial assets	14,488.34	11,437.94	25,926.28	25,223.61	7,202.03	32,425.64
Total financial assets	**483,470.45**	**775,075.38**	**1,258,545.83**	**530,897.18**	**943,053.32**	**1,473,950.50**
Non-Financial Assets						
Current tax assets (net)	-	9,500.78	9,500.78	-	10,119.72	10,119.72
Deferred tax assets (net)	-	29,416.52	29,416.52	-	9,381.60	9,381.60
Property, plant and equipment	-	12,505.36	12,505.36	-	15,578.05	15,578.05
Capital work-in-progress	-	-	-	-	-	-
Intangible assets under development	-	18.15	18.15	-	661.94	661.94
Goodwill	-	1,430.34	1,430.34	-	1,430.34	1,430.34
Other intangible assets	-	1,954.45	1,954.45	-	1,603.98	1,603.98
Right to use assets	902.77	2,787.46	3,690.23	1,425.13	4,146.38	5,571.51
Other non-financial assets	3,251.61	904.97	4,156.58	4,449.03	1,220.85	5,673.88
Total non-financial assets	**4,154.38**	**58,518.03**	**62,672.41**	**5,874.16**	**44,142.86**	**50,021.02**
Total assets	**487,624.83**	**833,593.41**	**1,321,218.24**	**536,771.34**	**987,196.18**	**1,523,971.52**
LIABILITIES						
Financial Liabilities						
Payables	9,409.00	-	9,409.00	2,505.68	-	2,505.68
Debt securities	32,506.35	93,995.88	126,502.23	2,496.94	67,910.79	70,407.73
Borrowings (other than debt securities)	501,604.63	331,854.10	833,458.73	592,191.81	450,513.77	1,042,705.58
Subordinated liabilities	24,538.61	58,805.36	83,343.97	2,461.97	83,161.69	85,623.66
Lease Liability	787.17	3,396.34	4,183.51	1,218.97	4,764.09	5,983.06
Other financial liabilities	31,732.13	-	31,732.13	32,304.87	-	32,304.87
Total financial liabilities	**600,577.89**	**488,051.68**	**1,088,629.57**	**633,180.24**	**606,350.34**	**1,239,530.58**
Non-Financial Liabilities						
Current tax liabilities (Net)	943.56	-	943.56	1,435.17	-	1,435.17
Provisions	91.03	1,256.81	1,347.84	27.57	1,097.06	1,124.63
Other non-financial liabilities	10,816.74	50.09	10,866.83	7,008.91	72.35	7,081.26
Total non-financial liabilities	**11,851.33**	**1,306.90**	**13,158.23**	**8,471.65**	**1,169.41**	**9,641.06**
Total liabilities	**612,429.22**	**489,358.58**	**1,101,787.80**	**641,651.89**	**607,519.75**	**1,249,171.64**

Note 40: Employee benefits

The Company operates the following post-employment plans -

i. **Defined contribution plan**

The contribution made to various statutory funds is recognised as expenses and included in Note 36 'Employee benefits expense' under 'Contribution to provident and other funds' in Statement of Profit and Loss. The detail is as follows:

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Provident and Other Funds	1,984.93	1,801.56

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 40: Employee benefits *(contd.)*

ii. Defined benefit plan

Gratuity

The Company has a defined benefit gratuity plan in India, governed by the Payment of Gratuity Act, 1972. This plan entitles an employee, who has rendered at least five years of continuous service, to gratuity at the rate of fifteen days wages for every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned. The scheme is fully funded with Life Insurance Corporation of India (LIC). This defined benefit plan expose the Company to actuarial risks, such as regulatory risk, credit risk, liquidity risk, etc. as defined below.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at 31 March 2021. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity plan and the amounts recognised in the Company's financial statements as at balance sheet date:

Particulars	As at 31 March 2021	As at 31 March 2020
Net defined benefit asset/(liability)	306.64	73.71

A. Funding

The scheme is fully funded with Life Insurance Corporation of India (LIC). The funding requirements are based on the gratuity fund's actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out in Section E below.

Expected contributions to Gratuity plans for the year ending 31 March 2022 is ₹96.14 lacs.

B. Reconciliation of the net defined benefit (asset) / liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

Particulars	Year ended 31 March 2021			Year ended 31 March 2020		
	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/ liability
Balance at the beginning of the year	2,633.68	2,707.39	(73.71)	2,143.80	2,289.00	(145.20)
Included in profit or loss						
Current service cost	399.80	-	399.80	428.04	-	428.04
Interest cost (income)	163.85	(180.07)	(16.22)	151.08	(186.64)	(35.56)
	563.65	**(180.07)**	**383.58**	**579.12**	**(186.64)**	**392.48**
Included in Other comprehensive income						
Remeasurements loss (gain)						
– Actuarial loss (gain) arising from:						
- demographic assumptions	-	-	-	(1.29)	-	(1.29)
- financial assumptions	(86.66)	-	(86.66)	274.50	-	274.50
- experience adjustment	(187.73)	-	(187.73)	(49.53)	-	(49.53)
– On plan assets	-	-	-	-	100.26	100.26
	(274.39)	**-**	**(274.39)**	**223.68**	**100.26**	**323.94**
Other						
Contributions paid by the employer	-	342.12	(342.12)	-	644.93	(644.93)
Benefits paid	(318.46)	(318.46)	-	(312.92)	(312.92)	-
	(318.46)	**23.66**	**(342.12)**	**(312.92)**	**332.01**	**(644.93)**
Balance at the end of the year	**2,604.48**	**2,911.12**	**(306.64)**	**2,633.68**	**2,707.39**	**(73.71)**

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 40: Employee benefits *(contd.)*

C. Plan assets

Particulars	As at 31 March 2021	As at 31 March 2020
Investment with Life insurance Corporation	100%	100%

On an annual basis, an asset-liability matching study is done whereby the Company contributes the net increase in the actuarial liability to the plan manager (insurer) in order to manage the liability risk.

D. Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

Particulars	As at 31 March 2021	As at 31 March 2020
Discount rate	6.90% - 6.97%	6.62% - 6.65%
Future salary growth	5.00%	5.00%
Withdrawal rate:		
Upto 40 years	4.20%	4.20%
40 years and above	Nil	Nil
Early retirement and disability:		
40-54 years	1.80%	1.80%
55-57 years	2.20%	2.20%
Expected rate of return on plan assets	6.62% - 6.65%	7.60% - 7.64%
Mortality	IALM (2012-14)	IALM (2012-14)

E. Sensitivity analysis of significant assumptions

The following table present a sensitivity analysis to one of the relevant actuarial assumption, holding other assumptions constant, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

Particulars	As at 31 March 2021		As at 31 March 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% movement)	2,531.59	2,680.47	2,558.83	2,711.78
Future salary growth (0.5% movement)	2,761.89	2,458.49	2,795.11	2,484.24
Withdrawal rate (2% movement)	2,604.62	2,604.33	2,633.79	2,633.55
Mortality rate (1% movement)	2,604.64	2,604.31	2,633.81	2,633.54

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

F. Expected maturity analysis of the defined benefit plans in future years

Particulars	As at 31 March 2021	As at 31 March 2020
1 year	105.38	162.16
Between 2-5 years	478.08	469.10
Between 6-10 years	970.36	891.43
Over 10 years	5,162.52	5,094.85
Total	**6,716.34**	**6,617.54**

As at 31 March 2021, the weighted-average duration of the defined benefit obligation was 12.93 - 16.61 years (31 March 2020: 13.14 - 16.13 years).

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 40: Employee benefits *(contd.)*

G. Description of risk exposures

Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such company is exposed to various risks as follow -

Credit risk: If the scheme is insured and fully funded on PUC basis there is a credit risk to the extent the insurer(s) is/ are unable to discharge their obligations including failure to discharge in timely manner.

Pay-as-you-go risk: For unfunded schemes financial planning could be difficult as the benefits payable will directly affect the revenue and this could be widely fluctuating from year to year. Moreover there may be an opportunity cost of better investment returns affecting adversely the cost of the scheme.

Discount Rate risk: The Company is exposed to the risk of fall in discount rate. A fall in discount rate will eventually increase in the ultimate cost of providing the above benefit thereby increasing the value of the liability.

Liquidity risk: This risk arises from the short term asset and liability cash-flow mismatch thereby causing the company being unable to pay the benefits as they fall due in the short term. Such a situation could be the result of holding large illiquid assets disregarding the results of cash-flow projections and cash outgo inflow mismatch. (Or it could be due to insufficient assets/cash.)

Future salary increase risk: The Scheme cost is very sensitive to the assumed future salary escalation rates for all final salary defined benefit Schemes. If actual future salary escalations are higher than that assumed in the valuation actual Scheme cost and hence the value of the liability will be higher than that estimated.

Demographic Risk: In the valuation of the liability certain demographic (mortality and attrition rates) assumptions are made. The Company is exposed to this risk to the extent of actual experience eventually being worse compared to the assumptions thereby causing an increase in the scheme cost.

Regulatory risk: Gratuity Benefit must comply with the requirements of the Payment of Gratuity Act, 1972 (as amended up-to-date). There is a risk of change in the regulations requiring higher gratuity payments (e.g. raising the present ceiling of ₹2,000,000, raising accrual rate from 15/26 etc.)

iii. Other long-term benefits

The Company provides compensated absences benefits to the employees of the Company which can be carried forward to future years. Amount recognised in the Statement of profit and loss for compensated absences is as under-

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Amount recognised in statement of profit and loss		
Compensated absences	472.07	462.85

Note 41: Leases

The Company has adopted Ind AS 116 effective 01 April 2019, using the modified retrospective method. The Company has applied the Accounting Standard to its leases with the cumulative impact recognised on the date of initial application ie 01 April 2019. This has resulted in recognizing a right-of-use asset and a corresponding lease liability. The effect of the adoption is not significant to the profit for the period.

A. Lease in the capacity of Lessee

a) Nature : Leases considered here are taken for offices use, guesthouse and godown

b)

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Amount recognised in statement of profit or loss		
1) Depreciation on right to use assets (gross)	1,172.66	1,576.45
2) Interest expense on lease liability	301.83	694.67
3) Rent paid for leases which are not considered under IND AS 116	75.9	109.79
4) Income from Subletting right of use assets	-	-
Other disclosures		
5) Total cash outflow for leases	1,392.75	1,859.57
6) Additions to right to use assets	1187.6	7,762.12
7) Carrying amount of right to use assets (refer note 15)	3,690.23	5,571.51

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 41: Leases *(contd.)*

c) Bifurcation of rent paid during the year

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Bifurcation of rent paid during the year		
- Principal	1,090.92	1,164.90
- Interest	301.83	694.67

B. Lease in the capacity of Lessor

a) Nature : Operating and finance lease of Vehicles primarily to Corporate clients

b) Company manages the risk associated with any rights it retains in underlying assets as per the terms of the respective lease contracts. There is a dedicated team which manages this portfolio.

c) Future lease payments

At year end, the future lease receivables under finance leases are as follows:

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
1st Year	8,756.41	9,138.60
2nd Year	6,340.38	7,287.45
3rd Year	3,763.46	4,644.15
4th Year	1,354.74	1,997.71
5th Year	320.56	381.89
More than 5 Year	1.90	-

At year end, the future lease receivables under operating leases are as follows:

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
1st Year	2,914.00	3,477.21
2nd Year	1,978.80	2,535.97
3rd Year	956.08	1,494.37
4th Year	394.32	512.73
5th Year	117.22	160.63
More than 5 Year	-	-

d) Reconciliation - Finance lease

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Net investment in lease (carrying amount of Finance lease) (A)	17,104.06	19,285.19
Unearned finance income (B)	3,433.39	4,164.61
Total lease payments (A+B)	**20,537.45**	**23,449.80**

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 42: Earnings per share (EPS)

Particulars	Units	Year ended 31 March 2021	Year ended 31 March 2020
a) (i) Weighted average number of equity shares for basic EPS	Nos	269,552,784	269,394,955
(ii) Effect of potential ordinary equity shares on employee stock options	Nos	1,473,054	630,817
(iii) Weighted average number of equity shares for diluted EPS	Nos	271,025,838	270,025,772
b) Net profit/ (loss) after tax	₹ in Lacs	(55,896.44)	2,705.34
c) (i) Net profit/ (loss) for equity shareholders for basic EPS	₹ in Lacs	(55,896.44)	2,705.34
(ii) Net profit/ (loss) for equity shareholders for diluted EPS	₹ in Lacs	(55,896.44)	2,705.34
d) (i) Earnings per share (Face value of ₹2/- per share) – basic	₹	(20.74)	1.00
(ii) Earnings per share (Face value of ₹2/- per share) – diluted	₹	(20.74)	1.00

Note 43: Share-based payments

A Description of share-based payment arrangements

The company instituted the Magma Employee Stock Option Plan (MESOP) in 2008 and Magma Restricted Stock Option Plan 2014 (MRSOP) in 2004, which were approved by the Board of Directors and the shareholders of the Company.

MESOP, 2007

Under MESOP 2007, the Company provided for the creation and issue of 1,000,000 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 and are exercisable within 3/4 years from the date of vesting. Following the sub-division of one equity share of the face value of ₹10/- each into five equity shares of the face value of ₹2/- each during the financial year ended 31 March 2011, the number of options increased from 1,000,000 to 5,000,000.

During the year, the Nomination and Remuneration Committee of the Board of Directors has granted 92,000 options (31 March 2020: 1,103,711 options) under MESOP 2007 to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹2/- each).

MRSOP, 2014

Under MRSOP 2014, the Company provided for the creation and issue of 5,000,000 options, that would eventually convert into equity shares of ₹2/- each in the hands of the Company's employees. The options are to be granted to the eligible employees at the discretion of the Nomination and Remuneration Committee of the Board of Directors and at the exercise price of the face value of ₹2/- each. The options generally will vest in a graded manner and are exercisable within 3 years from the date of vesting.

During the year, the Nomination and Remuneration Committee of the Board of Directors has granted 1,280,515 options (31 March 2020: Nil) under MRSOP 2014 to the eligible employees of the Company (each options entitles the option holder to 1 equity share of ₹2/- each).

B Measurement of Fair values

The fair value of employee share options has been measured using Black-Scholes model. The weighted average fair value of each option of Magma Fincorp Limited was ₹46.28 (31 March 2020: ₹58.93).

The fair value of the options and the inputs used in the measurement of the grant-date fair values of the equity-settled share based payment plans are as follows:

Particulars	Units	31 March 2021	31 March 2020
Fair value at grant date	₹	14.41 - 146.98	14.41 - 146.98
Share price at grant date	₹	39.45 - 151.50	39.45 - 151.50
Exercise price	₹	2.00 - 120.00	2.00 - 120.00
Expected volatility (weighted average volatility)	%	39.83 - 49.99	39.83 - 49.99
Expected life (expected weighted average life)	years	2.38 - 5.21	2.38 - 5.21
Expected dividends	%	0.53 - 2.03	0.53 - 2.03
Risk-free interest rate (based on government bonds)	%	6.80 - 8.06	6.80 - 8.06

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 43: Share-based payments *(contd.)*

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behavior.

During the year, the Nomination and Remuneration Committee of the Board of Directors through Resolution by circulation passed on 19 November 2019 has approved the change in the method of pricing of options. Some unexercised or unvested options granted earlier under the MESOP Plan 2007 have been repriced at market price as on the date of such change, i.e. ₹39.45/- for each option.

The incremental fair value due to modification of the exercise price ranges from ₹10.02 to ₹13.88.

The fair value of the options and the inputs used in the measurement of the fair values as on the date of modification are as follows:

Particulars	Units	31 March 2020
Fair value	₹	10.02 - 13.88
Share price at grant date	₹	39.45
Exercise price	₹	39.45
Expected volatility (weighted average volatility)	%	43.94 - 46.05
Expected life (expected weighted average life)	years	1.92 - 3.90
Expected dividends	%	2.03
Risk-free interest rate (based on government bonds)	%	5.47 - 5.88

C Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under the share option plans were as follows:

MESOP, 2007

Particulars	Year ended 31 March 2021		Year ended 31 March 2020	
	Number of share options	Wtd. Avg. price	Number of share options	Wtd. Avg. price
Outstanding options at the beginning of the year	**2,204,088**	**72.61**	**1,895,310**	**91.03**
Add: Granted during the year	92,000	2.00	1,103,711	35.99
Less: Exercised during the year	101,400	2.00	191,076	13.46
Less: Lapsed/forfeited during the year	69,731	34.88	603,857	82.21
Outstanding options at the end of the year	**2,124,957**	**74.16**	**2,204,088**	**72.61**
Options vested and exercisable at the end of the year	1,107,867	36.31	531,056	37.58

The options outstanding at 31 March 2021 have an exercise price in the range of ₹2 to ₹60 (31 March 2020: ₹2 to ₹60) and a weighted average remaining contractual life of 1.2 years (31 March 2020: 1.5 years).

The weighted average share price at the date of exercise for share options exercised in 2020-21 was ₹36.69 (2019-20: ₹68.44).

MRSOP 2014

Particulars	Year ended 31 March 2021		Year ended 31 March 2020	
	Number of share options	Wtd. Avg. price	Number of share options	Wtd. Avg. price
Outstanding options at the beginning of the year	**300,000**	**100.00**	**600,000**	**100.00**
Add: Granted during the year	1,280,515	38.21	-	-
Less: Lapsed/forfeited during the year	-	-	300,000	100.00
Outstanding options at the end of the year	**1,580,515**	**49.94**	**300,000**	**100.00**
Options vested and exercisable at the end of the year	-	-	-	-

The options outstanding at 31 March 2021 have an exercise price in the range of ₹38.21 to ₹100 (31 March 2020: ₹100) and a weighted average remaining contractual life of 1.61 years (31 March 2020: 1.56 years).

No options were exercised during the year FY 20-21 and FY 19-20.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 43: Share-based payments *(contd.)*

D Equity shares reserved for issue under options

Particulars	No. of options granted	Exercise price (₹)	Year ended 31 March 2021		Year ended 31 March 2020	
			No. of options	Amount	No. of options	Amount
Under MESOP 2007:						
Tranche VI	50,000	60.00	10,000	0.20	20,000	0.40
Tranche XIII	225,000	100.00	-	-	-	-
Tranche XIV	90,000	120.00	-	-	-	-
Tranche XV	75,000	120.00	-	-	-	-
Tranche XVI A	726,083	39.45	400,411	8.01	400,411	8.01
Tranche XVI B	322,000	2.00	56,400	1.13	158,000	3.16
Tranche XVII	8,000	2.00	2,800	0.06	2,800	0.06
Tranche XVIII	6,000	2.00	-	-	2,400	0.05
Tranche XIX	60,000	39.45	60,000	1.20	60,000	1.20
Tranche XX	30,000	39.45	30,000	0.60	30,000	0.60
Tranche XXI	100,000	39.45	100,000	2.00	100,000	2.00
Tranche XXII	44,000	2.00	25,600	0.51	31,000	0.62
Tranche XXIII	9,000	39.45	9,000	0.18	9,000	0.18
Tranche XXIV A	125,000	39.45	125,000	2.50	125,000	2.50
Tranche XXIV B	175,000	39.45	175,000	3.50	175,000	3.50
Tranche XXV	1,001,711	39.45	942,746	18.85	988,477	19.77
Tranche XXVI	102,000	2.00	96,000	1.92	102,000	2.04
Tranche XXVII	92,000	2.00	92,000	1.84	-	-
Under MRSOP 2014:						
Tranche I (D)	300,000	100.00	300,000	6.00	300,000	6.00
Tranche II	1,263,495	38.21	1,263,495	25.27	-	-
Tranche II (A)	17,020	38.21	17,020	0.34	-	-

Share Based Payments by Subsidiary (Magma Housing Finance Limited)

A Description of share-based payment arrangements

The company instituted the Magma Housing Finance Limited - Employee Stock Option Plan (MESOP) in 2018 and Magma Housing Finance - Restricted Stock Option Plan 2018 (MHRSO) in 2018, which were approved by the Board of Directors.

Pursuant to a resolution passed by the members holding Equity shares vide Extra Ordinary General Meeting held on 31.03.2018, the Company has approved the Employee Stock Option Plan-2018 (MHFL ESOP 2018). The members of the Nomination & Remuneration Committee (NRC) had approved the grant of 690,000 options, to the eligible employees of the Company in 2 tranches in FY 20. During the year the members of the NRC had approved the grant of 1,200,000 options to the eligible employees of the Company in 2 tranches (Tranche 6 & 7). In tranche 6 the live options vest in the ratio of 30:30:40 after expiry of first, second, and third year respectively from the date of grant of option whereas in tranche 7 the live options vest fully (100%) after expiry of first year from the date of grant of option subject to achievement of the criteria specified.

Further, pursuant to a resolution passed by the members holding Equity shares vide Extra Ordinary General Meeting held on 24.10.2018, the Company has approved the Restricted Stock Option Plan-2018 (MHRSO 2018). The members has approved the grant of 2,960,000 options to the eligible employee of the Company in FY 19. The options shall vest in two equal instalments at the end of third year and fifth year from the date of joining. The first installment vested during the year. The NRC also approved the change in the vesting criteria of the RSO granted. During the year, the NRC also granted 400,000 additional RSO's which are subject to approval of the revised RSO plan by the shareholders of the Company.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 43: Share-based Payments *(contd.)*

Share Based Payments by Subsidiary (Magma Housing Finance Limited)

Particulars	MHFL ESOP 2018	MHRSO 2018
Vesting conditions	The actual vesting of options will depend on continuation to hold the services being provided to the Company at the time of exercise of options and such other conditions as mentioned in the ESOP Scheme. In tranche 7 the vesting is dependent on following two conditions: • Vesting is linked to achievement of at least one of the following two on or before 31st March 2022: o Capital raise in Magma Housing Finance for INR 250 Crore or more. Successful completion of this condition will mean receipt of the capital raise money in the bank o Successful demerger of Magma Housing Finance Limited from Magma Fincorp. Successful completion of this condition will mean filing of documents for scheme of arrangement with the ROC • Vesting Period – 100% of options will vest either on successful completion of vesting condition, or 1 year from the date of grant, whichever is later, subject to successful completion of vesting condition.	The vesting conditions are linked to profitability.
Vesting period	The vesting period for Tranche 3 to 6 is as follows: (a) 30% of the options shall vest on the expiry of one year from the date of the Grant. (b) 30% of the options shall vest on the expiry of two year from the date of the Grant. (c) 40% of the options shall vest on the expiry of three year from the date of the Grant. In Tranche 7 the live options vest fully (100%) after expiry of one year from the date of grant.	Revised vesting criteria of RSO • 1,480,000 to be deemed vested effective immediately. • Reset the AUM and RoE targets for FY'20 vesting. • Balance 1,480,000 in three tranches annually by FY'23 subject to performance conditions on AUM and ROE. • Enable catchup of unvested component in FY'23 if average actual RoE exceeds average target RoE by 1%

B Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under the share option plans were as follows:

MESOP, 2018

Particulars	Year ended 31 March 2021 No. of options	Year ended 31 March 2020 No. of options
Outstanding options at the beginning of the year	**830,000**	**294,902**
Granted during the year	1,200,000	690,000
Lapsed during the year	85,000	154,902
Outstanding options at the end of the year	1,945,000	8,30,000
Exercisable at the end of the year	246,000	42,000

The options outstanding at 31 March 2021 have exercise price of ₹58.39 (Tranche 6 and 7), ₹36.66 (Tranche 4 & 5) and ₹24.25 (Tranche 3) (31 March 2020: ₹36.66 & ₹24.25) and a weighted average remaining contractual life of 1.65 years (31 March 2020: 1.92 years).

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 43: Share-based Payments *(contd.)*

Share Based Payments by Subsidiary (Magma Housing Finance Limited) *(contd.)*

MHRSO, 2018 :

Particulars	Year ended 31 March 2021 No. of options	Year ended 31 March 2020 No. of options
Outstanding options at the beginning of the year	**2,960,000**	-
Granted during the year	-	2,960,000
Outstanding options at the end of the year	2,960,000	2,960,000
Exercisable at the end of the year	1,480,000	-

The options outstanding at 31 March 2021 have an exercise price of ₹10 (31 March 2020: ₹10) and a weighted average remaining contractual life of 1.24 years (31 March 2020: 2.57 years)

(i) There are no identified employees who were granted ESOP, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.

(ii) There are is 1 identified employee who was granted RSO, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.

C The fair value of the options granted is determined on the date of the grant using the "Black-Scholes option pricing model"and the inputs used in the measurement of the grant-date fair values are as follows:

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Fair market value of option as on the date of grant	16.33 - 31.76	16.33 - 31.76
Exercise price	10.00 - 58.39	10.00 - 36.66
Expected volatility (%) of share price	40.54% - 41.73%	40.54% - 41.83%
Expected option life (weighted average)	up to 3 years	up to 3 years
Risk free interest rate (p.a.)	4.70% to 7.88%	6.32% to 6.44%

The expected volatility was determined based on historical volatility data of the listed peer Company's shares for the said period.

The stock based compensation expenses determined using fair value method and charged to statement of profit and loss account is ₹252.07 lacs (March 31, 2020: ₹219.28 lacs).

Note 44: Related parties

(i) Name of related parties and description of relationship:

A

Joint Venture	
Magma HDI General Insurance Company Limited	
Jaguar Advisory Services Private Limited	

B

Key Managerial Personnel ('KMP')	Nature of Relationship
Mr. Mayank Poddar	Chairman Emeritus and Whole Time Director (upto 07 November 2020)
Mr. Sanjay Chamria	Vice Chairman and Managing Director
Mr. Kailash Baheti	Chief Financial Officer
Mrs. Shabnum Zaman	Company Secretary

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 44: Related parties *(contd.)*

C

Directors	Nature of Relationship
Mr. Narayan K Seshadri	Chairman and Independent Director (upto 31 August 2020)
Mr. Mayank Poddar	Non-Executive Director (w.e.f. 08 November 2020)
Mr. V K Viswanathan	Independent Director (upto 08 February 2021)
Mr. Satyabrata Ganguly	Independent Director (upto 24 September 2019)
Ms. Madhumita Dutta-Sen	Director (Upto 15 May 2019)
Mr. Sunil Rewachand Chandiramani	Independent Director (w.e.f 10 December 2019)
Mrs. Vijayalakshmi R Iyer	Independent Director (w.e.f 31 January 2019)
Mr. Bontha Prasada Rao	Independent Director (w.e.f 10 December 2019)

D

Private Company / Firm in which KMP / Director or his relative is Member or Director
Celica Developers Private Limited
Microfirm Capital Private Limited
CLP Business LLP
Magma Consumer Finance Private Limited

E

Relatives of Directors / KMP
Mayank Poddar H U F
Kalpana Poddar
Ashita Poddar
Harshvardhan Chamria
Bimla Devi Baheti
Shashi Baheti
Apoorva Baheti
Ankita Baheti
Kailash Baheti HUF
Mansi Poddar
Shaili Poddar
Adarsh Tulshan
Sanjay Chamria (HUF)
Banwarilal Chamria and Others(HUF)

(ii) Related party transactions during the year and balance receivable from and payable to related parties as at the balance sheet date:

Name of related party	Nature of transaction	Transaction value for the year ended 31 March 2021	Outstanding amount as at 31 March 2021	Transaction value for the year ended 31 March 2020	Outstanding amount as at 31 March 2020
A) Joint venture					
1 Magma HDI General Insurance Company Limited	Investment in equity shares	-	10,917.91	-	8,267.87
	Short- term loans and advances given	14,496.02	716.03	21,321.02	1,133.35
	Refund / adjustment of short-term loans and advances given	14,913.35	-	21,153.54	-
	Claims Received	5.92	-	1.66	-
	Insurance commission income	1,234.54	68.27	1,710.10	67.82
	Insurance premium paid	149.15	-	11.91	-
	Subscription to public issue of NCD	-	7,500.00	7,500.00	7,500.00
	Interest accrued but not due on NCD	787.29	711.99	712.19	712.19
	Interest Paid on NCD	787.50	-	2,650.04	2,650.04
2 Jaguar Advisory Services Private Limited	Investment in equity shares	-	2.20	-	2.20

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 44: Related parties *(contd.)*

Name of related party	Nature of transaction	Transaction value for the year ended 31 March 2021	Outstanding amount as at 31 March 2021	Transaction value for the year ended 31 March 2020	Outstanding amount as at 31 March 2020
B) Private Company in which director is member or director					
1 Celica Developers Private Limited	Security Deposit refund ***	-	-	163.05	-
	Equity dividend paid	-	-	235.48	-
	Loan Given	-	2,444.60	2,490.00	2,395.35
	Repayment of Loan	40.57	-	94.65	-
	Interest income	367.92	-	179.72	-
2 Magma Consumer Finance Private Limited	Equity dividend paid	-	-	14.56	-
	Subscription to public issue of NCD	-	8.68	-	-
	Interest accrued but not due on NCD	-	0.72	-	-
	Interest Paid on NCD	0.27	-	-	-
3 Microfirm Capital Private Limited	Equity dividend paid	-	-	272.13	-
4 CLP Business LLP	Rent Expense	3.81	-	15.22	-
	Security deposit given	-	6.45	-	6.45
C) Key Managerial Personnel					
1 Mr. Mayank Poddar	Director's remuneration	112.71	-	168.40	-
	Refund received of earlier year Remuneration #	136.27	-	-	-
	Mediclaim premium paid recoverable # #	0.08	-	-	-
2 Mr. Sanjay Chamria	Director's remuneration	224.40	-	224.40	-
	Refund received of earlier year Remuneration #	181.58	-	-	-
	Mediclaim premium paid recoverable # #	0.08	-	-	-
3 Mr. Kailash Baheti	Salary	217.25	-	213.18	-
	Subscription to public issue of NCD	-	10.00	10.00	10.00
	Interest accrued but not due on NCD	0.98	1.86	0.89	0.89
	Equity dividend paid	-	-	0.40	-
	Mediclaim premium paid recoverable # #	0.08	-	-	-
4 Mrs. Shabnum Zaman	Salary	27.42	-	27.55	-
	Mediclaim premium paid recoverable # #	0.06	-	-	-
D) Directors					
1 Mr. Narayan K Seshadri	Sitting fees	15.00	-	18.00	-
2 Mr. Mayank Poddar	Sitting fees	8.00	-	-	-
3 Mr. Satya Brata Ganguly	Sitting fees	-	-	13.50	-
4 Mr. V K Viswanathan	Sitting fees	27.00	-	18.00	-
	Equity dividend paid	-	-	0.01	-
5 Mr. Bontha Prasada Rao	Sitting fees	16.20	-	-	-
6 Mrs. Madhumita Dutta-Sen	Sitting fees	-	-	1.00	-
7 Mr. Sunil Rewachand Chandiramani	Sitting fees	32.10	-	3.30	-
8 Mrs. Vijayalakshmi R Iyer	Sitting fees	32.10	-	19.00	-
E) Relatives of Directors					
1 Mr. Harshvardhan Chamria	Salary	118.46	-	118.05	-
	Mediclaim premium paid recoverable # #	0.08	-	-	-
2 Kalpana Poddar	Rent expense	22.38	-	22.38	-
	Advances given / Prepaid Rent ***	-	9.29	9.47	9.38
	Equity dividend paid	-	-	0.44	-
3 Ashita Poddar	Rent expense	11.19	-	11.19	-
	Advances given / Prepaid Rent ***	-	4.64	4.73	4.69
	Equity dividend paid	-	-	0.13	-

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 44: Related parties *(contd.)*

Name of related party	Nature of transaction	Transaction value for the year ended 31 March 2021	Outstanding amount as at 31 March 2021	Transaction value for the year ended 31 March 2020	Outstanding amount as at 31 March 2020
4 Bimla Devi Baheti	Subscription to public issue of NCD	-	10.00	10.00	10.00
	Interest accrued but not due on NCD	0.98	1.86	0.89	0.89
5 Shashi Baheti	Subscription to public issue of NCD	-	10.00	10.00	10.00
	Interest accrued but not due on NCD	0.98	1.86	0.89	0.89
6 Apoorva Baheti	Subscription to public issue of NCD	-	10.00	10.00	10.00
	Interest accrued but not due on NCD	0.98	1.86	0.89	0.89
7 Ankita Baheti	Subscription to public issue of NCD	-	10.00	10.00	10.00
	Interest accrued but not due on NCD	0.98	1.86	0.89	0.89
8 Mansi Poddar	Equity dividend paid	-	-	2.28	-
9 Shaili Poddar	Equity dividend paid	-	-	1.00	-
10 Adarsh Tulshan	Equity dividend paid	-	-	0.04	-
F) HUFs where Director/KMP is Karta/Member of HUF					
1. Mayank Poddar H U F	Rent expense	11.19	-	11.19	-
	Advances given / Prepaid Rent ***	-	4.64	4.73	4.69
2 Kailash Baheti HUF	Subscription to public issue of NCD	-	10.00	10.00	10.00
	Interest accrued but not due on NCD	0.98	1.86	0.89	0.89
3 Sanjay Chamria (HUF)	Subscription to public issue of NCD	-	25.00	25.00	25.00
	Interest accrued but not due on NCD	2.56	2.32	2.32	2.32
	Interest Paid on NCD	2.56	-	-	-
4 Banwarilal Chamria and Others(HUF)	Subscription to public issue of NCD	-	25.00	25.00	25.00
	Interest Paid on NCD	2.56	-	-	-
	Interest accrued but not due on NCD	2.56	2.32	2.32	2.32

Related parties identified includes related parties as per section 2(76) of the Companies Act, 2013.

Transactions with related parties have been identified on the basis of related party transactions disclosed in financial statement of the respective subsidiary.

*represents expenses recovered towards infrastructural support, operational assistance and other services.

** The equity shares were alloted on 28 April 2020 by Magma HDI.

*** includes the impact of fair valuation of security deposits.

The remuneration paid to KMP for the Financial Year 2019-20 had exceeded the limit specified under Regulation 17(6) (e) of the SEBI regulations. Since, resolution for payment of excess remuneration was not passed with requisite majority, the same has been reversed by the Company during the quarter ended 30 September 2020.The KMP has repaid the outstanding amount in 3rd quarter of FY 21 net of adjustment of TDS.

Mediclaim Paid includes recoverable portion of Top up Insurance with MHDI.

Pursuant to loss due to additional provision for COVID-19,the existing managerial remuneration paid by the Company to its Whole Time Director (upto 7 November 2020) and the Vice Chairman and Managing Director of the Company for the financial year ended 31 March 2021, being in excess of the limits prescribed under Section 197 read with Schedule V of the Companies Act, 2013 by ₹ NIL and ₹49.93 lacs for Whole Time Director and Vice Chairman and Managing Director respectively and in excess of limit prescribed under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 by ₹112.71 lacs and ₹224.40 lacs for Whole Time Director and Vice Chairman and Managing Director respectively. The Company is in process of obtaining approval from its shareholders vide special resolution at the forthcoming annual general meeting for such excess remuneration paid. The Company is reasonably certain of getting the required approval.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 44: Related parties *(contd.)*

(iii) Compensation of key managerial personnel

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Short-term employee benefits	571.49	621.95
Post-employment defined benefit *	10.29	11.58
Share-based payments	-	-
	581.77	633.53

*Excludes provision for encashable leave and gratuity for certain key management personnel as these are determined for the Company as a whole.

Terms and conditions

All transactions with these related parties are priced on an arm's length basis. Outstanding amount as at the end of the year, in respect of loan and advances are unsecured and to be settled in cash and / or adjusted against goods or services.

Note 45: Contingent liability

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

a) Contingent liabilities

Particulars	As at 31 March 2021	As at 31 March 2020
Claims against the Group not acknowledged as debt		
i) Income tax matters under dispute	340.04	122.33
ii) VAT matters under dispute	288.12	522.05
iii) Service tax matters under dispute	295.30	473.23
iv) Legal cases against the Group *	172.70	203.65

* The Group 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. Future cash outflows in respect of the above, if any, is determinable only on receipt of judgement / decisions pending with the relevant authorities.

Guarantees *	1,500.00	750.00

* During the year the Group has issued a bank guarantee of ₹1500 lacs against loan facilities availed from NHB.(31 March 2020 ₹750 lacs)

b) Commitments

Particulars	As at 31 March 2021	As at 31 March 2020
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for	133.65	222.81
(ii) Undisbursed housing/other loans	16,613.32	13,157.10

c) The amount included above represents best possible estimate arrived at on the basis of available information. The Management believes that it has a reasonable case in its defense of the proceedings and accordingly no further provision has been created.

d) The Group has a process whereby periodically all long term contracts are assessed for material foreseeable losses. As at year end, the Group does not have any long term contracts (including derivative contracts) for which there were material foreseeable losses.

The Group has certain litigations pending with income tax authorities, service tax authorities and other litigations which have arisen in the ordinary course of business. The Group has reviewed all such pending litigations having an impact on the financial position, and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements.

2) Others

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 against which ₹404 lacs was paid and charged to the statement of profit and loss in earlier years. Both, the Company and the

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 45: Contingent liability *(contd.)*

Department had gone into appeal in CESTAT against the order. Finally, in July 2017, order has been passed by Calcutta High Court where in Company's appeal has been allowed except for ₹93 lacs. Accordingly, the Company has filed application seeking refund of balance amount of ₹311 lacs from Department which has been rejected by the Department. However, as per the Department there is an interpretation issue in the Order and accordingly they have raised a Demand of ₹618.03 lacs plus interest. The Company has filed a writ petition in Calcutta High Court wherein it has challenged the rejection of refund application and recovery of demand. The Company has furnished Fixed Deposit with State Bank of India amounting to ₹619 lacs under the legal advice. There is a stay on the recovery proceedings till the disposal of the writ petition.

b) 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. The writ petition was dismissed by the Hon'ble High Court of Calcutta. The Company has filed an appeal against the order in the Division Bench of the Hon'ble High Court of Calcutta which has been admitted and next hearing is awaited. However, basis prudence, the Company has made a provision for the same amounting to ₹458.08 lacs as at 31 March 2021 (31 March 2020 ₹437.28 lacs).

c) On February 28, 2019, the Supreme Court of India held that allowances paid by establishments to its employees which meet the test of universality should be considered as 'basic wages' while computing provident fund amounts for employees whose basic wages is less than statutory thresholds. On evaluation of the impact of the aforesaid judgement, the Management is of the view that no material additional liability would arise on account of the same.

d) In respect of a regulatory matter pertaining to the capital raise in the year 2012, the JV company, MHDI had received a show cause notice from the authorities and pursuant to it, the Company and its promoter entity, Celica Developers Private Limited (Celica) have agreed to indemnify investor(s) in MHDI to protect their proportionate interests in the event of any levy of penalty/fine on MHDI. The Company and Celica have executed an inter se indemnity agreement for sharing of pay out, if any, arising from the indemnity provided.

Based on the legal opinion obtained by MHDI, Management is of the view that the chances of any liability arising are remote. Consequently, chances of the inter se indemnity getting invoked is also considered remote.

Note 46: Interest in other entities

a. Subsidiaries

The group's subsidiaries at 31 March 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of the subsidiary company	Place of business/ country of incorporation	Ownership interest held by the group (in %)		Ownership interest held by non-controlling interests (in %)		Principal activities
		As at 31 March 2021	As at 31 March 2020	As at 31 March 2021	As at 31 March 2020	
Magma Housing Finance Limited (MHFL)	India	100.00	100.00	-	-	Housing Finance.

b. Interests in joint ventures

The joint ventures listed below have share capital consisting solely of equity shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. The below joint ventures are by the virtue of contractual agreement.

Name of the company	Place of business/ country of incorporation	Relationship	Accounting method	Ownership interest held by the group (in %)		Carrying value		Principal activities
				As at 31 March 2021	As at 31 March 2020	As at 31 March 2021	As at 31 March 2020	
Jaguar Advisory Services Private Limited (JASPL)	India	Joint venture	Equity method	48.89	48.89	4,874.51	5,100.56	Manpower and Advisory Services
Magma HDI General Insurance Company Limited (MHDI)	India	Joint venture	Equity method	29.32	27.76	12,860.93	9,958.17	Insurance Services

Both the joint venture companies are unlisted and hence no quoted price is available. Accordingly fair values for the same are not disclosed.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 46: Interest in other entities *(contd.)*

(i) Summarised financial information for joint ventures

Particulars	Jaguar Advisory Services Private Limited (JASPL)		Magma HDI General Insurance Company Limited (MHDI)	
	As at 31 March 2021	As at 31 March 2020	As at 31 March 2021	As at 31 March 2020
Current assets	18.90	18.63	64,800.09	58,218.83
Non-current assets	9,952.05	10,596.80	358,369.91	283,637.76
Current liabilities	0.36	0.40	115,412.39	109,190.59
Non-current liabilities	-	182.07	263,197.61	189,038.17
Net assets	**9,970.59**	**10,432.96**	**44,560.00**	**43,627.83**

(ii) Reconciliation to carrying amounts

Particulars	Jaguar Advisory Services Private Limited (JASPL)		Magma HDI General Insurance Company Limited (MHDI)	
	As at 31 March 2021	As at 31 March 2020	As at 31 March 2021	As at 31 March 2020
Closing net assets*	9,970.59	10,432.96	44,560.00	38,308.35
Group's share (in ₹ lacs)	4,874.51	5,100.56	13,034.66	10,859.28
Goodwill and other adjustments	-	-	(173.73)	(901.11)
Carrying amount	**4,874.51**	**5,100.56**	**12,860.93**	**9,958.17**

*Excludes share application money pending allotment.

(iii) Summarised statement of profit and loss

Particulars	Jaguar Advisory Services Private Limited (JASPL)		Magma HDI General Insurance Company Limited (MHDI)	
	Year ended 31 March 2021	Year ended 31 March 2020	Year ended 31 March 2021	Year ended 31 March 2020
Total revenue	12.05	19.14	183,221.00	174,957.59
Other income	0.21	0.03	92.00	67.28
Finance cost	0.01	0.02	-	-
Depreciation and amortization	-	-	1,061.00	1,126.64
Other operating expense	11.84	18.57	180,317.00	173,330.25
Share of profit of equity-accounted investee	215.37	(49.71)	-	-
Income tax expense/(income)	(26.63)	(23.43)	465.00	879.08
Profit/ (Loss) for the year	**242.41**	**(25.70)**	**1,470.00**	**(311.10)**
Other comprehensive income/(loss)	(704.78)	787.23	(606.00)	2,331.61
Total comprehensive income/(loss)	**(462.37)**	**761.53**	**864.00**	**2,020.52**

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 47: Statement containing salient features of the financial statement of subsidiaries, pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014 is given below:

(a) Financial information of subsidiaries for the year ended 31 March 2021:

Particulars	Magma Housing Finance Limited
Share capital	16,582.99
Other equity	33,101.93
Total assets	313,360.38
Total liabilities	263,675.46
Investments	-
Turnover / total income	47,254.33
Profit before taxation	1,435.79
Provision for taxation	346.88
Profit after taxation	1,088.91
Dividend (including tax thereon)	-
% of shareholding	100%

(b) Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to joint ventures as at 31 March 2021:

Name of joint ventures		Jaguar Advisory Services Private Limited	Magma HDI General Insurance Company Limited
1 Shares of joint ventures held by the Company on the year end			
No. of shares	Nos.	11,000.00	39,898,281.00
Amount of investment in joint ventures	₹ in lacs	4,874.51	12,860.93
Extend of holding	%	48.89%	29.32%
2 Description of how there is significant influence		Holding more than 20% of the paid up capital	Holding more than 20% of the paid up capital
3 Net worth attributable to shareholding as per latest audited balance sheet	₹ in lacs	4,872.31	1,943.02
4 Profit for the year			
i. Considered in consolidation	₹ in lacs	118.50	429.98
ii. Not considered in consolidation	₹ in lacs	123.91	1,040.02

(c) Additional information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013

Name of the entity in the group	Net assets, i.e., total assets minus total liabilities		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % of total comprehensive income	Amount
Parent								
Magma Fincorp Limited	88.50	194,206.41	103.47	(57,836.08)	508.49	294.16	103.05	(57,541.92)
Subsidiary								
-Indian								
Magma Housing Finance Limited (MHFL)	22.64	49,684.92	(1.95)	1,088.91	493.52	285.50	(2.46)	1,374.41
Joint Ventures(as per the equity method)								
-Indian								
Magma HDI General Insurance Company Limited (MHDI) *	0.89	1,943.02	(0.77)	429.98	(306.41)	(177.26)	(0.45)	252.72
Jaguar Advisory Services Private Limited (JASPL)	2.22	4,872.31	(0.21)	118.50	(595.59)	(344.55)	0.40	(226.05)
Total Eliminations/Consolidation Adjustments	(14.25)	(31,276.22)	(0.54)	302.25	(0.00)	(0.00)	(0.54)	302.25
	100.00	**219,430.44**	**100.00**	**(55,896.44)**	**100.00**	**57.85**	**100.00**	**(55,838.59)**

* Weighted average holding percentage has been used.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 48: Transfers of financial assets

In the ordinary course of business, the Group enters into transactions that result in the transfer of financial assets. In accordance with the accounting policy set out in Note 2, the transferred financial assets continue to be recognised or derecognised as per the conditions specified in Ind AS.

The Group transfers financial assets that are not derecognised in their entirety are primarily through securitisation transactions, in which loans to customers are transferred to securitisation special purpose vehicles.

A. Transferred financial assets that are not derecognised in their entirety

Securitisation

Certain loans to customers are sold by the Group to securitisation special purpose vehicles, which in turn issue Pass Through Certificates ('PTC') to investors collateralised by the purchased assets. In securitisation transactions entered, the Company transfers loans to an unconsolidated securitisation vehicle, however it retains credit risk (principally by providing credit enhancement). The Group retains substantial risks and rewards of such loan transferred and accordingly, does not derecognise the loans transferred in its entirety and recognises an associated liability for the consideration received.

The following table sets out the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities..

Particulars	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
	Loans to customers	Loans to customers
As at 31 March 2021		
Assets		
Securitisation	29,026.80	222,508.18
Carrying amount of assets	**29,026.80**	**222,508.18**
Associated liabilities		
Loans from PTC Investors	27,442.00	192,382.10
Carrying amount of associated liabilities	**27,442.00**	**192,382.10**
For those liabilities that have recourse only to the transferred financial assets		
Assets		
Securitisation	28,915.29	222,508.18
Fair value of assets	**28,915.29**	**222,508.18**
Associated liabilities		
Loans from PTC Investors	27,705.23	195,539.86
Fair value of associated liabilities	**27,705.23**	**195,539.86**

Particulars	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
	Loans to customers	Loans to customers
As at 31 March 2020		
Assets		
Securitisation	48,717.80	334,542.77
Carrying amount of assets	**48,717.80**	**334,542.77**
Associated liabilities		
Loans from PTC Investors	48,683.93	314,115.21
Carrying amount of associated liabilities	**48,683.93**	**314,115.21**
For those liabilities that have recourse only to the transferred financial assets		
Assets		
Securitisation	48,579.26	332,392.81
Fair value of assets	**48,579.26**	**332,392.81**
Associated liabilities		
Loans from PTC Investors	50,029.24	317,933.50
Fair value of associated liabilities	**50,029.24**	**317,933.50**

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 49: Financial instruments - fair value and risk management

A. Financial instruments by category

The following table shows the carrying amounts and fair values of financial assets and financial liabilities.

Particulars	As at 31 March 2021			
	Others	FVTPL	FVTOCI	Amortised cost
Financial assets:				
Cash and cash equivalents	-	-	-	35,782.49
Bank balance other than cash and cash equivalents	-	-	-	41,686.09
Receivables	-	-	-	1,291.57
Loans	-	-	449,878.18	686,244.63
Other investments	-	0.99	-	0.16
Investments in joint venture	17,735.44	-	-	-
Other financial assets	-	3,116.11	-	22,810.17
	17,735.44	**3,117.10**	**449,878.18**	**787,815.11**
Financial liabilities:				
Derivative financial instruments	-	-	-	-
Payables	-	-	-	9,409.00
Debt securities	-	-	-	126,502.23
Borrowings (other than debt securities)	-	-	-	833,458.73
Subordinated liabilities	-	-	-	83,343.97
Lease Liability	-	-	-	4,183.51
Other financial liabilities	-	-	-	31,732.13
	-	-	-	**1,088,629.57**

Particulars	As at 31 March 2020			
	Others	FVTPL	FVTOCI	Amortised cost
Financial assets:				
Cash and cash equivalents	-	-	-	20,596.15
Bank balance other than cash and cash equivalents	-	-	-	50,232.02
Receivables	-	-		991.41
Loans	-	-	450,145.62	904,499.78
Other investments	-	0.99	-	0.16
Investments in joint venture	15,058.73	-	-	-
Other financial assets	-	3,804.79	-	28,620.85
	15,058.73	**3,805.78**	**450,145.62**	**1,004,940.37**
Financial liabilities:				
Derivative financial instruments	-	-	-	-
Payables	-	-	-	2,505.68
Debt securities	-	-	-	70,407.73
Borrowings (other than debt securities)	-	-	-	1,042,705.58
Subordinated liabilities	-	-	-	85,623.66
Lease Liability	-	-	-	5,983.06
Other financial liabilities	-	-	-	32,304.87
	-	-	-	**1,239,530.58**

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 49: Financial instruments - fair value and risk management *(contd.)*

B. Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are:

(a) recognised and measured at fair value and

(b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

Financial assets and liabilities measured at fair value - recurring fair value measurements

As at 31 March 2021	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans	-	-	449,878.18	449,878.18
Other investments	-	0.99	-	0.99
Other financial assets	-	3,116.11	-	3,116.11
	-	3,117.10	449,878.18	452,995.28

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at 31 March 2021	Amortised cost	Fair Value	Level 1	Level 2	Level 3	Total
Financial assets:						
Bank balance other than cash and cash equivalents	41,686.09	41,693.57	-	41,693.57	-	41,693.57
Loans	686,244.63	684,907.84	-	-	684,907.84	684,907.84
Other investments	0.16	0.16	-	0.16	-	0.16
Other financial assets	22,810.17	22,810.17	-	22,810.17	-	22,810.17
	750,741.05	749,411.74	-	64,503.90	684,907.84	749,411.74
Financial liabilities:						
Debt securities	126,502.23	131,657.43	-	131,657.43	-	131,657.43
Borrowings (other than debt securities)	833,458.73	836,978.81	-	836,978.81	-	836,978.81
Subordinated liabilities	83,343.97	85,962.90	-	85,962.90	-	85,962.90
Lease Liability	4,183.51	4,183.51	-	4,183.51	-	4,183.51
Other financial liabilities	31,732.13	31,732.13	-	31,732.13	-	31,732.13
	1,079,220.57	1,090,514.78	-	1,090,514.78	-	1,090,514.78

Financial assets and liabilities measured at fair value - recurring fair value measurements

As at 31 March 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans	-	-	450,145.62	450,145.62
Other investments	-	0.99	-	0.99
Other financial assets	-	3,804.79	-	3,804.79
	-	3,805.78	450,145.62	453,951.40

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 49: Financial instruments - fair value and risk management *(contd.)*

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at 31 March 2020	Amortised cost	Fair Value	Level 1	Level 2	Level 3	Total
Financial assets:						
Bank balance other than cash and cash equivalents	50,232.02	50,299.72	-	50,299.72	-	50,299.72
Loans	904,499.78	900,414.61	-	-	900,414.61	900,414.61
Other investments	0.16	0.16	-	0.16	-	0.16
Other financial assets	28,620.85	28,620.85	-	28,620.85	-	28,620.85
	983,352.81	979,335.34	-	78,920.73	900,414.61	979,335.34
Financial liabilities:						
Debt securities	70,407.73	73,666.99	-	73,666.99	-	73,666.99
Borrowings (other than debt securities)	1,042,705.58	1,048,378.62	-	1,048,378.62	-	1,048,378.62
Subordinated liabilities	85,623.66	86,273.79	-	86,273.79	-	86,273.79
Lease liability	5,983.06	5,983.06	-	5,983.06	-	5,983.06
Other financial liabilities	32,304.87	32,304.87	-	32,304.87	-	32,304.87
	1,237,024.90	1,246,607.33	-	1,246,607.33	-	1,246,607.33

Financial instruments valued at carrying value

The respective carrying values of certain on-balance sheet financial instruments approximate their fair value. These financial instruments include cash in hand, balances with other banks, receivables, trade payables and certain other financial assets and liabilities, with maturities less than a year from the balance sheet date. Carrying values were assumed to approximate fair values for these financial instruments as they are short-term in nature and their recorded amounts approximate fair values or are receivable or payable on demand.

C. Valuation framework

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximise the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. If all significant inputs required to fair value an instrument are observable the instrument is included in level 2.

Level 3 : If one or more of the significant inputs is not based in observable market data, the instruments is included in level 3. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. The Bank develops Level 3 inputs based on the best information available in the circumstances.

Financial instruments measured at fair value and fair value of financial instruments carried at amortised cost

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value and sensitivity
Financial assets and liabilities measured at amortised cost	Discounted cash flows: The valuation model considers the present value of expected receipt/payment discounted using appropriate discounting rates	Not applicable	Not applicable
Financial assets and liabilities measured at FVOCI	Discounted cash flows: The valuation model considers the present value of expected receipt/payment discounted using appropriate discounting rates.	The discount rate is the average lending rate at which the loans are disbursed.	There is an inverse correlation. Higher the discount rate i.e. average lending rate for the disbursed loans, lower the fair value of the assets.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 49: Financial instruments - fair value and risk management *(contd.)*

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value and sensitivity
Financial assets measured at FVTPL	Comparable company method (CCM) considering Price/Sales ('P/S') multiple and NAV based method.	Not applicable	Not applicable
Investment	Comparable company method (CCM) considering Price/Sales ('P/S') multiple and NAV based method.	Not applicable	Not applicable
Derivatives instrument	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates that reflects the credit risk of various parties.	Not applicable	Not applicable

D. Movement in Level 3 financial instruments measured at fair value

Particulars	As at 1 April 2020	Purchase / origination	Sales / run-off	Transfer into Level 3	Interest income	Other Comprehensive Income	As at 31 March 2021
Financial instruments at FVOCI*	465,838.65	182,800.78	244,491.29	-	73,871.21	500.22	478,519.57

Particulars	As at 1 April 2019	Purchase / origination	Sales / run-off	Transfer into Level 3	Interest income	Other Comprehensive Income	As at 31 March 2020
Financial instruments at FVOCI*	313,876.77	234,278.77	291,443.91	142,958.91	67,273.87	(1,105.76)	465,838.65

* The above numbers are gross carrying amount. Refer Note 50

Note 50: Financial risk management

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

i Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

Efficient and timely management of risks involved in the Group's activities is critical for the financial soundness and profitability of the Group. Risk management involves the identifying, measuring, monitoring and managing of risks on a regular basis. The objective of risk management is to increase shareholders' value and achieve a return on equity that is commensurate with the risks assumed. To achieve this objective, the Group employs leading risk management practices and recruits skilled and experienced people.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

ii Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's asset on finance;

The carrying amounts of financial assets represent the maximum credit risk exposure.

a) Credit risk management

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 50: Financial risk management *(contd.)*

also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- a breach of contract such as a default or past due event;
- when a borrower becomes 3 months overdue in its contractual payments

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

b) Probability of default (PD)

Days past due (DPD) analysis is the primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by type of product or borrower as well as by DPD.

The Group employs statistical models to analyze the data collected and generate estimates of the PD of exposures and how these are expected to change as a result of passage of time.

Expected loss has been calculated as an unbiased and probability-weighted amount for multiple scenarios. The probability of default was calculated for 3 scenarios: upside (0%), downside (32%) and base (68%). These weightage has been decided on best practices and expert's judgement. Weight of downside has been increased from 16% to 32% and that of upside reduced from 16% to 0% to make additional provision on account of COVID-19 scenario.

c) Definition of default

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 3 months overdue on its contractual payments.

The Group considers probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Following indicators are incorporated:

- DPD analysis as on each reporting date
- significant increase in credit risk on other financial instruments of same borrower
- significant changes in value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements.

d) Exposure at default (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation;

To calculate the ECL for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12 month ECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding to the multiple scenarios.

e) Loss given default (LGD)

Loss given default (LGD) represents estimated financial loss the group is likely to suffer in respect of default account and it is used to calculate provision requirement on EAD along with PD. The Group uses collection details on previously defaulted cases for calculating LGD including estimated direct cost of collection from default cases. Appropriate discounting rates are applied to calculate present value of future estimated collection net of direct collection cost. LGD thus calculated is used for all stages, i.e. Stage 1, Stage 2 and Stage 3.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 50: Financial risk management *(contd.)*

f) Discounting

ECL is computed by estimating timing of expected credit shortfalls associated with defaults and discounting them using effective interest rate.

g) Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 1 month overdue, the credit risk is deemed to have increased significantly since initial recognition.

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

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

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

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

h) Expected credit loss on Loans

The Group assesses whether the credit risk on a financial asset has increased significantly on collective basis. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type, product type, collateral type, and other relevant factors.

The Group considers defaulted assets as those which are contractually 3 months overdue, other than those assets where there is empirical evidence to the contrary. Financial assets which are contractually 1 month overdue are classified under Stage 2 - life time ECL, not credit impaired, barring those where there is empirical evidence to the contrary. An asset migrates down the ECL stage based on the change in the risk of a default occurring since initial recognition. If in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loan loss provision stage reverses to 12-months ECL from lifetime ECL.

The Group measures the amount of ECL on a financial instrument in a way that reflects an unbiased and probability-weighted amount. The Group considers its historical loss experience and adjusts the same for current observable data. The key inputs into the measurement of ECL are the probability of default, loss given default and exposure at default. These parameters are derived from the Group's internally developed statistical models and other historical data. In addition, the Group uses reasonable and supportable information on future economic conditions including macroeconomic factors. Since incorporating these forward looking information increases the judgment as to how the changes in these macroeconomic factor will affect ECL, the methodology and assumptions are reviewed regularly.

Forward looking information

In its ECL models, the Group relies on a broad range of forward looking information as macro economic inputs. As required by Ind AS 109, Macro Economic (ME) overlays are required to be factored in ECL Models and accordingly, Group have used consumer price index as the relevant ME variable. Overtime, new ME variable may emerge to have a better corelation and may replace ME being used now.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 50: Financial risk management *(contd.)*

As per the Group's assessment, due to COVID-19 wave 2, the Group is expected to evidence the stress in repayments during quarters ending 30 June 2021 and 30 September 2021 and thereafter gradual improvement from quarter ending 31 December 21 with resumption of normalcy during quarter ended 31 March 2022 due to COVID-19 wave 2. ECL provision calculated as per ECL the model may not be enough to take care of the additional losses and hence Group has created additional ECL provision in form of Management overlay. The overlay is computed based on stressing of cash flows as on 31 March 2021 based on expected recovery pattern in the form of 'Roll Forward' and 'Roll Back' trends during year ending 31 March 2022.

Stage 3 Assets vs GNPA NNPA as per RBI framework

Stage 3 assets as at 31 March 2021, includes restructured loan where assets are considered as credit impaired whereas for the limited purpose of regulatory disclosures based on dispensation given by RBI, the same has been considered as standard assets. The restructured assets have been provided for accordingly under Ind AS.

Similarly, Stage 2 assets as at 31 March 2021 includes restructured loan where assets are considered as significant increase in credit risk whereas for the limited purpose of regulatory disclosures based on general RBI guidelines on restructuring the same has been considered as Sub - Standard assets. The restructured assets have been provided for accordingly under Ind AS, subject to minimum provisioning requirement as per RBI guidelines.

Further, Stage 1 and 2 assets as at 31 March 2021 also includes assets which are disbursed during moratorium period ie from 1st March 20 to 1st August 20 or were NPA as on 29 Feb 2020 and moratorium was provided to them under RBI notification dated 27 March 2020 and 17 April 2020. For the limited purpose of regulatory disclosures based on general RBI guidelines on restructuring, the same has been considered as sub-standard assets. The restructured assets have been provided as per Ind AS.

Policy on write off of loan assets

Financial assets are fully provided for or written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in statement of profit or loss on actual realization from customer.

I) Covid-19

Covid-19 Wave 1:

In accordance with the Reserve Bank of India (RBI) COVID-19 Regulatory Package announced on March 27, 2020, April 17, 2020 and May 23, 2020 and the Board approved moratorium policy, the Company offered moratorium on payment of all installments and / or interest, as applicable, falling due between March 1, 2020 and August 31, 2020 to eligible borrowers as per the Group's policy. For all loans where moratorium was availed by the borrowers, the Group had kept ageing of such loans and their asset classification at standstill during the moratorium period. The Group's business was adversely impacted during the period of lockdown in March-June 2020 period, and the impact continued for some time even subsequently.

There was an adverse impact of COVID-19 on the credit loss incurred by the Group for the year ended March 2021. This being first such incident, the impact was additionally factored in our books of accounts by stressing the Expected Credit Loss (ECL) parameters, where required.

COVID-19 wave 2:

The COVID-19 wave 2 induced significant rise in infections and tragic loss of human lives, resulting in lockdowns that have caused disturbance in the overall operations at beginning of the new financial year. The impact has spread in hinterland tier towns and impacted the collections from the customers, once again disturbing the operations of the Group significantly.

The Group estimates that impact of COVID-19 wave 2 and resultant lockdowns shall lead to higher credit losses. Unlike moratorium, the management expects muted response to the restructuring guidelines announced by the Reserve Bank of India on May 6, 2021 as its implementation would require physical connect with the customers, which is not feasible until the lockdowns are lifted. This will result in forward flow of the loan book to higher buckets in future and will thereafter take time to return to normalcy leading to significant increase in credit risk.

In view of above, the management on a prudent basis decided to implement a stricter write off policy of NPA accounts and also provide additional provisions as on 31 March 2021 for credit losses that are likely on account of the second wave. Accordingly:

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 50: Financial risk management *(contd.)*

(a) The Group has moved to a more stringent write off policy from this quarter. For Asset backed finance portfolio, write-off has been advanced to 180+ days past due (dpd) against 730+ dpd earlier; on Unsecured SME portfolio the write off has been advanced to 90+ dpd against 450+ dpd earlier, and on mortgage portfolio the write off has been introduced at 730+ dpd.This has resulted in additional charge of ₹27,397.88 lacs during the year ended 31 March 2021. The recovery efforts would continue for the written off portfolio, and recoveries made will be credited to profit and loss account in the subsequent quarters in line with the applicable accounting policies.

(b) The Group has made an additional COVID-19 provision of ₹62,110.70 lacs as at 31 March 2021. The Group holds cumulative provision against the potential impact of COVID-19 to the tune of ₹71,433.07 lacs (₹11,660.45 lacs as on 31 March 2020) and basis management estimate is adequate to cover the impact of wave 2 of COVID-19 on the entire loan portfolio.

Had the Group not moved to more stringent write off and not taken the additional COVID-19 provision impact, the profit before tax and profit after tax for the year ended 31 March 2021 would have been ₹14,631.72 lacs and ₹11,084.62 lacs respectively.

Further, the underlying forecasts and assumptions applied by the Group in determination of ECL provision (including additional COVID-19 provision) are subject to uncertainties which are often outside the control of the Group and accordingly, actual results may differ from these estimates.

The following table provides information about the exposure to credit risk and expected credit loss for assets on finance.

Loans measured at amortised cost (Including trade advance, excluding staff loans and EIS receivables)

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit -impaired
As at 31 March 2021				
Current (not past due)	536,557.08	3.31%	17,780.72	No
Upto 1 month overdue	90,869.37	17.34%	15,760.66	No
More than 1 month and upto 2 months overdue	63,710.48	23.53%	14,993.14	No
More than 2 month and upto 3 months overdue	50,456.16	33.55%	16,927.84	No
More than 3 months overdue	35,270.16	70.82%	24,978.21	Yes
	776,863.25	**11.64%**	**90,440.57**	

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit -impaired
As at 31 March 2020				
Current (not past due)	675,052.73	1.01%	6,826.65	No
Upto 1 month overdue	88,228.93	4.50%	3,973.21	No
More than 1 month and upto 2 months overdue	66,039.24	8.61%	5,683.18	No
More than 2 month and upto 3 months overdue	49,574.27	12.43%	6,163.30	No
More than 3 months overdue	73,369.87	32.76%	24,038.06	Yes
	952,265.04	**4.90%**	**46,684.40**	

Loans at fair value through OCI

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit -impaired
As at 31 March 2021				
Current (not past due)	400,512.00	1.61%	6,456.15	No
Upto 1 month overdue	20,320.92	9.55%	1,940.88	No
More than 1 month and upto 2 months overdue	25,492.34	24.73%	6,304.85	No
More than 2 month and upto 3 months overdue	20,985.03	33.62%	7,054.79	No
More than 3 months overdue	11,209.28	61.42%	6,884.72	Yes
	478,519.57	**5.99%**	**28,641.39**	

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 50: Financial risk management *(contd.)*

Particulars	Gross carrying amount	Weighted average loss rate	Loss allowance	Whether credit -impaired
As at 31 March 2020				
Current (not past due)	409,127.94	0.43%	1,767.35	No
Upto 1 month overdue	17,897.10	3.34%	597.25	No
More than 1 month and upto 2 months overdue	9,015.82	12.10%	1,091.27	No
More than 2 month and upto 3 months overdue	11,808.95	24.49%	2,892.10	No
More than 3 months overdue	17,988.84	51.95%	9,345.06	Yes
	465,838.65	**3.37%**	**15,693.03**	

Expected credit loss on trade receivables and other financial assets

Trade receivables primarily includes receivables against sale of power, support services and operating lease. These receivables are of short term nature and there has been no impairment allowance on the same. Credit risk on excess interest spread receivable is low as it primarily falls in Stage 1. Other financial asset are measured at FVTPL and hence the credit risk is already factored in the fair value.

Cash and cash equivalents and bank balance

The Group holds cash and cash equivalents and bank balance of ₹77,468.58 lacs as at 31 March 2021 (31 March 2020: ₹70,828.17 lacs). The cash and cash equivalents are held with bank and financial institution counterparties with sound credit ratings.

Derivatives

The derivatives are entered into with bank and financial institution counterparties with acceptable credit ratings.

An analysis of changes in gross carrying amount and corresponding ECL allowances is as follows :

(i) Movements in the gross carrying amount in respect of loans, i.e. asset on finance

Loans measured at amortised cost (Including trade advance, excluding staff loans and EIS receivables)

Reconciliation of gross carrying amount	Stage 1	Stage 2	Stage 3
Gross carrying amount on 1 April 2019	**1,058,926.49**	**126,042.89**	**59,564.47**
Transfer to Stage 1	14,868.05	(14,046.91)	(821.14)
Transfer to Stage 2	(93,378.11)	94,927.95	(1,549.84)
Transfer to Stage 3	(29,466.55)	(31,287.26)	60,753.81
Transfer from Amortised cost to Fair value through OCI	(136,605.10)	(5,090.18)	(1,263.63)
New financial assets originated or purchased	335,689.47	11,121.90	5,571.35
Financial assets that have been derecognised / repaid	(381,220.78)	(61,616.98)	(25,845.11)
Write offs	(5,531.81)	(4,437.90)	(23,040.04)
Gross carrying amount on 31 March 2020	**763,281.66**	**115,613.51**	**73,369.87**
Transfer to Stage 1	31,928.37	(28,820.55)	(3,107.82)
Transfer to Stage 2	(71,669.76)	76,008.56	(4,338.80)
Transfer to Stage 3	(17,414.71)	(13,142.40)	30,557.11
Transfer from Amortised cost to Fair value through OCI	-	-	-
New financial assets originated or purchased	169,783.74	2,239.97	893.26
Financial assets that have been derecognised / repaid	(241,492.19)	(24,569.21)	(18,058.21)
Write offs	(6,990.66)	(13,163.24)	(44,045.25)
Gross carrying amount on 31 March 2021	**627,426.45**	**114,166.64**	**35,270.16**

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 50: Financial risk management *(contd.)*

Loans at fair value through OCI

Reconciliation of gross carrying amount	Stage 1	Stage 2	Stage 3
Gross carrying amount on 1 April 2019	**275,004.26**	**23,750.37**	**15,122.14**
Transfer to Stage 1	5,384.27	(4,696.43)	(687.85)
Transfer to Stage 2	(10,714.40)	11,425.83	(711.42)
Transfer to Stage 3	(8,738.80)	(4,651.74)	13,390.54
Transfer from Amortised cost to Fair value through OCI	136,605.10	5,090.18	1,263.63
New financial assets originated or purchased	231,224.06	2,627.18	427.53
Financial assets that have been derecognised / repaid	(200,563.79)	(11,729.39)	(2,457.97)
Write offs	(1,167.87)	(991.27)	(8,365.51)
Gross carrying amount on 31 March 2020	**427,032.83**	**20,824.73**	**17,981.09**
Transfer to Stage 1	4,016.52	(3,793.55)	(222.98)
Transfer to Stage 2	(37,691.67)	37,880.45	(188.77)
Transfer to Stage 3	(4,961.83)	(3,012.42)	7,974.25
Transfer from Amortised cost to Fair value through OCI	0.00	0.00	0.00
New financial assets originated or purchased	181,856.80	560.02	383.96
Financial assets that have been derecognised / repaid	(144,867.70)	(1,710.50)	160.45
Write offs	(4,552.03)	(4,271.36)	(14,878.72)
Gross carrying amount on 31 March 2021	**420,832.92**	**46,477.37**	**11,209.28**

ii) **Movements in the allowance for impairment in respect of loans, i.e. asset on finance**

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

Loans measured at amortised cost (Including trade advance, excluding staff loans and EIS receivables)

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses	
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired
Loss allowance on 1 April 2019	**9,870.77**	**11,247.14**	**20,100.02**
Transfer to Stage 1	1,432.33	(1,165.22)	(267.11)
Transfer to Stage 2	(1,558.77)	2,053.72	(494.95)
Transfer to Stage 3	(532.69)	(3,015.27)	3,547.96
Transfer from Amortised cost to Fair value through OCI	(342.01)	(369.11)	(458.38)
New financial assets originated or purchased	4,037.11	1,000.19	1,253.83
Financial assets that have been derecognised / repaid	(1,777.17)	3,288.44	10,860.35
Write offs	(329.70)	(1,193.41)	(10,503.65)
Loss allowance on 31 March 2020	**10,799.86**	**11,846.48**	**24,038.06**
Transfer to Stage 1	3,405.90	(2,695.53)	(710.37)
Transfer to Stage 2	(1,643.57)	2,911.64	(1,268.07)
Transfer to Stage 3	(390.45)	(1,478.19)	1,868.65
COVID-19 wave 2 additional provision	22,088.70	18,009.10	8,330.40
Transfer from Amortised cost to Fair value through OCI	-	-	-
New financial assets originated or purchased	2,302.51	243.90	258.19
Financial assets that have been derecognised / repaid	(2,337.00)	5,236.68	10,313.10
Write offs	(684.57)	(2,153.10)	(17,851.75)
Loss allowance on 31 March 2021	**33,541.38**	**31,920.98**	**24,978.21**

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 50: Financial risk management *(contd.)*

Loans at fair value through OCI

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses	
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired
Loss allowance on 1 April 2019	**4,498.27**	**3,643.48**	**7,348.64**
Transfer to Stage 1	447.07	(309.96)	(137.10)
Transfer to Stage 2	(552.76)	703.65	(150.88)
Transfer to Stage 3	(925.62)	(1,704.12)	2,629.74
Transfer from Amortised cost to Fair value through OCI	342.01	369.10	458.38
New financial assets originated or purchased	1,069.55	1,411.24	232.97
Financial assets that have been derecognised / repaid	(2,270.93)	433.28	4,481.07
Write offs	(242.99)	(563.29)	(5,517.75)
Loss allowance on 31 March 2020	**2,364.60**	**3,983.37**	**9,345.06**
Transfer to Stage 1	297.06	(266.67)	(30.39)
Transfer to Stage 2	(3,016.40)	3,067.01	(50.61)
Transfer to Stage 3	(969.07)	(846.74)	1,815.81
COVID -19 wave 2 additional provision	5,643.10	6,028.70	2,010.70
Transfer from Amortised cost to Fair value through OCI	-	-	-
New financial assets originated or purchased	1,033.93	90.98	113.75
Financial assets that have been derecognised/repaid	3,367.63	3,468.55	1,658.59
Write offs	(323.82)	(2,165.56)	(7,978.19)
Loss allowance on 31 March 2021	**8,397.03**	**13,359.64**	**6,884.72**

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Upon renegotiation, such accounts are classified as Stage 2 or Stage 3 depending upon nature and status of account at the time of renegotiation. Such accounts are upgraded only upon observation of satisfactory repayments of one year from the date of renegotiation.

Exposure to modified financial assets not resulting in de-recognition:

Particulars	As at 31 March 2021	As at 31 March 2020
Gross carrying amount	45,252.57	2,518.44
Loss allowance	8,185.36	298.97
Net carrying amount	37,067.23	2,219.47

j) Concentration risk

Pursuant to the guidelines of the RBI, credit exposure to an individual borrower must not exceed 15% of owned fund and 25% of owned fund of the Company to any single group of borrower. The Company is in compliance with these guidelines.

In addition, the Company views the concentration of risk on the basis of below product category.

Loans to customers (carrying value)	As at 31 March 2021	As at 31 March 2020
Asset backed Finance (ABF)	773,123.62	947,187.14
Loan against property (LAP)	351,111.89	314,020.39
Small and medium enterprise (SME)	129,381.25	154,560.07
Total	**1,253,616.76**	**1,415,767.60**

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 50: Financial risk management *(contd.)*

Loans to customers (%)	As at 31 March 2021	As at 31 March 2020
Asset backed Finance (ABF)	61.67%	66.90%
Loan against property (LAP)	28.01%	22.18%
Small and medium enterprise (SME)	10.32%	10.92%
Total	100.00%	100.00%

Fair value of collateral relating to credit impaired financial assets

Particulars	As at 31 March 2021	As at 31 March 2020
Collateral value of underlying assets	67,340.43	127,232.00
Gross carrying amount	46,479.44	91,358.71
Loss allowance	31,862.92	33,383.13

iii **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions in a timely manner, without incurring unacceptable losses or risking damage to the Group's reputation. The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

The Group has obtained fund and non-fund based working capital lines from various banks. Further, the Group has access to funds from debt markets through commercial paper, non-convertible debentures and other debt instruments including term loans. Cash Credit / WCDL limits are renewed on annual basis and are therefore revolving in nature. The Group also manages liquidity by raising funds through Securitisation / assignment transactions.

Exposure to liquidity risk

The following are the remaining gross and undiscounted contractual maturities of financial labilities (including interest portion) at the reporting date.

As at 31 March 2021	Contractual cash flows					
	Carrying amount	Gross nominal outflow	0-12 months	1-3 years	3-5 years	More than 5 years
Non - derivative financial liabilities						
Trade payables	9,409.00	9,409.00	9,409.00	-	-	-
Debt securities	126,502.23	154,188.88	44,825.42	84,391.82	24,326.99	644.65
Borrowings (other than debt securities)	833,458.73	942,434.32	541,498.32	281,295.29	57,513.39	62,127.32
Subordinated liability	83,343.97	113,097.70	32,790.42	37,030.80	29,114.59	14,161.89
Lease liability	4,183.51	5,411.32	1,124.18	1,754.83	1,388.83	1,143.48
Other financial liability	31,732.13	31,732.13	31,732.13	-	-	-

As at 31 March 2020	Contractual cash flows					
	Carrying amount	Gross nominal outflow	0-12 months	1-3 years	3-5 years	More than 5 years
Non - derivative financial liabilities						
Trade payables	2,505.68	2,505.68	2,505.68	-	-	-
Debt securities	70,407.73	95,539.95	9,137.93	35,090.63	50,617.44	693.95
Borrowings (other than debt securities)	10,42,705.58	11,99,507.49	6,48,812.17	3,89,387.31	91,945.52	69,362.49
Subordinated liability	85,623.66	1,25,653.55	12,426.46	51,757.59	22,185.45	39,284.05
Lease liability	5,983.06	7,920.83	1,766.10	2,742.48	1,817.49	1,594.76
Other financial liability	32,304.87	32,304.87	32,304.87	-	-	-

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 50: Financial risk management *(contd.)*

iv. Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group – primarily ₹. In cases where the borrowings is denominated in foreign currency, the Group uses derivatives to manage market risks.

Interest rate risk

Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rates. Any movement in the reference rates could have an impact on the Group's cash flows as well as costs.

The Group is subject to variable interest rates on some of its interest bearing financial assets/ liabilities. The Group also uses a mix of interest rate sensitive financial instruments to manage the liquidity and fund requirements for its day to day operations like short-term loans.

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management is as follows:

Particulars	As at 31 March 2021	As at 31 March 2020
Fixed rate instruments		
Financial assets	927,305.80	1,167,128.93
Financial liabilities	765,955.17	811,249.11
Variable rate instruments		
Financial assets	331,240.03	306,821.57
Financial liabilities	322,674.40	428,281.47

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 bps in interest rate at the reporting date would have increased or decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Particulars	Profit or loss	
	100 bps increase	100 bps decrease
As at 31 March 2021		
Variable rate instruments	85.66	(85.66)
As at 31 March 2020		
Variable rate instruments	(1,214.60)	1,214.60

The model assumes that interest rate changes are instantaneous parallel shifts in the yield curve. Although some assets and liabilities may have similar maturities or periods to re-pricing, these may not react correspondingly to changes in market interest rates. Also, the interest rates on some types of assets and liabilities may fluctuate with changes in market interest rates, while interest rates on other types of assets may change with a lag.

The risk estimates provided assume a parallel shift of 100 bps interest rate across all yield curves. This calculation also assumes that the change occurs at the balance sheet date and has been calculated based on risk exposures outstanding as at that date. The period-end balances are not necessarily representative of the average debt outstanding during the period. This analysis assumes that all other variables remain constant.

Legal and operational risk

Legal risk

Legal risk is the risk relating to losses due to legal or regulatory action that invalidates or otherwise precludes performance by the end user or its counterparty under the terms of the contract or related netting agreements.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 50: Financial risk management *(contd.)*

The Company has developed preventive controls and formalised procedures to identify legal risks so that potential losses arising from non-adherence to laws and regulations, negative publicity, etc. are significantly reduced.

As at 31 March 2021, there were legal cases pending against the Company aggregating ₹172.70 lacs (31 March 2020: ₹203.65 lacs). Based on the opinion of the Company's legal advisors, the management believes that no substantial liability is likely to arise from these cases.

Operational risk

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

The framework, at its core, has the following elements :

1. Documented Operational Risk Management Policy.
2. Well defined Governance Structure.
3. Use of Identification and Monitoring tools such as Loss Data Capture, Risk and Control Self Assessment, Key Risk Indicators.
4. Standardised reporting templates, reporting structure and frequency.
5. Regular workshops and training for enhancing awareness and risk culture.

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

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

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

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

Note 51: Change in liabilities arising from financing activities

Particulars	As at 1 April 2020	Loan Taken	Loan Paid	Non Cash Changes*	As at 31 March 2021
Debt securities	70,407.73	58,500.00	(2,500.00)	94.50	126,502.23
Borrowings (other than debt securities)	1,042,705.58	370,521.88	(579,915.57)	146.84	833,458.73
Subordinated liabilities	85,623.66	-	(2,500.53)	220.84	83,343.97
Total Liabilities from financing activities	**1,198,736.97**	**429,021.88**	**(584,916.10)**	**462.18**	**1,043,304.93**

Particulars	As at 1 April 2019	Loan Taken	Loan Paid	Non Cash Changes*	As at 31 March 2020
Debt securities	49,250.44	55,141.45	(33,197.36)	(786.80)	70,407.73
Borrowings (other than debt securities)	1,162,730.49	447,107.66	(566,873.37)	(259.20)	1,042,705.58
Subordinated liabilities	101,330.04	-	(16,000.00)	293.62	85,623.66
Total Liabilities from financing activities	**1,313,310.97**	**502,249.11**	**(616,070.73)**	**(752.38)**	**1,198,736.97**

* Represents adjustments on account of EIR and other adjustments as required under Ind AS.

Notes to the consolidated financial statements for the year ended 31 March 2021 *(contd.)*

(All amounts are in ₹ lacs unless otherwise stated)

Note 52: Revenue from contracts with customers

(a) Below table provides disaggregation of the Company's revenue from contracts with customers:

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Type of service		
Fees and commission income	7,165.72	8,650.27
Other income	2,674.12	3,874.01
Total	**9,839.84**	**12,524.28**
Geographical markets		
India	9,839.84	12,524.28
Outside India (Country wise, if significant)	-	-
Total	**9,839.84**	**12,524.28**
Timing of recognition of revenue		
Performance obligation satisfied at a point in time	9,839.84	12,524.28
Performance obligation satisfied over period of time	-	-
Total	**9,839.84**	**12,524.28**

(b) Trade receivables

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Trade receivables	1,261.71	851.39
	1,261.71	**851.39**

No revenue from transactions with a single customer amounted to 10% or more of the Company's total revenue for the year ended 31 March 2021 and 31 March 2020.

Note 53: Operating segments

The Executive Committee (Excom) of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, "Operating Segments." The Company's operating segments are established in the manner consistent with the components of the Company that are evaluated regularly by the CODM. The Company is engaged primarily in the business of financing and there are no separate reportable segments as per Ind AS 108. There are no operations outside India and hence there is no external revenue or assets which require disclosure.

No revenue from transactions with a single external customer amounted to 10% or more of the Company's total revenue in year ended 31 March 2021 or 31 March 2020.

As per our report of even date attached

For and on behalf of the Board of Directors of
Magma Fincorp Limited

For B S R & Co. LLP
Chartered Accountants
ICAI Firm registration No.: 101248W/ W-100022

Sanjay Chamria
Vice Chairman & Managing Director
(DIN : 00009894)

Sunil Rewachand Chandiramani
Non-Executive Independent Director
(DIN: 00524035)

Kailash Baheti
Chief Financial Officer

Ashwin Suvarna
Partner
Membership No.: 109503

Shabnum Zaman
Company Secretary

Place : Mumbai
Date : 31 May 2021

Place : Kolkata
Date : 31 May 2021

Place : Mumbai
Date : 31 May 2021

GLOSSARY

Term	Description
ALM	Assets and liability management
AUM	Assets under management
Capital Adequacy Ratio/ CRAR	Minimum Capital Ratio to be maintained by a NBFC as required under the Non-Banking Financial Company – Systematically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016
CESTAT	Customs, Excise and Service Tax Appellate Tribunal
Collection Efficiency	Collections during the period/Billings during the period
CSR	Corporate Social Responsibility
DSA	Direct selling agents
DTA	Deferred tax Assets
DTL	Deferred tax liability
ED	Early delinquency
ESOS	Employee Stock Option Scheme
ESPS	Employee Stock purchase Scheme
EWI	Early warning indicators
GDP	Gross domestic product
GST	Goods and services tax
HCVs	Heavy commercial vehicles
HFC	Housing financing company
ICAI	Institute of Chartered Accountants of India
ID	Infant delinquency
Ind-AS	Indian accounting standards as notified by the MCA vide Companies (Indian Accounting Standards) Rule 2015
GAAP / Indian GAAP	Generally accepted accounting principles in India
IRDAI	The Insurance Regulatory and Development Authority of India
IT Act / Income Tax Act	The Income Tax Act, 1961, as amended
ITAT	Income Tax Appellate Tribunal
KYC	Know your customer
LAP	Loans against property
LCVs	Light commercial vehicles
LTV	Loan to value
NBFC	Non-Banking Financial Company
NCDs	Non Convertible Debentures
Net Income	Total Income less Finance Cost
Net NPAs	Net non-performing assets as per RBI regulations for banks or NBFCs
NHB	National Housing Board
NPAs	Non-performing assets
NSDL	National Securities Depository Limited
PAN	Permanent account number
PAT	Profit after tax
RBI	Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934, as amended

Term	Description
RoC	Registrar of Companies, West Bengal
RSO	Restricted stock options
SEBI	Securities and Exchange Board of India
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended
SME	Small and Medium Enterprise
Stock Exchanges	BSE and NSE
Tier I Capital	As defined under RBI regulations for NBFCs
Tier II Capital	As defined under RBI regulations for NBFCs
Total Assets	Total assets of the Company
SAs	Standards on Auditing
ECL	Expected Credit Loss
SICR	Significant increase in credit risk
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit and loss
OCI	Other comprehensive income
SARFAESI	Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002
PTC	Pass through certificates
PD	Probability of default
DPD	Days past due
EAD	Exposure at default
LGD	Loss given default
SPVs	Special purpose vehicle
MRR	Minimum retention requirement
LCR	Liquidity coverage ratio
HQLA	High quality liquid assets
CODM	Chief operating decision maker
PUC	Projected unit credit
NRC	Nomination and remuneration committee

NOTES

OLD WEBLINK	NEW WEBLINK
Old Website: www.magma.co.in	New Website: www.poonawallafincorp.com
https://magma.co.in/aboutus/ investor-relations/secretarial-documents/download-secretarial-documents/.	https://poonawallafincorp.com/secretarial-documents.php#download
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