

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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<p>Preventive and detective fraud control activities are deployed to mitigate the risk of fraud events occurring or not being detected in a timely manner.</p> <ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 inter alia 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