

7th Annual Report 2013 - 2014

HDB Financial Services Limited

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From the trusted family of HDFC Bank

Financial Highlights

(₹ in Crores)

Particulars	2010	2011	2012	2013	2014
Total Revenue	97.62	178.85	431.13	963.19	1,688.27
Profit before tax	12.32	24.32	70.65	150.13	318.07
Profit after tax	9.92	15.81	51.11	102.45	209.24
Receivables under financing	533.55	1262.52	3964.13	8203.67	13,387.48
Shareholders fund	102.04	719.27	770.78	873.53	1,628.50
Borrowings	456.11	668.46	3150.47	7153.51	11,075.00
Earning per share (₹)	0.94	0.88	1.25	2.49	4.32
Book value per share (₹)	9.72	17.53	18.77	21.27	33.61

Corporate Information

Board of Directors

Mr. G. Subramanian, Chairman
Mr. Kaizad Bharucha
Mr. Anil Jaggia
Mr. Ramesh G, Managing Director

Statutory Auditors

B S R & Co. LLP, Chartered Accountants

Registered Office

Radhika, 2nd Floor,
Law Garden Road, Navrangpura,
Ahmedabad - 380 009
Tel No.: +91 79 3048 2717

Corporate Office

Ground Floor, Madhusudan Mills Compound,
Pandurang Budhkar Marg, Lower Parel,
Mumbai - 400013
Tel No.: +91 22 3958 6300

Bankers

* Allahabad Bank * Andhra Bank * Bank of Baroda * Bank of India * Bank of Maharashtra * Canara Bank * Corporation Bank * Deutsche Bank AG * Federal Bank * HDFC Bank * Indian Bank * Indian Overseas Bank * Jammu & Kashmir Bank * Karnataka Bank * Karur Vysya Bank * Kotak Mahindra Bank * Oriental Bank of Commerce * Punjab & Sind Bank * Punjab National Bank * South Indian Bank * State Bank of Bikaner & Jaipur * State Bank of Hyderabad * State Bank of India * State Bank of Mysore * State Bank of Patiala * Syndicate Bank * Union Bank of India * Vijaya Bank * Yes Bank

Company Secretary

Mr. Rohit Bhase

Registrar & Share Transfer Agents

For Equity Shares, Commercial Paper and Debentures (NCDs) Series 1 to 13:

Datamatics Financial Services Limited
Plot No. B 5 Part B Cross Lane, MIDC,
Andheri (E), Mumbai-400093
Tel.: +91 22 6671 215160
Fax: +91 22 6671 2209

For Subordinated Bonds and Debentures (NCDs) Series 14 onwards:

Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound, L.B.S. Marg,
Bhandup (West), Mumbai - 400 078
Tel.: +91 22 2596 3838
Fax: +91 22 2596 2691

Debenture Trustees

IDBI Trusteeship Services Limited
Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate,
Mumbai - 400 001.
Tel.: +91 22 4080 7001
Fax: +91 22 6631 1776

7th Annual General Meeting

Date	:	June 17, 2014
Day	:	Tuesday
Time	:	12 noon
Place	:	HDFC Bank House, Final Plot No-287, Ellis Bridge Township Scheme No.3, Navrangpura, Ahmedabad 380009, Gujarat
Book Closure for AGM	:	Friday, June 6, 2014 to Tuesday, June 17, 2014 (both days inclusive)

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Directors' Report



The Members,
HDB Financial Services Limited

Your Directors have pleasure in presenting the Seventh Annual Report on the business and operations of your Company together with the audited accounts for the Financial Year ended March 31, 2014.

Financial Performance

Particulars	(₹ In crores)	
	2013-14	2012-13
Total Income	1688.27	963.19
Total Expenditure	1362.61	808.79
Profit/(Loss) before Depreciation & Tax	325.66	154.40
Less: Depreciation	7.59	4.27
Profit before Tax	318.07	150.13
Provision for Tax	108.83	47.68
Profit / (Loss) after Tax	209.24	102.45
Appropriations:		
Transfer to Reserve Fund under Section 45-IC of the RBI Act, 1934	41.86	20.50
Proposed Dividend	25.69	0
Dividend Tax thereon	4.37	0
Balance carried forward to Balance Sheet	137.32	81.95

The Company posted total income and net profit of ₹ 1,688.27 crores and ₹ 209.24 crores, respectively, for the financial year ended March 31, 2014, as against ₹ 963.19 crores and ₹ 102.45 crores, respectively, in the previous year. Loan disbursements during the year were ₹ 9,001.24 crores, as against ₹ 5,922.56 crores in the previous year.

Dividend

Considering the overall performance and the outlook for your Company, your Directors are pleased to recommend a maiden dividend of ₹ 0.50/- (Paise fifty only) per equity share i.e. 5% (five percent) on each equity share of ₹ 10/- (Rupees ten only), entailing a payout of ₹ 30.06 crores, including dividend distribution tax. The dividend would be paid to all the shareholders, whose names appear on the Register of Members / Beneficial Holders list on the book closure date.

Capital

During the year, your Company allotted 10,26,91,469 equity shares under the Rights Issue and 2,93,000 equity shares upon exercise of Employees Stock Options granted to the employees of your Company.

Post allotment of equity shares as aforesaid, the issued, subscribed and paid-up share capital of your Company stands increased to ₹ 513,75,02,190 comprising of 51,37,50,219 equity shares of ₹ 10 each as on March 31, 2014.

Capital Adequacy

Your Company is well capitalised and has a capital adequacy ratio of 18.40% as at March 31, 2014, as against the minimum regulatory requirement of 15% for non-deposit accepting NBFCs.

Ratings

The Credit Analysis & Research Limited (CARE) and CRISIL Limited (CRISIL) have assigned ratings for the various facilities availed by the Company, details of which are given below:

Facility	CARE	CRISIL
Bank facilities of ₹ 8,000 crores	CARE AAA	CRISIL AAA/Stable
Short term debt programme including commercial paper of ₹ 750 crores	CARE A1+	CRISIL A1+
Non-convertible debentures of ₹ 8,000 crores	CARE AAA	CRISIL AAA/Stable
Subordinated bonds of ₹ 1,500 crores	CARE AAA	CRISIL AAA/Stable

Finance

Your Company has diversified funding sources including loans from Public Sector Banks, Private and MNC Banks, Mutual Funds, Insurance Companies, Financial Institutions etc. Funds were raised in line with Company's Resource Policy through term loans, secured redeemable non-convertible debentures (NCDs), unsecured non-convertible redeemable subordinated bonds (Subordinated Bonds) and commercial paper (CPs).

During the year, your Company raised ₹ 4,115 crores through term loans from Banks. Further, the Company established new banking relationships with 6 banks. No interest payment or principal repayment of the term loans was due and unpaid as on March 31, 2014. The assets of the Company which are available by way of security are sufficient to discharge the claims of the banks as and when they become due.

During the year, your Company raised ₹ 1,613 crores by issue of NCDs, on private placement basis. The NCDs are rated "AAA" by CARE and CRISIL, indicating highest degree of safety with regard to timely servicing of financial obligations. The NCDs were issued with maturity period ranging from 2 to 5 years. The interest payable is annual and/or on maturity and no interest was due and unpaid as on March 31, 2014. The Company has not received any grievances from the debenture holders. The Company has appointed IDBI Trusteeship Services Limited as trustees for the NCDs. The assets of the Company which are available by way of security are sufficient to discharge the claims of the debenture holders as and when they become due.

The Company also raised ₹ 230 crores by issue of Subordinated Bonds, on private placement basis. The Subordinated Bonds are rated "AAA" by CARE and CRISIL, indicating highest degree of safety with regard to timely servicing of financial obligations. The Subordinated Bonds were issued with a maturity period of 10 years. The interest payable thereon is annual and no interest was due and unpaid as on March 31, 2014. The Company has not received any grievances from the subordinated bond holders. The Company has appointed IDBI Trusteeship Services Limited as trustees for the Subordinated Bonds.

The NCDs and Subordinated Bonds are listed on Wholesale Debt Market (WDM) of The Bombay Stock Exchange.

Employees Stock Option Scheme (ESOS)

The information pertaining to Employees Stock Options is given in the notes forming part of accounts.

Fixed Deposits

The Company is a non deposit taking NBFC (NBFC-ND-SI). The Company has not accepted any fixed deposit during the period under review. The Company has passed a resolution for non acceptance of deposits from public.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Macro Economic Environment and Industry Developments

The year was marked by an extraordinary spell of financial turbulence arising from the US Fed contemplating tapering its large scale asset purchase programme. The event resulted in a rapid deterioration of financial conditions across emerging markets, including India. The rupee depreciated against the US dollar, amid sudden foreign exchange reserve depletion. To defend the rupee exchange rate, RBI raised short term rates to reduce excess liquidity. Government introduced measures such as gold import restrictions to rein in the current account deficit (CAD). These policies, along with a forward-looking blueprint for further financial market reforms laid down by the RBI helped turn the tide and stabilize financial markets. The RBI has since maintained a tight monetary policy stance but has desisted from further tightening keeping in mind the weak state of economy.

The economic slowdown persisting for last couple of years deepened in FY 2013-14. The economic environment remained subdued throughout the year. Gross Domestic Product (GDP) growth is estimated to have declined to approx. 4.8% for the FY 2013-14, against 6.2% for the previous year. While manufacturing and mining continued to be the laggards, good monsoon helped in stepping up of agricultural growth to 4.6% from 1.4% in 2012-13. Service sector registered a marginal decrease in growth from 7% a year ago to 6.9%. The fiscal deficit for FY 2013-14 stood at 4.6% of GDP. Against the backdrop of high CAD and sustained high CPI inflation, the RBI reversed its stance and hiked the bank rate to 8% and it remained the same as at the end of FY 2013-14. This translated to higher interest rates due to continuing liquidity concerns.

During the year, private consumption expenditure, the mainstay of aggregate demand in the economy, stayed low in the face of high inflation that caused discretionary demand to fall. It directly affected sales and margins of manufacturing and service sector and indirectly affected financial sector in terms of lower credit demand from both retail and business segment and higher delinquencies.

The economy is expected to show a modest recovery going forward, basis leading indicators of the services sector. Stagnant industrial growth, persistent inflation, bottlenecks facing the mining and infrastructure sectors continue to remain a challenge. The RBI expects growth in FY 2014-15 to be in the range of 5 - 6%. However, public spending cuts proposed by the Government in its budget for FY 2014-15 have increased the downside risk. The upside can also be limited because, even with an improvement in private investment climate, the benefits will take time to flow at the ground level because of the long gestation periods involved in execution of approved projects.

Fiscal year 2014-15 could be a year of new leadership and old challenges. The outcome of general elections in May 2014 could swing the medium term growth outlook either way. Political stability is, therefore, an important factor for FY 2014-15. A fragile political outcome, in contrast, could further delay long-pending critical reforms, particularly in agriculture, manufacturing, education and skill development.

Opportunities

Agriculture grew at 4.6% in FY 2013-14, thanks to timely and well-distributed monsoon, as compared to 1.4% in FY 2012-13. This should help check food inflation and support consumption in rural areas. To instill momentum in the manufacturing sector, the Government has announced a number of policy measures. With weak currency and improving growth prospects in Americas and European Union countries, exports have started looking up. Sectors such as textiles, leather, pharmaceutical and IT-ITES have reported export growth. Steps are being taken to address requirements of mining and power generation sectors which will remove supply bottlenecks to a number of sectors. Many mines have resumed activity post lifting of bans by the courts. Large infrastructure projects have been approved by the Government to drive economic growth. FDI caps in many sectors have been increased with some sectors such as retail and railway projects being opened up for FDI. Government and FIPB have approved many proposals for foreign investment through both routes i.e. FDI and Portfolio Investment Scheme. Deepening of financial markets especially the corporate bonds market and attracting foreign long term investment flows for infrastructure projects are likely to happen in future.

Growth in agricultural sector output will drive demand from rural areas. With the government's initiative to boost infrastructure projects and resumption of mining activity, NBFCs can also look for growth in asset financing.

Threats

Growth of the Company's asset book, quality of assets and ability to raise funds depend significantly on the economy. Unfavorable events in the Indian economy can affect consumer sentiment and in turn impact consumer decision to purchase financial products. Competition from a broad range of financial services providers, unstable political environment and changes in Government policy / regulatory framework could impact the Company's operations.

Operations

Loans - The Company offers a range of loan products both in the secured and unsecured categories that fulfills the financial needs of its target segments.

- **Unsecured loans** - These loans are in the range of ₹ 100,000 to ₹ 30,00,000. These loans are offered as term loans with a maximum tenure of 48 months. Interest rates on these loans are higher than the rates on secured loans.
- **Secured loans** - These loans are offered to customers to address the larger loan requirements or longer repayment requirements. Secured loans are in the range of ₹ 100,000 to ₹ 800,00,000. These loans are offered as term loans with the maximum tenure at 120 months. These loans are normally offered on a floating rate basis.

The Company provides loan against the following collaterals as security for the loans:

- Residential / commercial property
- Cars / automobiles (both new and used)
- Marketable securities
- Gold jewellery
- **Commercial Vehicle Loans** - The Company provides loans for purchase of new and used commercial vehicles.
- **Construction Equipment Loans** - The Company provides loans for purchase of new and used construction equipments.

Fee based products

- **Insurance services** - The Company is a corporate agent for HDFC Standard Life Insurance Company Limited and HDFC Ergo General Insurance Company Limited. The Company sells life and general insurance bundled with its loan as a value-add as well as a standalone product.

BPO services business

- **BPO services** - The Company has a contract with HDFC Bank to run collection call centers and collect overdue from borrowers. The Company has set up call centers across the country with a capacity of over 2600 seats. These centers provide collection services for the entire gamut of retail lending products of HDFC Bank. The Company offers end to end collection services in over 400 locations through its calling and field support teams.

Infrastructure

The Company has 275 branches in 201 cities thus creating the right distribution network to sell its products and services. The Company has its data centre at Bangalore and centralised operations in Hyderabad and Chennai. The Business Process Outsourcing (BPO) services vertical now runs 9 call centers with a capacity of over 2,600 work stations.

Internal Control Systems

In the opinion of the Management, the Company has adequate systems and procedures to provide assurance of recording transactions in all material respects.

Outlook

The markets will continue to grow and mature leading to differentiation of products and services. Each financial intermediary will have to find its niche in order to add value to consumers. The Company is cautiously optimistic in its outlook for the year 2014-15.

Cautionary Note

Certain statements in the 'Management Discussion and Analysis' Report may be forward-looking and are stated as may be required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook. Your Company does not undertake to update these statements.

Internal Audit And Compliance

The Company conducts its internal audit and compliance functions within the parameters of regulatory framework which is well commensurate with the size, scale and complexity of operations. The internal controls and compliance functions are evolved, installed, reviewed, and upgraded periodically.

The Company has appointed CNK & Associates, Chartered Accountants, to conduct internal audit covering all areas of operations including branches. The reports are placed before the Audit Committee of the Board. The Audit Committee reviews the performance of the audit and compliance functions, the effectiveness of controls and compliance with regulatory guidelines and gives such directions to the Management as necessary / considered appropriate. The Company has framed a compliance policy to effectively monitor and supervise the compliance function in accordance with the statutory requirements.

Risk Management And Portfolio Quality

The Company recognizes the importance of risk management and has invested in appropriate processes, people and a management structure. The function is supervised by the Risk Committee. Risk Committee reviews the asset quality on quarterly basis. Product policy programs are duly approved before any new product launches and are reviewed regularly. The asset quality of the Company continues to remain healthy. The ratio of gross non-performing assets to gross advances and net non performing assets to total assets as of March 31, 2014, stood at 0.81% and 0.42%, respectively. The specific loan loss provisions that the Company has made for its non-performing assets continue to be more conservative than those prescribed by the Regulator.

RBI Guidelines

The RBI granted the Certificate of Registration to the Company in December 2007, to commence the business of non-banking financial institution without accepting deposits. Your Company classifies to be a Systemically Important Non-Banking Financial Company (NBFC-ND-SI). The Company has complied with and continues to comply with all the applicable regulations and directions of the RBI.

Human Resources

People remain the most valuable asset of your Company. Your Company is professionally managed with senior management personnel having rich experience and long tenure with the Company. Your Company follows a policy of building strong teams of talented professionals. Your Company encourages, appreciates and facilitates long term careers. Your Company continued to build on its capabilities in getting the right talent to support different

Directors' Report

products and geographies and is taking effective steps to retain the talent. The Company continues to focus on training programs for skill development and improved customer service. As on March 31, 2014, your Company had 7,614 employees as compared to 6,404 as on March 31, 2013.

Statutory disclosures

1. The information required under Section 217(2A) of the Companies Act, 1956, and the rules made there under are given in the Annexure I appended hereto and forms part of this report.
2. The provisions of Section 217(1)(e) of the Companies Act, 1956, relating to conservation of energy and technology absorption do not apply to your Company as it is not a manufacturing company. However, your Company has been increasingly using information technology in its operations and promotes conservation of resources.
3. The Company had no foreign exchange inflow and outgo during the period under review.

Directors' responsibility statement

The Board of Directors hereby state that:

1. In preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. Appropriate accounting policies have been selected and applied consistently and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on a going concern basis.

Directors

Pursuant to provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Kaizad Bharucha will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Auditors

M/s. B S R & Co. LLP, Chartered Accountants, are the Statutory Auditors of the Company for the financial year ended March 31, 2014 and will hold office till the ensuing Annual General Meeting. They have expressed their willingness to continue, if re-appointed.

M/s. B S R & Co. LLP, Chartered Accountants, are eligible for re-appointment and have consented to the same and have confirmed that the appointment, if made, shall be within the limits prescribed the Companies Act, 2013 and that they are not disqualified for such appointment within the meaning of Section 139 and 141 of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014.

The Board recommends the re-appointment of M/s. B S R & Co. LLP, Chartered Accountants, as Statutory Auditors of the Company for a further period of 4 (four) years i.e. upto financial year 2017-18, subject to the ratification of such appointment by the members at every Annual General Meeting to be held during their term,.

Corporate Governance Report

The report on Corporate Governance for the Company is annexed and forms an integral part of this Annual Report.

Acknowledgement

Your directors take this opportunity to place on record their appreciation to all employees for their hard work, spirited efforts, dedication and loyalty to the Company which has helped the Company maintain its growth. The Directors also wish to place on record their appreciation for the support extended by the Reserve Bank of India, other regulatory and government bodies, Company's auditors, customers, bankers, promoters and shareholders.

On behalf of the Board of Directors

Mumbai, April 15, 2014

**G. Subramanian
Chairman**

Annexure I

Information under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2014.

Employed throughout the year and in receipt of remuneration of not less than ₹ 60,00,000/- per annum

Sr. No.	Name of the Employee	Designation	Date of joining	Qualification	Experience in years	Age in years	Total (₹)	Last Employment
1	Ashish Ghatnekar	Head - HR & Operations	01/12/08	MBA (Finance)	21	44	64,68,745	Centurion Bank of Punjab
2	Haren Parekh	Head - Finance	10/10/07	B.Com. FCA	29	52	72,39,770	CIBIL
3	Ramesh G	Managing Director	03/09/07	PGDM, IIM (Lucknow)	22	44	1,43,95,780	Enam AMC Pvt. Ltd.
4	Rohit Patwardhan	Head - Risk	10/12/07	PGDM, Symbiosis Institute of Management	17	39	86,13,595	Citi Bank
5	Sarabjeet Singh	Regional Business Manager	22/02/08	PGDM, IMT (Ghaziabad)	18	41	77,72,437	GE Money
6	Venkata Swamy	Product Head - Lending	01/08/08	PGDM, IIM (Calcutta)	18	40	63,98,635	ICICI Bank

There were no employees who were employees for part of the year and drawing remuneration of more than ₹ 500,000 per month.

- Gross remuneration comprises salary, medical reimbursement, leave travel concession, housing, Company's contribution to provident fund, pension and gratuity fund, monetary value of other perquisites computed on the basis of the Income Tax Act and Rules, leave encashment and performance bonus.
- All appointments were made in accordance with the terms and conditions as per Company rules.
- None of the above employee is a relative of any Director of the Company.

CORPORATE GOVERNANCE REPORT

1. Company's philosophy on Corporate Governance

The Company's philosophy of Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders and is guided by a strong emphasis on transparency, accountability and integrity.

2. Board of Directors

i. Composition and size of the Board

The present strength of Board of Directors is 4 Directors. The Board comprises of one Executive and three Non-Executive Directors. The Non-Executive Directors bring independent judgment in the Board's deliberations and decisions.

The Directors of the Company have wide experience in the field of finance, banking and information technology.

The details of the Directors as at March 31, 2014, including the details of their other directorship and their shareholding are given below:

Name of the Director	Executive/Non-Executive/Independent /Promoter	No. of other Directorships	No. of shares held in the Company
Mr. G. Subramanian	Non-Executive Director	3	1,30,009
Mr. Kaizad Bharucha	Non-Executive Director	2	2,13,455
Mr. Anil Jaggia	Non-Executive Director	Nil	44,250
Mr. Ramesh G	Managing Director	Nil	2,32,500

ii. Directors with materially significant related party transactions, pecuniary or business relationship with the Company.

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors that may have potential conflict with the interest of the Company.

iii. Board, Committee Meetings & Attendance

The details of attendance of the Directors at the Board, Committee and Annual General Meeting are given as below:

Type of meeting	No. of meetings held	Mr. G. Subramanian	Mr. Kaizad Bharucha	Mr. Anil Jaggia	Mr. Ramesh G
Board	7	7	7	5	7
Audit Committee	4	4	4	4	NA
Asset-Liability Management Committee	4	4	4	NA	4
Risk Committee	4	4	4	NA	4
Bond Allotment Committee	3	3	2	NA	3
Compensation Committee	1	1	NA	1	NA
Debenture Allotment Committee	14	12	9	NA	11
Share Allotment Committee	3	3	1	NA	3
Attendance at last AGM	1	Yes	No	No	Yes
Attendance at EGM	1	No	No	No	Yes

There was no change in the composition of Board or the Committees during the year.

No sitting fees were paid to the Directors of the Company.

3. General Body meetings (FY 2013-14)

Meeting	Date and Time	Venue	Resolutions passed
AGM	12 noon May 30, 2013	HDFC Bank House, Final Plot No.287, Ellis bridge Township Scheme No.3, Navrangpura, Ahmedabad - 380009	<ul style="list-style-type: none"> Adoption of audited Balance Sheet as at 31st March 2013 and Profit and Loss Account for the year ended on that date and reports of the directors and auditors. Declaration of dividend, if any. Re-Appointment of Mr. G. Subramanian as a Director. Appointment of M/s. B S R & Co., Chartered Accountants, as Statutory Auditors. Issue of shares on rights basis.
EGM	11.00 a.m. April 30, 2013	Madhusudan Estate, Ground Floor, Pandurang Budhkar Marg, Lower Parel (West), Mumbai - 400 013	<ul style="list-style-type: none"> Authority to borrow money upto ₹ 20,000 crores and create mortgage / charge for securing the money borrowed upto ₹ 20,000 crores.

4. Shareholding pattern as at March 31, 2014

Name of Shareholder	No. of equity shares held	%
HDFC Bank Ltd.	50,00,00,000	97.32%
Others	1,37,50,219	2.68%
Total (Issued & Paid-up Shares)	51,37,50,219	100.00%

Independent Auditors' Report

To the members of HDB Financial Services Limited

Report on the Financial Statements

- 1 We have audited the accompanying financial statements of HDB Financial Services Limited ('the Company'), which comprises the balance sheet as at March 31, 2014, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

- 3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing ('the Standards') issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

- 6 In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2014;
 - (b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 7 As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 8 As required by section 227(3) of the Act, we report that:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the balance sheet, the statement of profit and loss and the cash flow statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and
 - (e) on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the Directors are disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W

Akeel Master

Partner

Membership No: 046768

Mumbai
April 15, 2014

Annexure to Independent Auditors' Report

(Referred to in our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) The Company is a service company. Accordingly, it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable to the Company.
- (iii) According to the information and explanations given to us, there are no companies, firms or other parties covered in the register required under section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) of the Order is not applicable.
- (iv) In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, with regard to purchase of fixed assets and sale of services. The activities of the Company do not involve any purchase of inventory and sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) In our opinion and according to the information and explanations given to us, there are no contracts and arrangements, the particulars of which need to be entered into the register maintained under section 301 of the Act. Accordingly paragraph 4 (v) of the order is not applicable.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 58A, Section 58AA or any other relevant provisions of the Act and the rules framed there under apply.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of business.
- (viii) The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Act for any of the activities conducted/services rendered by the Company. Accordingly para 4(viii) of the Order is not applicable.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including income-tax, service tax and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of sales tax, wealth tax, customs duty, excise duty, cess, investor education and protection fund and employees' state insurance, to the extent applicable, as at March 31, 2014.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, service tax and other material statutory dues were in arrears as at March 31, 2014 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income-tax, sales tax, service tax, custom duty, wealth tax, excise duty and cess which have not been deposited with the appropriate authorities on account of any dispute.

Annexure to Independent Auditors' Report (Continued)



- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to its bankers, debenture holders or to any other financial institution.
- (xii) In our opinion, the Company has maintained adequate records in cases where it has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanation given to us, the Company is not a chit fund or a nidhi /mutual benefit fund/ society. Accordingly paragraph 4(xiii) of the Order is not applicable to the Company.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
- (xvii) In terms of the Guidelines of Reserve Bank of India on Asset Liability Management System for Non Banking Financial Company ('NBFC'), the Company regularly carried out an analysis of its assets and liabilities on the basis of their residual maturity and repricing patterns. Our examination of the same indicates that the maturity gaps observed in the asset liability management are within the limits prescribed by Reserve Bank of India.
- (xviii) As stated in paragraph (v) above, there are no companies/firms/parties covered in the register required to be maintained under section 301 of the Act.
- (xix) According to the information and explanation given to us, the Company has created security or charge in respect of debentures issued during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the explanation and information given to us, five instances of fraud on the Company were identified and reported during the year. We have been further informed that the frauds on the Company were mainly related to falsification of loan /valuation documents with respect to loan against property, commercial vehicle loan and gold loan, cash embezzlement by employees and spurious contents of the gold security given by the customer amounting to ₹ 0.71 crores.

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

Akeel Master
Partner
Membership No: 046768

Mumbai
April 15, 2014

Balance Sheet



(₹ in Crores)

Particulars	Note	As at March 31, 2014	As at March 31, 2013
EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	513.75	410.77
(b) Reserves and surplus	4	1,114.75	462.76
	(A)	1,628.50	873.53
2 Non-current liabilities			
(a) Long-term borrowings	5	7,845.71	5,055.37
(b) Other long term liabilities	6	65.70	42.24
(c) Long-term provisions	7	91.68	59.50
	(B)	8,003.09	5,157.11
3 Current liabilities			
(a) Short-term borrowings	8	405.00	150.00
(b) Trade payables	9	22.98	17.81
(c) Other current liabilities	10	3,458.90	2,027.00
(d) Short-term provisions	7	170.92	77.87
	(C)	4,057.81	2,272.68
		13,689.40	8,303.31
ASSETS			
1 Non-current assets			
(a) Fixed assets	11		
(i) Tangible assets		38.19	19.52
(ii) Intangible assets		1.22	0.62
(b) Non-current investments	12	2.34	2.56
(c) Deferred tax assets (net)	13	58.96	32.87
(d) Long - term loans and advance :			
- Receivables under financing activity	14	10,192.94	6,203.95
- Other loans and advances	15	5.80	4.11
	(D)	10,299.45	6,263.62
2 Current assets			
(a) Current investments		-	-
(b) Trade receivables	16	19.51	11.95
(c) Cash and bank balances	17	139.82	11.56
(d) Short-term loans and advances			
- Receivables under financing activity	14	3,194.54	1,999.72
- Other loans and advances	15	14.88	8.03
(e) Other current assets	18	21.20	8.42
	(E)	3,389.95	2,039.68
		13,689.40	8,303.31
Significant accounting policies and notes to the financial statements	2		

The notes referred to above form an integral part of the financial statements.

As per our report of even date
For **B S R & Co. LLP**
Chartered Accountants
Firms' Registration No: 101248W

Akeel Master
Partner
Membership No. 046768

Place: Mumbai
Date: April 15, 2014

For and on behalf of the Board

G Subramanian
Chairman

Ramesh G
Managing Director

Rohit Bhase
Company Secretary

Kaizad Bharucha
Director

Anil Jaggia
Director

Haren Parekh
Head - Finance

Statement of Profit and Loss



(₹ in Crores)

Particulars	Note	For the year ended March 31, 2014	For the year ended March 31, 2013
Revenue from operations	19	1,686.70	961.75
Other income	20	1.57	1.43
Total Revenue		1,688.27	963.19
Expenses			
Employee benefits expenses	21	234.99	160.61
Finance costs	22	890.82	511.40
Depreciation and amortization	11	7.59	4.27
Other expenses	23	110.93	74.24
Provisions and write offs	23A	125.87	62.54
Total expenses		1,370.20	813.06
Profit before tax		318.07	150.13
Tax expense:			
a. Current tax		134.50	66.48
b. Deferred tax expense / (credit)		(26.09)	(18.70)
c. Income tax for earlier year		0.42	(0.10)
Total tax expense		108.83	47.68
Profit after tax for the year		209.24	102.45
Basic and diluted earnings per equity share (Face value ₹ 10 each)	24	4.32	2.49
Significant accounting policies and notes to the financial statements	2		

The notes referred to above form an integral part of the financial statements.

As per our report of even date
For **B S R & Co. LLP**
Chartered Accountants
Firms' Registration No: 101248W

Akeel Master
Partner
Membership No. 046768

Place: Mumbai
Date: April 15, 2014

For and on behalf of the Board

G Subramanian
Chairman

Ramesh G
Managing Director

Rohit Bhase
Company Secretary

Kaizad Bharucha
Director

Anil Jaggia
Director

Haren Parekh
Head - Finance

Cash flow statement

(₹ in Crores)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Cash flow from operating activities		
Profit before tax	318.07	150.13
Adjustments for		
(Profit) / loss on sale of asset	0.01	0.00
Discount on commercial paper	21.00	15.01
Provision and write offs	125.87	62.53
Provision for compensated absence & gratuity	1.49	0.56
Depreciation and amortisation	7.59	4.27
Operating cash flow before working capital changes	474.02	232.50
Adjustments for working capital changes:		
(Increase) in trade receivables	(7.56)	(7.12)
(Increase) / decrease in advances	110.82	(8.91)
Decrease in other current assets	(33.78)	(22.56)
Increase / (decrease) in other liabilities and provisions	412.12	(12.35)
Increase in trade payables	5.17	6.64
Cash generated from operations	960.80	188.20
Direct taxes paid (net of refunds)	(119.00)	(63.00)
Net cash generated from operating activities	841.80	125.20
(Increase) / Decrease in receivables under financing activity (Net)	(5183.81)	(4237.63)
Increase / (Decrease) in borrowings (Net)	3921.49	4119.24

Cash flow statement



(₹ in Crores)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Net cash flow generated from / (used in) operating activities (A)	(420.52)	6.81
Cash flow from investing activities		
Purchase of fixed assets	(27.24)	(12.65)
Proceeds from sale of fixed assets	0.01	0.02
Long term investments	0.22	(0.57)
Net cash generated from / (used in) investing activities (B)	(27.01)	(13.20)
Cash flow from financing activities		
Increase in equity share capital	102.98	0.16
Increase in securities premium	472.81	0.14
Net cash generated from financing activities (C)	575.79	0.30
Net increase / (decrease) in cash and cash equivalents (A+B+C)	128.26	(6.09)
Add : Cash and cash equivalents as at the beginning of the year	11.56	17.64
Cash and cash equivalents as at the end of the year*	139.82	11.56

* Note - Closing cash & cash equivalents includes a fixed deposit of ₹ 21.41 Crores (Previous year ₹ 6.81 Crores) earmarked for assignment / securitisation transaction.

As per our report of even date

For **B S R & Co. LLP**

Chartered Accountants

Firms' Registration No: 101248W

Akeel Master

Partner

Membership No. 046768

For and on behalf of the Board

G Subramanian

Chairman

Kaizad Bharucha

Director

Ramesh G

Managing Director

Anil Jaggia

Director

Rohit Bhase

Company Secretary

Haren Parekh

Head - Finance

Place: Mumbai

Date: April 15, 2014

Notes to the financial statements

1 Overview

HDB Financial Services Ltd. (“the Company”), incorporated in Ahmedabad, India, is a non deposit taking Non Banking Financial Company (“NBFC”) as defined under section 45-IA of the Reserve Bank of India (“RBI”) Act, 1934 and is engaged in the business of financing, BPO and insurance services.

2 Significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated and in accordance with the generally accepted accounting principles in India (“Indian GAAP”) and conform to the statutory requirements, circulars and guidelines issued by the RBI from time to time to the extent they have an impact on the financial statements and current practices prevailing in India. The financial statements comply in all material respects with the Accounting Standards (“AS”) notified by the Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956 (“the Act”), to the extent applicable.

2.2 Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. The estimates and assumptions used in the accompanying financial statements are based upon management’s evaluation of the relevant facts and circumstances as of the date of financial statements. Actual results could differ from these estimates. Any revisions to accounting estimates are recognized prospectively in the current and future periods.

2.3 Advances

Advances are classified as standard, sub - standard and doubtful assets as per the Company policy approved by the Board which is more conservative than the relevant RBI guidelines. Interest on non-performing advances is transferred to an interest suspense account and not recognized in the statement of profit and loss until received. Loan assets are recognised on disbursement of loan and in case of new asset financing on the transfer of ownership.

2.4 Fixed assets and depreciation

Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. The cost of fixed assets comprise purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefit / functioning capability from / of such assets.

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis. The rates of depreciation for certain key fixed assets used in arriving at the charge for the year are as under:

Assets	Depreciation rate per annum
Office equipment	16.21%
Computers	33.33%
Immovable Property	1.63%
Motor cars	20.00%
Furniture and Fixtures	9.50%

- Improvements to lease hold premises are charged off over the primary period of lease or its useful life, whichever is lower.
- Items costing less than ₹ 5,000/- are fully depreciated in the year of purchase.
- All other assets are depreciated as per the rates specified in Schedule XIV of the Companies Act, 1956.

For assets purchased and sold during the year, depreciation is provided on pro rata basis by the Company.

Intangible fixed assets

Software and system development expenditure are capitalised at cost of acquisition including cost attributable to bring the same in working condition and the depreciation is charged @ 33.33% per annum on straight-line basis. Any expenses on such software for support and maintenance payable annually are charged to the statement of profit and loss.

2.5 Impairment of assets

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

2.6 Investments

Investments expected to mature after twelve months are taken as non current / long term investment and stated at cost. Provision is recognised only in case of diminution, which is other than temporary in nature. Investments maturing within three months from the date of acquisition are classified as cash equivalents if they are readily convertible into cash. All other investment are recognised as current / short term investment and are valued at lower of cost and net realizable value.

2.7 Employee benefits

Long term employee benefits

a) Gratuity

The Company provides for gratuity to all employees. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, or death while in employment or on termination of employment of an amount equivalent to 15 days' basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company makes annual contributions to fund administered by trustees and managed by insurance company for amounts notified by the said insurance company. The defined benefit plan are valued by an independent external actuary as at the balance sheet date using the projected unit credit method to determine the present value of defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates. Actuarial gain or loss is recognized in the statement of profit and loss.

b) Provident fund

All employees of the Company are entitled to receive benefits under the Provident Fund Act, 1952. The Company contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary) to the Pension Scheme administered by the Regional Provident Fund

Commissioner (RPF) and the Company has no liability for future provident fund benefits other than its annual contribution. Since it is a defined contribution plan, the contributions are accounted for on an accrual basis and recognized in the statement of profit and loss.

c) **Compensated absences**

The Company does not have a policy of encashment of unavailed leaves for its employees. Employees are permitted to carry forward leaves subject to a prescribed maximum days. The Company provides for compensated absences in accordance with AS 15 (revised 2005) Employee Benefits issued by Institute of Chartered Accountants of India (ICAI). The provision is based on an independent external actuarial valuation at the balance sheet date.

2.8 **Operating lease accounting**

Lease payments for assets taken on operating lease are recognized in the statement of profit and loss over the lease term in accordance with AS 19, Leases, issued by the ICAI.

2.9 **Revenue recognition**

Interest income is recognized in the statement of profit and loss on an accrual basis. In case of Non Performing Assets (NPA) interest income is recognised upon realisation as per the RBI Guidelines. Interest accrued and not realised before the classification of the asset as an NPA is reversed and credited to the interest suspense account.

Income from BPO services and other financial charges are recognized on an accrual basis, except in case of cheque bouncing charges, late payment charges, foreclosure charges and application money, which are accounted as and when received.

Upfront /processing fees are recovered and recognised at the time of disbursement of loan.

Income from dividend is recognized in the statement of profit and loss when the right to receive is established.

2.10 **Taxation**

Tax expenses are the aggregate of current tax and deferred tax charged or credited in the statement of profit and loss for the year.

a) **Current tax**

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

b) **Deferred tax**

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date. Deferred tax asset and liability are netted off and disclosed in the balance sheet under the Head "Deferred tax asset / liability".

2.11 **Earnings per share**

The Company reports basic and diluted earnings per equity share in accordance with AS 20 on earnings per share issued by the ICAI. Basic earnings per equity share have been computed by dividing net profit /

loss attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share have been computed by dividing the net profit attributable to the equity share holders for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti dilutive.

2.12 Provisions and contingences

The Company recognizes provision when there is present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements. Provisions are reviewed at each balance sheet date and adjusted to reflect the current management estimates. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

A disclosure of contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resource is remote, no provision or disclosure is made.

Contingent assets are not recognized in the financial statements.

2.13 Borrowing costs

Interest on borrowings is recognized in statement of profit and loss on an accrual basis. Costs associated with borrowings are grouped under financial charges along with the interest costs.

2.14 Cheques on hand

The Company has been following the policy of crediting the customer's account only on receipt of amount in bank and as such no cheques on hand are taken into consideration.

2.15 Securitisation

Gains arising on assignment of receivables will be recognised at the end of the tenure of assignment contract as per the RBI guidelines, while loss, if any is recognised upfront.

2.16 Loan origination costs

Brokerage, commission, incentive to employee, etc. paid at the time of acquisition of loans are charged to revenue.

2.17 Provisioning on receivables from financing activity

The Company assesses all receivables for their recoverability and accordingly recognises provision for non performing and doubtful assets as per approved Company policies and guidelines. The Company ensures provisions made are not lower than as stipulated by RBI guidelines.

The Company provides 0.25% on standard assets as stipulated by Circular No. DNBS.PD.CC.No.207/03.02.002 /2010-11 dated January 17, 2011 issued by RBI under the head "Contingent Provision against Standard Assets". The Company has also made additional provision on standard assets under the head "General provisions". The rate of general provision is based on the management estimate of future expected losses in loan portfolio. The rate of general provision is calculated using "probability of default" (PD) and "loss given default" (LGD).

Notes to the financial statements (Continued)



3 Share capital

(₹ in Crores)

Particulars	As at March 31, 2014	As at March 31, 2013
Authorised 100,00,00,000 (100,00,00,000) equity shares of ₹ 10 each	1,000.00	1,000.00
Issued, Subscribed & Paid up 51,37,50,219 (41,07,65,750) equity shares of ₹ 10 each fully paid	513.75	410.77
Total	513.75	410.77

3.1 Reconciliation of the number of shares

(₹ in Crores)

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number	Amount	Number	Amount
Equity shares of ₹ 10 fully paid up				
Shares outstanding at the beginning of the year	41,07,65,750	410.77	41,06,05,600	410.61
Shares issued during the year	10,29,84,469	102.98	1,60,150	0.16
Shares outstanding at the end of the year	51,37,50,219	513.75	41,07,65,750	410.77

3.2 Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. The holders of equity shares are entitled to dividends, if any, proposed by the Board of Directors and approved by shareholders at the Annual General Meeting.

3.3 Details of shareholders holding more than 5% of the aggregate shares in the Company

Particulars	As at March 31, 2014		As at March 31, 2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity shares of ₹ 10 fully paid up HDFC Bank Limited (Holding Company)	50,00,00,000	97.32	40,00,00,000	97.38

3.4 Number of shares reserved for ESOS

Particulars	As at March 31, 2014	As at March 31, 2013
Equity shares of ₹ 10 fully paid up Number of Shares reserved for ESOS	21,51,700	9,03,750

Notes to the financial statements (Continued)



4 Reserves and surplus

(₹ in Crores)

Particulars	As at March 31, 2014	As at March 31, 2013
Share premium account		
Opening balance	296.35	296.22
Add : Additions during the year on account of issue of shares	472.81	0.14
Closing balance (A)	769.16	296.35
Statutory Reserve u/s 45 IC(1) of Reserve Bank of India Act, 1934		
Opening balance	36.05	15.55
Add : Additions during the year	41.86	20.50
Closing balance (B)	77.91	36.05
Surplus in statement of profit and loss		
Opening balance	130.36	48.41
Add : Profit for the year	209.24	102.45
Less : Transfer to Statutory Reserves u/s 45 IC of RBI Act 1934	41.86	20.50
Less : Proposed dividend	25.69	-
Less : Provision for dividend tax on dividend	4.37	-
Closing balance (C)	267.67	130.36
Total (A+B+C)	1,114.75	462.76

5 Long term borrowings

(₹ in Crores)

Particulars	Non Current		Current	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
Secured				
(a) Privately placed redeemable non convertible debenture (Refer note 5.3) secured by pari passu charge by mortgage of Company's office at no.130, 3 rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and exclusive charge by hypothecation of receivables under financing activity.	3,008.00	1,734.00	339.00	60.00
Less : shown under other current liabilities. (Refer note 10)	-	-	339.00	60.00
Total (A)	3,008.00	1,734.00	-	-
(b) Term loans from banks against hypothecation of receivables under financing activity (Refer note 5.2, 5.4)	4,007.71	2,721.37	2,485.29	1,888.14
Less : shown under other current liabilities. (Refer note 10)	-	-	2,485.29	1,888.14
Total (B)	4,007.71	2,721.37	-	-
Unsecured				
Privately placed subordinated (Tier II) redeemable bonds (Refer note 5.5)	830.00	600.00	-	-
Total (C)	830.00	600.00	-	-
Total (A+B+C)	7,845.71	5,055.37	-	-

Notes to the financial statements (Continued)



- 5.1 No term loans, non convertible debentures, subordinate debts, commercial paper and any other borrowing is guaranteed by directors and / or others.
- 5.2 Non current portion of term loans availed from related parties is ₹ 504.56 crores (Previous year: ₹ 330.90 crores).
- 5.3 Terms of repayment of privately placed redeemable non convertible debenture. (₹ in Crores)

Previous year figures are in (brackets)

Rate of interest (%)	1-3 years	3-5 years	>5 years	Total
8.5-9.5	792.00	100.00	-	892.00
	(300.00)	(162.00)		(462.00)
9.5-10.5	1,125.20	845.80	-	1,971.00
	(631.00)	(641.00)		(1,272.00)
above 10.5	145.00	-	-	145.00
	-	-		-

- 5.3.1 All the above non convertible debentures are secured by specific charge on receivables under financing activities. Security cover of 1.1 times is always maintained.
- 5.4 Terms of repayment of term loans. (Non current portion) (₹ in Crores)

Previous year figures are in (brackets)

Rate of interest	1-3 years	3-5 years	>5 years	Total
Base Rate	356.31	58.33	-	414.64
	(22.46)	(116.69)	-	(139.15)
Base rate + (0.00% to 0.25%)	2,196.30	308.34	-	2,504.64
	-	-	-	-
Base rate + (0.26% to 1.15%)	999.27	89.16	-	1,088.43
	(1593.63)	(988.59)	-	(2,582.22)

- 5.4.1 All the above term loans are secured by specific charge on receivables under financing activities. Security cover of 1.1 times is always maintained.
- 5.5 Terms of repayment of privately placed unsecured subordinated (Tier II) redeemable bonds. (₹ in Crores)

Previous year figures are in (brackets)

Rate of interest	<10 year	>10 years	Total
9.5-10.5%	830.00	-	830.00
	(600.00)	-	(600.00)

6 Other long term liabilities (₹ in Crores)

Particulars	As at March 31, 2014	As at March 31, 2013
Deposits (not as defined in Section 58A of Companies Act, 1956)	9.75	9.75
Interest accrued but not due on non convertible debentures	52.65	30.22
Other payables	3.30	2.27
Total	65.70	42.24

Notes to the financial statements (Continued)

7 Long term and short term provisions

(₹ in Crores)

Particulars	Non Current		Current	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
(a) Provision for employee benefits				
- Gratuity (funded)	-	-	1.19	0.44
- Compensated absence (unfunded)	1.35	1.05	-	-
- Salary, bonus and reimbursements	-	-	22.43	16.14
- Contribution to provident fund	-	-	1.46	1.14
(b) Others				
- Provision for doubtful debts (Refer note 7.1)	-	-	51.63	15.70
- Provisions for tax	-	-	4.48	-
- Provision for expenses	-	-	32.31	25.96
- Contingent provision against standard assets (refer note 7.2)	25.59	15.40	7.75	4.88
- General provisions (Refer note 7.2)	64.74	43.05	19.61	13.63
- Provision for dividend	-	-	25.69	-
- Provision for dividend distribution tax	-	-	4.37	-
Total	91.68	59.50	170.92	77.88

7.1 Movement in provision for doubtful debts is as under:

(₹ in Crores)

Particulars	As at March 31, 2014	As at March 31, 2013
Opening balance (A)	15.70	1.91
Recoveries from doubtful assets	(45.31)	(0.78)
Loans written off	(49.22)	(0.95)
Net additions during the year	130.47	15.52
Provisions recognised for non performing assets (B) (Refer note 23A)	35.93	13.79
Closing balance (A+B)	51.63	15.70

7.2 Movement in contingent provision, general provisions and provision for investment are as under:

(₹ in Crores)

Particulars	As at April 1, 2013	Addition during the year	As at March 31, 2014
Contingent provision against standard assets	20.27	13.06	33.33
General provisions	56.67	27.68	84.35

8 Short term borrowings

(₹ in Crores)

Particulars	As at March 31, 2014	As at March 31, 2013
<u>Unsecured (Refer 5.1)</u>		
Commercial paper	405.00	150.00
Total	405.00	150.00

Notes to the financial statements (Continued)



9 Trade payables

(₹ in Crores)

Particulars	As at March 31, 2014	As at March 31, 2013
Trade payables	22.98	17.81
Total	22.98	17.81

9.1 Trade payables includes ₹ Nil (Previous Year: ₹ Nil) payable to “Suppliers” registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / is payable by the Company during the year to “Suppliers” registered under this Act. The aforementioned is based on the responses received by the Company to its inquiries with suppliers with regard to applicability under the said Act.

10 Other current liabilities

(₹ in Crores)

Particulars	As at March 31, 2014	As at March 31, 2013
(a) <u>Current maturities of term loans from banks and non convertible debentures</u> (Refer note 5.1)	2,824.29	1,948.14
(b) <u>Other payables</u>		
Overdrawn balances in current account with banks	445.65	-
Statutory liabilities	2.11	1.70
Interest accrued but not due on borrowings	183.33	74.21
Creditors for other expenses (refer note 10.1)	3.52	2.95
Total	3,458.90	2,027.00

10.1 Creditors for other expenses includes ₹ Nil (Previous Year: ₹ Nil) payable to “Suppliers” registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / is payable by the Company during the year to “Suppliers” registered under this Act. The aforementioned is based on the responses received by the Company to its inquiries with suppliers with regard to applicability under the said Act.

11 Fixed assets

(₹ in Crores)

Description of Assets	Gross Block				Accumulated Depreciation				Net Block	
	Balance as at April 1, 2013	Additions during the year	Disposal during the year	Balance as at March 31, 2014	Balance as at April 1, 2013	Depreciation charge for the year	On disposals	Balance as at March 31, 2014	Balance as at March 31, 2014	Balance as at March 31, 2013
Tangible assets										
Office equipment	5.75	4.69	0.05	10.40	2.52	0.70	0.03	3.18	7.21	3.24
Furniture and fixtures	8.00	7.02	0.01	15.02	2.73	1.94	0.01	4.66	10.36	5.28
Improvement to leasehold	11.77	7.90	0.00	19.67	2.91	1.93	0.00	4.84	14.83	8.86
Computers	4.81	6.22	0.00	11.03	3.24	2.47	0.00	5.71	5.31	1.57
Immovable Property	0.15	(0.00)	-	0.15	0.00	0.00	-	0.01	0.14	0.15
Motor cars	0.51	(0.00)	-	0.51	0.07	0.10	-	0.17	0.34	0.44
Sub-total (a)	31.00	25.84	0.06	56.78	11.47	7.16	0.04	18.58	38.19	19.52
Intangible assets										
Software and system development	3.33	1.04	-	4.37	2.71	0.43	-	3.15	1.22	0.62
Sub-total (b)	3.33	1.04	-	4.37	2.71	0.43	-	3.15	1.22	0.62
Total (a+b)	34.33	26.88	0.06	61.15	14.18	7.59	0.04	21.73	39.42	20.14
Previous Year	21.79	12.59	0.05	34.33	9.95	4.27	0.03	14.18	20.14	11.84

Notes to the financial statements (Continued)



(₹ in Crores)

Description of Assets	Gross Block			Accumulated Depreciation				Net Block		
	Balance as at April 1, 2012	Additions during the year	Disposal during the year	Balance as at March 31, 2013	Balance as at April 1, 2012	Depreciation charge for the year	On disposals	Balance as at March 31, 2013	Balance as at March 31, 2013	Balance as at March 31, 2012
Tangible Assets										
Office equipment	3.90	1.85	-	5.75	1.47	1.05	-	2.52	3.24	2.44
Furniture and fixtures	4.79	3.21	-	8.00	1.72	1.00	-	2.73	5.28	3.07
Improvement to leasehold	6.92	4.90	0.05	11.77	1.78	1.16	0.03	2.91	8.86	5.14
Computers	3.17	1.64	-	4.81	2.50	0.74	-	3.24	1.57	0.67
Immovable Property	0.15	0.00	-	0.15	0.00	0.00	-	0.00	0.15	0.15
Motor cars	0.11	0.40	-	0.51	0.00	0.07	-	0.07	0.44	0.10
Sub-total (a)	19.04	12.00	0.05	31.00	7.48	4.02	0.03	11.47	19.52	11.57
Intangible Assets										
Software and system development	2.64	0.69	-	3.33	2.47	0.24	-	2.71	0.62	0.17
Sub-total (b)	2.64	0.69	-	3.33	2.47	0.24	-	2.71	0.62	0.17
Capital work in progress	0.11	(0.11)	-	-	-	-	-	-	-	0.11
Sub-total (c)	0.11	(0.11)	-	-	-	-	-	-	-	0.11
Total (a+b+c)	21.79	12.59	0.05	34.33	9.95	4.27	0.03	14.18	20.14	11.84
Previous Year	16.53	5.26	-	21.79	6.33	3.61	-	9.95	11.84	10.19

12 Non current investment

(₹ in Crores)

Particulars	As at March 31, 2014	As at March 31, 2013
<u>Non trade investment (valued at cost unless stated otherwise)</u>		
Pass through certificates for securitisation of asset pool (A) (Face value ₹ 0.35 crores)	0.35	0.57
Unquoted Equity shares of Vayana Enterprises Private Limited 10,44,776 shares of ₹ 10 each fully paid up (previous year 10,44,776 shares of ₹ 10 each fully paid up)	3.50	3.50
Less - Provision for dimunition in the value of investments in Vayana Enterprises Private Limited	1.51	1.51
Net investment value in Vayana Enterprises Private Limited (B)	1.99	1.99
Total (A+B)	2.34	2.56

13 Deferred tax asset (net)

(₹ in Crores)

Particulars	As at March 31, 2014	As at March 31, 2013
<u>Deferred Tax Asset</u>		
Depreciation and amortisation	0.44	0.51
Provision for compensated absences	0.46	0.36
Provision on standard asset	11.33	6.89
General provision	28.67	19.26
Provision on non performing asset	17.55	5.34
Provision for dimunition of investment	0.51	0.51
Gross deferred tax assets (A)	58.96	32.87
Deferred tax liability	-	-
Gross deferred tax liability (B)	-	-
Total (A+B)	58.96	32.87
Movement in net deferred tax asset during the year	26.09	32.87

Notes to the financial statements (Continued)



14 Receivables under financing activity

(₹ in Crores)

Particulars	Non Current		Current	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
Secured (Refer note 14.1,14.2)	9,485.68	5,757.79	2,462.13	1,527.28
Unsecured	707.26	446.16	624.44	436.66
Doubtful (Refer note 14.3)	-	-	107.97	35.77
Total	10,192.94	6,203.95	3,194.54	1,999.72

14.1 Receivables under financing activity represent principal and accrued interest income outstanding at the close of the year net of amounts written off.

14.2 Secured against the equitable mortgage of property and / or pledging of shares, units, other securities, assignment of life insurance policies and / or hypothecation of assets (including commercial vehicles and construction equipments) and / or company guarantees or personal guarantees.

14.3 Refer to note 23A for the provisions made on doubtful assets.

15 Loans and advances

(₹ in Crores)

Particulars	Non Current		Current	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
a. Capital advances	-	-	0.36	0.72
b. Security deposits (unsecured, considered good)	5.80	4.11	-	-
c. Advances recoverable in cash or in kind (unsecured, considered good)	-	-	2.16	0.93
d. Advance tax and tax deducted at source (net of provision for tax ₹ 235 crores (PY:₹109 crores))	-	-	12.36	6.39
Total	5.80	4.11	14.88	8.03

16 Trade receivables

(₹ in Crores)

Particulars	As at March 31, 2014	As at March 31, 2013
Trade receivable (refer note 16.1)	19.51	11.95
Total	19.51	11.95

16.1 No trade receivable is above six months in current and previous year.

17 Cash and bank balances

(₹ in Crores)

Particulars	As at March 31, 2014	As at March 31, 2013
Balances with banks	106.82	1.27
Demand drafts on hand	3.94	0.20
Cash on hand	7.65	3.28
Deposits with bank (Refer note 17.1, 17.2)	21.41	6.81
Total	139.82	11.56

Notes to the financial statements (Continued)



17.1 Includes deposits of ₹ 21.41 crores (previous year ₹ 6.81 crores) earmarked for assignment / securitisation transaction.

17.2 Includes deposits of ₹ 14.60 crores (previous year ₹ 4.55 crores) maturing in less than one year.

18 Other current assets (₹ in Crores)

Particulars	As at March 31, 2014	As at March 31, 2013
a. Interest accrued but not due on fixed deposits	0.20	0.01
b. Unamortised discount on commercial paper	21.00	8.41
Total	21.20	8.42

19 Revenue from operations (₹ in Crores)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Interest income	1,481.55	824.25
Other financial charges / income	138.79	83.11
BPO services income	66.36	54.39
Total	1,686.70	961.75

20 Other income (₹ in Crores)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Gain on sale of current investment (net)	1.55	1.43
Dividend on non trade investments	0.02	-
Total	1.57	1.43

21 Employee benefits expense (₹ in Crores)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Salaries and wages (including bonus)	217.81	148.65
Contribution to provident and other funds	14.29	9.53
Staff welfare expenses	2.89	2.43
Total	234.99	160.61

22 Finance costs (₹ in Crores)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Interest expense	857.02	489.54
Discount on commercial paper	30.46	15.01
Other borrowing costs	3.34	6.85
Total	890.82	511.40

Notes to the financial statements (Continued)



23 Other expenses

(₹ in Crores)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Rent (net of sub lease rent received ₹ 0.03 crores (previous year ₹ 0.08 crores))	12.19	9.11
Rates and taxes	0.16	0.05
Telephone	4.79	3.49
Power and fuel	5.51	3.64
Repairs and maintenance-premises	0.41	0.18
Repairs and maintenance-machinery	0.56	0.32
Credit report charges	14.94	8.63
Auditor's remuneration	0.20	0.20
Insurance	0.22	0.16
Commission and brokerage	43.35	30.31
Loss on sale of asset	0.01	0.02
Others administrative expenses	28.59	18.13
Total	110.93	74.24

23A. Provisions and write offs

(₹ in Crores)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
General provision on standard asset	27.67	26.67
Provisions recognised for non performing assets (Refer note 7.2)	35.92	13.79
Write offs (net of recovery ₹ 12.80 crores (previous year ₹ 3.09 crores))	49.22	10.29
Provision for diminition of investment	-	1.51
Contingent provision against standard assets	13.06	10.28
Total	125.87	62.54

24 Earning per share

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Net Profit / Loss (₹ in crores)	209.24	102.45
Weighted average number of equity shares		
Basic	48,45,76,956	41,06,68,584
Diluted	48,45,76,956	41,06,68,584
Earnings per share (₹)		
Basic	4.32	2.49
Diluted	4.32	2.49
Face value per share (₹)	10.00	10.00

Notes to the financial statements (Continued)



25 Auditor's remuneration

(₹ in Crores)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
As Auditor		
Statutory Audit	0.15	0.15
Tax Audit	0.01	0.01
In other capacity		
For Certificates	0.02	0.02
For Expenses		
Sub Total	0.18	0.18
Service Tax	0.02	0.02
Total	0.20	0.20

26 Disclosure pursuant to Reserve Bank of India Notification DNBS. PD. No. 301/3.10.01/2012-13 dated August 21, 2012

(Amount in ₹ Crores)

Sr. No.	Particulars	As at March 31, 2014	As at March 31, 2013
1	Number of SPVs sponsored by the NBFC for securitisation transactions	2	1
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	163.23	28.28
3	Total amount of exposures retained by the NBFC to comply with MRR as on 31st March 2014		
	a) Off-balance sheet exposures		
	* First loss	16.86	2.26
	* Others	-	-
	b) On-balance sheet exposures		
	* First loss	0.35	0.57
	* Others	-	-
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures	-	-
	i) Exposure to own securitisations		
	* First loss	-	-
	* loss	-	-
	ii) Exposure to third party securitisations		
	* First loss	-	-
	* Others	-	-
	b) On-balance sheet exposures		
	i) Exposure to own securitisations		
	* First loss	-	-
	* Others	-	-
	ii) Exposure to third party securitisations		
	* First loss	-	-
	* Others	-	-

Notes to the financial statements (Continued)



27 Capital adequacy ratio

(₹ in Crores)

The Company's capital adequacy ratio, calculated in accordance with the Reserve Bank of India guidelines, is as follows:

Particulars	As at March 31, 2014	As at March 31, 2013
CRAR%	18.40%	18.34%
CRAR - Tier I Capital %	11.43%	10.11%
CRAR - Tier II Capital %	6.97%	8.23%

28 Exposure to real estate sector

(₹ in Crores)

Categories	As at March 31, 2014	As at March 31, 2013
A. Direct exposure		
i. Residential mortgages - (Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented)	6,318.64	3,433.35
ii. Commercial real estate - (Lending secured by mortgages on commercial real estates office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.) Exposure would also include non-fund based (NFB) limits.	2,112.13	1,216.82
iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures -	-	-
a) Residential,	-	-
b) Commercial real estate	-	-
B. Indirect exposure	-	-
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		

29 Maturity pattern of certain items of assets and liabilities

(₹ in Crores)

Particulars	As at March 31, 2014		As at March 31, 2013	
	Assets	Liabilities	Assets	Liabilities
1 day to 30/31 days	243.00	82.74	146.40	30.68
Over one month to 2 months	259.36	189.91	154.25	176.57
Over 2 months upto 3 months	261.44	314.00	157.38	192.20
Over 3 months to 6 months	786.23	728.92	551.42	539.54
Over 6 months to 1 year	1,536.53	1,914.85	986.56	1,177.30
Over 1 year to 3 years	4,791.33	5,614.08	3,065.07	3,456.43
Over 3 years to 5 years	2,517.94	1,400.80	1,456.04	930.79
Over 5 years	2,991.66	830.00	1,686.56	650.00
Total	13,387.49	11,075.31	8,203.68	7,153.51

Notes to the financial statements (Continued)



30 Segment reporting

(₹ in Crores)

Summary of segments of the Company is given below:

Particulars		For the year ended March 31, 2014	For the year ended March 31, 2013
i.	Segment Revenue		
	Lending business	1,620.37	907.34
	BPO services	66.36	54.39
	Unallocated	1.55	1.43
	Total	1,688.28	431.76
	Less: Inter Segment Revenue	-	-
	Income from Operations	1,688.28	431.76
ii.	Segment Results		
	Lending business	323.03	156.87
	BPO services	8.47	7.17
	Unallocated	(13.43)	(13.91)
	Total profit before tax	318.07	150.13
	Income Tax expenses		
	Current tax	(134.50)	(66.48)
	Deferred tax asset	26.09	18.70
	Income tax for earlier year	(0.42)	0.10
	Net Profit	209.24	102.45
iii.	Capital Employed		
	Segment assets		
	Lending business	13,585.37	8,243.43
	BPO services	29.60	16.28
	Unallocated	74.41	45.11
	Total Assets	13,689.38	8,304.82
	Segment Liabilities		
	Lending business	12,008.23	7,414.48
	BPO services	16.92	14.77
	Unallocated	35.73	2.03
	Total Liabilities	12,060.88	7538.79
	Net segment assets / (liabilities)	1,628.50	873.53
	Lending business	1,577.14	828.95
	BPO services	12.68	1.51
	Unallocated	38.68	43.08
iv.	Capital Expenditure (including net CWIP)		
	Lending business	17.74	11.34
	BPO services	8.98	0.62
	Unallocated	0.16	0.74
	Total	26.88	12.69

Notes to the financial statements (Continued)



Particulars		For the year ended March 31, 2014	For the year ended March 31, 2013
v.	Depreciation		
	Lending business	4.97	2.76
	BPO services	2.22	1.21
	Unallocated	0.39	0.30
	Total	7.58	4.27
vi	Other non cash expenditure		
	(Refer note 23A)		
	Lending business	125.87	61.02
	BPO services	-	-
	Unallocated	-	1.51
	Total	125.87	62.54

A Primary Segment

a) Business Segment

Segment identified by the Company comprises as under:

- i. Lending business
- ii. BPO services

b) Segment Revenue and Expense

Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprises as a whole and are not allocable to a segment on a reasonable basis have been disclosed as 'Unallocated'

c) Segment Assets and Liabilities

Segment assets and segment liabilities represent assets and liabilities in respective segments. Investments, tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as 'Unallocated'.

d) Inter Segment Transfers

Segment revenue, segment expenses and segment results include transfer between business segments, such transfers are eliminated on consolidation.

e) Accounting Policies

The accounting policies consistently used in the preparation of the financial statements are also applied to item of revenue and expenditure in individual segments.

31 Disclosure pursuant to Accounting Standard 15 (Revised) - Employee benefits

A) Defined contribution plan

The contribution made to various statutory funds is recognized as expense and included in 'Payments to and provision for employees' in statement of profit and loss. The detail is as follows. (₹ in Crores)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Provident Fund	7.81	5.99
Employee State Insurance Corporation (ESIC)	4.32	2.91

Notes to the financial statements (Continued)

B) Defined benefit plan (gratuity)

(₹ in Crores)

The Company contributes to the group gratuity fund based on the actuarial valuation determined as at the year-end through the HDFC Life Insurance Company (“HDFC Life”) Limited. HDFC Life has certified the fair value of the plan assets.

Details of actuarial valuation as at March 31, 2014 :

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
Benefit obligation as at April 1,	1.35	0.85	0.52	0.19	0.13
Current service cost	0.90	0.47	0.30	0.21	0.11
Past service cost	-	-	-	0.00	
Interest cost	0.12	0.07	0.04	0.01	0.01
Actuarial losses / (gains)	0.27	(0.04)	(0.02)	0.11	(0.06)
Benefits paid	0.02	0.00	-	-	-
Benefit obligation as at March 31	2.63	1.35	0.85	0.52	0.19
Fair value of plan assets as at April 1	0.91	0.54	0.19	0.14	0.07
Expected returns on plan assets	0.09	0.06	0.03	0.01	0.01
Employer’s contribution	0.44	0.32	0.33	0.04	0.06
Benefits paid	0.02	0.00	-	-	-
Actuarial gains / (losses)	0.00	0.00	(0.01)	(0.01)	0.00
Fair value of plan assets as at March 31	1.44	0.91	0.54	0.19	0.14
Balance sheet recognition					
Present value of obligation	2.63	1.35	0.85	0.52	0.19
Fair value of planned asset	(1.44)	(0.91)	(0.54)	(0.19)	(0.14)
Liability (asset)	1.19	0.44	0.32	0.33	0.04
Unrecognised past service cost		-	-	-	-
Liability (asset) recognized in the balance sheet	1.19	0.44	0.32	0.33	0.04
Profit and loss (expenses)					
Current service cost	0.90	0.47	0.30	0.21	0.11
Past service cost	-	-	-	0.00	-
Interest on obligation	0.12	0.07	0.04	0.02	0.01
Expected return on plan assets	(0.09)	(0.06)	(0.03)	(0.01)	(0.01)
Net actuarial losses / (gains) recognised in the year	0.27	(0.04)	(0.00)	0.11	(0.06)
Expenses recognised in the statement of profit and loss	1.19	0.44	0.32	0.33	0.04
Actual return on planned assets					
Expected return on planned assets	0.09	0.06	0.03	0.01	0.01
Actuarial gain / (loss) on plan assets	0.01	0.00	(0.01)	(0.01)	0.00
Actual return on plan assets	0.10	0.06	0.02	0.01	0.01

Notes to the financial statements (Continued)



Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
Movement in the net liability recognised in the balance sheet					
Opening net liability	0.44	0.32	0.33	0.04	0.06
Expenses	1.19	0.44	0.32	0.33	0.04
Contribution	(0.44)	(0.32)	(0.33)	(0.04)	(0.06)
Closing net liability	1.19	0.44	0.32	0.33	0.04
Assumptions					
Discount rate	8.83%	8.00%	8.28%	8.20% p.a.	8.40% p.a.
Future salary increase (%)					
General staff	5.00%	5.00%	5.00%	5.00%	5.00%
Others	5.00%	5.00%	5.00%	5.00%	5.00%
Expected rate of return on plan assets	8.00%	8.00%	8.00%	8.00% p.a.	8.00% p.a.
Actuarial (gain) / loss on obligation					
Experience adjustment	0.35	(0.17)	(0.01)	0.31	(0.04)
Assumption change	(0.08)	0.13	(0.00)	(0.21)	(0.02)
Total	0.27	(0.04)	(0.02)	0.11	(0.06)
Actuarial (gain) / loss on plan assets					
Experience adjustment	0.01	0.00	(0.01)	(0.01)	0.00
Assumption change	-	-	-	-	-
Total	0.01	0.00	(0.01)	(0.01)	0.00
Estimated contribution next year	0.89	0.44	0.32	0.33	0.04
Category of Plan asset	% of Fair value to total planned assets (as at March 31, 2014)				
Government securities	7.04				
Debenture and bonds	82.68				
Others debt instruments	10.28				
Total	100.00				

32 Related party disclosures

Name of the related party and nature of relationship

Holding Company: HDFC Bank Limited

Enterprise under common control of holding company: HDFC Securities Limited.

Enterprise over which holding company is able to exercise significant influence:

HBL Global Pvt Ltd

Key Management Person: Ramesh G (Managing Director) (w.e.f. July 1, 2012)

Notes to the financial statements (Continued)

Details of Related Party Transactions for the Year:

(₹ in Crores)

Related party	Nature of relationship	Nature of transaction	For the year ended March 31, 2014	For the year ended March 31, 2013
HDFC Bank Ltd.	Holding Company	Fees for BPO services rendered	66.36	61.11
		Term loan availed during the year	600.00	400.00
		Term loan paid during the year	326.43	274.51
		Interest paid on term loan and OD account	89.32	55.61
		Interest received on fixed deposits	0.69	0.71
		Rent paid for premises taken on sub-lease	0.85	0.51
		Fixed deposits placed	14.60	6.81
		Investment banking fees paid	0.29	2.29
		IPA charges	0.01	0.01
		Locker rent	0.00	0.00
		Bank charges	0.67	0.64
		Assignment transaction / securitisation	145.90	28.28
		HBL Global Pvt Ltd.	Entities under common control	Rent received / Receivable for premises given on sub-lease
Equipment hire charges paid	0.13			0.10
Deposit placed	0.10			-
HDFC Securities Ltd.	Entities under common control	Rent paid	0.37	0.26
		Expenses recoverable	0.01	0.02
		Expenses payable	0.05	0.04
		Rent received / receivable from HDFC Securities for premises given on sub-lease	0.01	0.02
Ramesh G	Key Management Person	Salary and allowances	1.44	0.65

Related party	Nature of relationship	Balance	As at March 31, 2014	As at March 31, 2013
HDFC Bank Ltd.	Holding Company	Term loan outstanding	917.27	643.71
		Fixed Deposit	21.41	6.81
		Security Deposit	9.75	9.75
		Balance in current accounts	110.73	1.26
		Balance receivable	17.22	11.31
		Assignment transaction / Securitisation	173.26	48.07
HBL Global Pvt Ltd.	Entities under common control	Balance Receivable	(0.05)	0.03
		Deposit	0.10	-
HDFC Securities Ltd.	Entities under common control	Balance Receivable	0.02	(0.00)

Notes to the financial statements (Continued)

33 Operating leases

- i. Future lease rental payments (₹ in Crores)

Period	As at March 31, 2014	As at March 31, 2013
Not later than one year	15.25	10.50
Later than one year, but less than three years	30.12	29.39
More than three years, but less than five years	26.09	15.77
More than five years	31.81	10.06

- ii. Lease payments recognized in the statement of profit and loss ₹ 12.19 Crores (Previous year ₹ 9.11 Crores).
- iii. Future sub lease income receivable is ₹ 0.07 Crores (Previous year ₹ 0.24 Crores).
- iv. General description of leasing arrangement
- Leased assets: premises and computers.
 - Future lease rentals are determined on the basis of agreed terms.
 - At the expiry of the lease term, the Company has an option either to return the asset or extend the term by a fresh lease agreement.

34 Accounting for employee share based payments

In accordance with resolution approved by the shareholders, the company has reserved shares for issue to employees through ESOS scheme. On the approval of Compensation Committee, each ESOS scheme is issued. The Compensation Committee has approved stock option schemes ESOS-4 in October 2010, ESOS-5 in July 2011, ESOS-6 in June 2012 and ESOS-7 on July 19, 2013. Under the terms of the schemes, the Company may issue stock options to employees and directors of the Company, each of which is convertible into one equity share.

During the year, ESOS-7 was approved by the Compensation Committee at ₹ 56 per option.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed / approved by the Compensation Committee. Such options are exercisable for a period following vesting at the discretion of the Compensation Committee, subject to a maximum of two years from the date of vesting.

Method used for accounting for shared based payment plan.

The Company uses intrinsic value to account for the compensation cost of stock options to employees of the Company.

Activity in the options outstanding under the Employees Stock Option Scheme as at March 31, 2014

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	9,03,750	28.23
Granted during the year	16,45,000	56.00
Exercised during the year	2,93,000	24.66
Forfeited / lapsed during the year	1,04,050	44.36
Options outstanding, end of year	21,51,700	49.17

Notes to the financial statements (Continued)

Activity in the options outstanding under the Employees Stock Options Scheme as at March 31, 2013

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	4,22,900	19.89
Granted during the year	6,91,000	31.00
Exercised during the year	1,60,150	18.59
Forfeited / lapsed during the year	50,000	26.85
Options outstanding, end of year	9,03,750	28.23

Following summarizes the information about stock options outstanding as at March 31, 2014

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life (in years)	Weighted average Exercise Price (₹)
ESOS - 4	17.50	22,800	1.42	17.50
ESOS - 5	25.00	50,800	2.44	25.00
ESOS - 6	31.00	4,90,100	2.91	31.00
ESOS - 7	56.00	15,88,000	3.10	56.00

Following summarizes the information about stock options outstanding as at March 31, 2013

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life (in years)	Weighted average exercise price (₹)
ESOS - 4	17.50	1,47,100	2.34	17.50
ESOS - 5	25.00	86,650	3.02	25.00
ESOS - 6	31.00	6,70,000	3.60	31.00

Fair Value methodology

The fair value of options used to compute proforma net income and earnings per equity share have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company has considered the volatility of the Company's stock price as zero, since historical volatility of similar listed enterprise was not available. The various assumptions considered in the pricing model for the stock options granted by the Company during the year ended March 31, 2014 are:

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Dividend yield	Nil	Nil
Expected volatility	35 - 60%	35 - 60%
Risk - free interest rate	7 - 8%	8 - 9%
Expected life of the option	2 - 4 years	3 - 5 years

Notes to the financial statements (Continued)



Impact of fair value method on net profit and EPS

(₹ in Crores)

Had compensation cost for the Company's stock option plans outstanding been determined based on the fair value approach, the Company's net profit and earnings per share would have been as per the proforma amounts indicated below:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Net Profit / (Loss) (as reported)	209.24	102.45
Stock based compensation expense determined under fair value based method: (proforma)	1.26	0.42
Net Profit / (Loss) (proforma)	208.00	102.03
Basic earnings per share (as reported) (₹)	4.32	2.49
Basic earnings per share (proforma) (₹)	4.29	2.48
Diluted earnings per share (as reported) (₹)	4.32	2.49
Diluted earnings per share (proforma) (₹)	4.29	2.48

35 Details of dues to Micro, Small and Medium Enterprises

(₹ in Crores)

As per the confirmation received from the parties following is the status of MSME parties.

Particulars	As at March 31, 2014	As at March 31, 2013
The principal amount remaining unpaid at the end of the year	-	-
The interest amount remaining unpaid at the end of the year	-	-
Balance of MSME parties at the end of the year	-	-

36 Commitments

(₹ in Crores)

Particulars	As at March 31, 2014	As at March 31, 2013
1. Estimated amount of contracts remaining to be executed on capital account and not provided for: (Net of Advances amounting to ₹ 0.36 crores, previous year ₹ 0.72 crores)	3.73	1.64
2. Undrawn committed sanctions to borrowers	35.62	19.13

37 Loan against gold portfolio to total portfolio is 0.99% (Previous year 0.56%)

38 Disclosure pursuant to Reserve Bank of India Notification DNBS.CC.PD.No.356 /03.10.01/2013-14 dated September 16, 2013, pertaining to gold loans

Details of Gold auctions conducted*

(₹ in crores)

No. of Loan accounts	Outstanding loan amount	Sale Consideration of the gold **
89	0.38	0.71

* No sister concern of the Company participated in any of the above auctions.

** the excess of sales consideration over and above the outstanding amount is repaid to respective borrower.

Notes to the financial statements (Continued)

39 Disclosure pursuant to Reserve Bank of India Notification DNBS.CO. PD. No. 367 / 03.10.01/2013-14 dated January 23, 2014

(₹ in Crores)

Sl No	Type of Restructuring	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total				
		Standard	Sub Standard	Doubtful	Loss	Standard	Sub Standard	Doubtful	Loss	Standard	Sub Standard	Doubtful	Loss	Standard	Sub Standard	Doubtful	Loss	Total
	Asset Classification																	
	Details																	
1	Restructured Accounts as on April 1 of the FY (opening figures)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructures standard advances at the beginning of the next FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Down-gradations of restructures accounts during the FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31 of the FY (closing figures)*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable)

Notes to the financial statements (Continued)



40 Summary of total borrowings, receivables and provisions

Total borrowings

(₹ in Crores)

Particulars	As at March 31, 2014	As at March 31, 2013
Term-wise breakup		
Long term borrowings	7,845.71	5,055.37
Short term borrowings	405.00	150.00
Current maturities of long term borrowings	2,824.29	1,948.14
Total borrowings	11,075.00	7,153.51
Category-wise breakup		
Secured		
Term loans from bank	6,493.00	4,609.51
Non Convertible Debentures	3,347.00	1,794.00
Overdraft	-	-
Unsecured		
Subordinate debts	830.00	600.00
Commercial papers	405.00	150.00
Total borrowings	11,075.00	7,153.51

Total receivable under financing

(₹ in Crores)

Particulars	As at March 31, 2014	As at March 31, 2013
Term-wise breakup		
Long term receivables	10,192.95	6,203.95
Current maturities of long term receivables	3,194.54	1,999.72
Total receivables	13,387.49	8,203.67
Less: non performing assets	107.97	35.77
Net loan book	13,279.51	8,167.90
Category-wise breakup		
Secured	12,050.84	7,318.00
Unsecured	1,336.65	885.67
Total receivables	13,387.49	8,203.67
Less: non performing assets	107.97	35.77
Net loan book	13,279.51	8,167.90

Total asset provisions

(₹ in Crores)

Category-wise breakup	As at March 31, 2014	As at March 31, 2013
Provision for doubtful debts	51.63	15.70
Contingent provision against standard assets	33.33	20.27
General provisions	84.35	56.67
Provision for diminution in the value of investments	1.51	1.51
Total	170.82	94.16

Notes to the financial statements (Continued)



41 Disclosure under Clause 16 of the Listing Agreement for Debt Securities

The Debentures are secured by way of a first and pari passu mortgage in favour of the Debenture Trustee on the Company's office at no. 130, 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and further secured by way of hypothecation of receivables under financing activity with a minimum asset cover of 1.1 times always provided.

42 Disclosure under Clause 28 of the Listing Agreement for Debt Securities

(₹ in Crores)

Particulars	As at March 31, 2014	As at March 31, 2013
a) Loans and advances in the nature of loans to subsidiaries	-	-
b) Loans and advances in the nature of loans to associates	-	-
c) Loans and advances in the nature of loans where there is -	-	-
(i) no repayment schedule or repayment beyond seven years	-	-
(ii) no interest or interest below section 372A of Companies Act, 1956.	-	-
d) Loans and advances in the nature of loans to firms/companies in which directors are interested	-	-

43 During the year, the Company has placed additional fixed deposits of ₹ 14.60 Crores with HDFC Bank pursuant to fresh securitisation transaction entered during the year. Total fixed deposits stands at ₹ 21.41 Crores (previous year ₹ 6.81 Crores) on account of assignment and securitisation transaction outstanding on March 31, 2014.

44 Previous year figures have been regrouped/ rearranged, where necessary.

As per our report of even date attached.

For B S R & Co. LLP

Chartered Accountants

Firms' Registration No: 101248W

Akeel Master

Partner

Membership No: 046768

For and on behalf of the Board

G Subramanian

Chairman

Kaizad Bharucha

Director

Ramesh G

Managing Director

Anil Jaggia

Director

Mumbai

April 15, 2014

Rohit Bhase

Company Secretary

Haren Parekh

Head - Finance

RBI Disclosure



Disclosure pursuant to paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007) vide Reserve Bank of India Notification DNBS.193DG (VL) - 2007 dated February 22, 2007. (₹ in Crores)

Sr. No	Particulars	As at March 31, 2014	As at March 31, 2013
	Liabilities side:		
1	Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid:		
	(a) Debentures		
	- Secured	3,554.88	1,876.67
	- Unsecured	858.10	621.77
	(other than falling within the meaning of public deposits)		
	(b) Deferred credits	-	-
	(c) Term loans	6,493.00	4,609.50
	(d) Inter-corporate loans and borrowings	-	-
	(e) Other Loans	405.00	150.00
	(Represents working capital demand loans and cash credit from banks)		
	Assets side:		
2	Break-up of loans and advances including bills receivables [other than those included in (4) below]:		
	(a) Secured	8,732.47	4,870.88
	(b) Unsecured	1,336.65	885.67
3	Break up of leased assets and stock on hire and other assets counting towards AFC activities		
	(i) Lease assets including lease rentals accrued and due:		
	a) Financial lease	-	-
	b) Operating lease	-	-
	(ii) Stock on hire including hire charges under sundry debtors:		
	a) Assets on hire	-	-
	b) Repossessed assets	-	-
	(iii) Other loans counting towards AFC activities		
	a) Loans where assets have been repossessed	8.75	6.14
	b) Loans other than (a) above	3,309.62	2,440.98
4	Break-up of investments (net of provision for diminution in value):		
	Current investments:		
	I. Quoted:		
	i. Shares:		
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and bonds	-	-
	iii. Units of mutual funds	-	-
	iv. Government securities	-	-
	v. Others (please specify)	-	-

RBI Disclosure (Continued)

	II. Unquoted:		
	i. Shares:		
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and bonds	-	-
	iii. Units of mutual funds	-	-
	iv. Government securities	-	-
	v. Others (Please specify)	-	-
	Long Term Investments:		
	I. Quoted:		
	i. Shares:		
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and bonds	-	-
	iii. Units of mutual funds	-	-
	iv. Government securities	-	-
	v. Others (please specify)	-	-
	II. Unquoted:		
	i. Shares:		
	a) Equity	3.50	3.50
	b) Preference	-	-
	ii. Debentures and bonds	-	-
	iii. Units of mutual funds	-	-
	iv. Government securities	-	-
	v. Others (Investment in pass through certificates)	0.35	0.57
5	Borrower group-wise classification of assets financed as in (2) and (3) above:		
	1. Related Parties		
	(a) Subsidiaries	-	-
	(b) Companies in the same group	-	-
	(c) Other related parties	-	-
	2. Other than related parties	13,387.49	8,203.67
6	Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)		
	1. Related parties		
	(a) Subsidiaries	-	-
	(b) Companies in the same group	-	-
	(c) Other related parties	-	-
	2. Other than related parties	3.50	3.50
7	Other information		
	(i) Gross non-performing assets		
	a. Related party	-	-
	b. Other than related party	107.97	35.77
	(ii) Net non-performing assets		
	(a) Related party	-	-
	(b) Other than related party	56.36	20.07
	(iii) Assets acquired in satisfaction of debt	-	-

HDB Financial Services Limited

Regd. Office: Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad - 380009

FORM OF PROXY

I/We _____ of _____ being a member(s) of HDB Financial Services Limited, hereby appoint

Mr./Ms. _____ of _____ failing him

Mr./Ms. _____ of _____ as my/our proxy to attend and vote for me/us on my/our behalf at the 7th Annual General Meeting of the Company to be held on Tuesday, the 17th day of June, 2014 at 12.00 noon at HDFC Bank House, Final Plot No-287, Ellis bridge Township Scheme No.3, Navrangpura, Ahmedabad, Gujarat-380009 and/or at any adjournment(s) thereof.

Dated this _____ day of _____, 2014

Name: _____

Address: _____

Reg. Folio No: _____ DP ID No. : _____

Client ID No: _____ No. of Shares: _____

Affix
₹ 1/-
Revenue
Stamp

.....
Signature of Shareholder/Proxy

Notes:

1. The Proxy Form must be deposited at the Registered Office of the Company at Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad - 380009 at least 48 hours before the time for holding the meeting. The proxy need not be a member of the Company.
2. All alterations made in the Proxy Form should be initialled.
3. In case of multiple proxies, proxy later in time shall be valid and accepted.

ATTENDANCE SLIP

HDB Financial Services Limited

Regd. Office: Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad - 380009

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

I hereby record my presence at the 7th Annual General Meeting of the Company, convened on Tuesday, the 17th day of June, 2014 at 12.00 noon at HDFC Bank House, Final Plot No-287, Ellis bridge Township Scheme No.3, Navrangpura, Ahmedabad, Gujarat-380009.

Reg. Folio No : _____ DP ID No. : _____

Client ID No : _____ No. of Shares : _____

Name and Address of Equity Shareholder (IN BLOCK LETTERS):

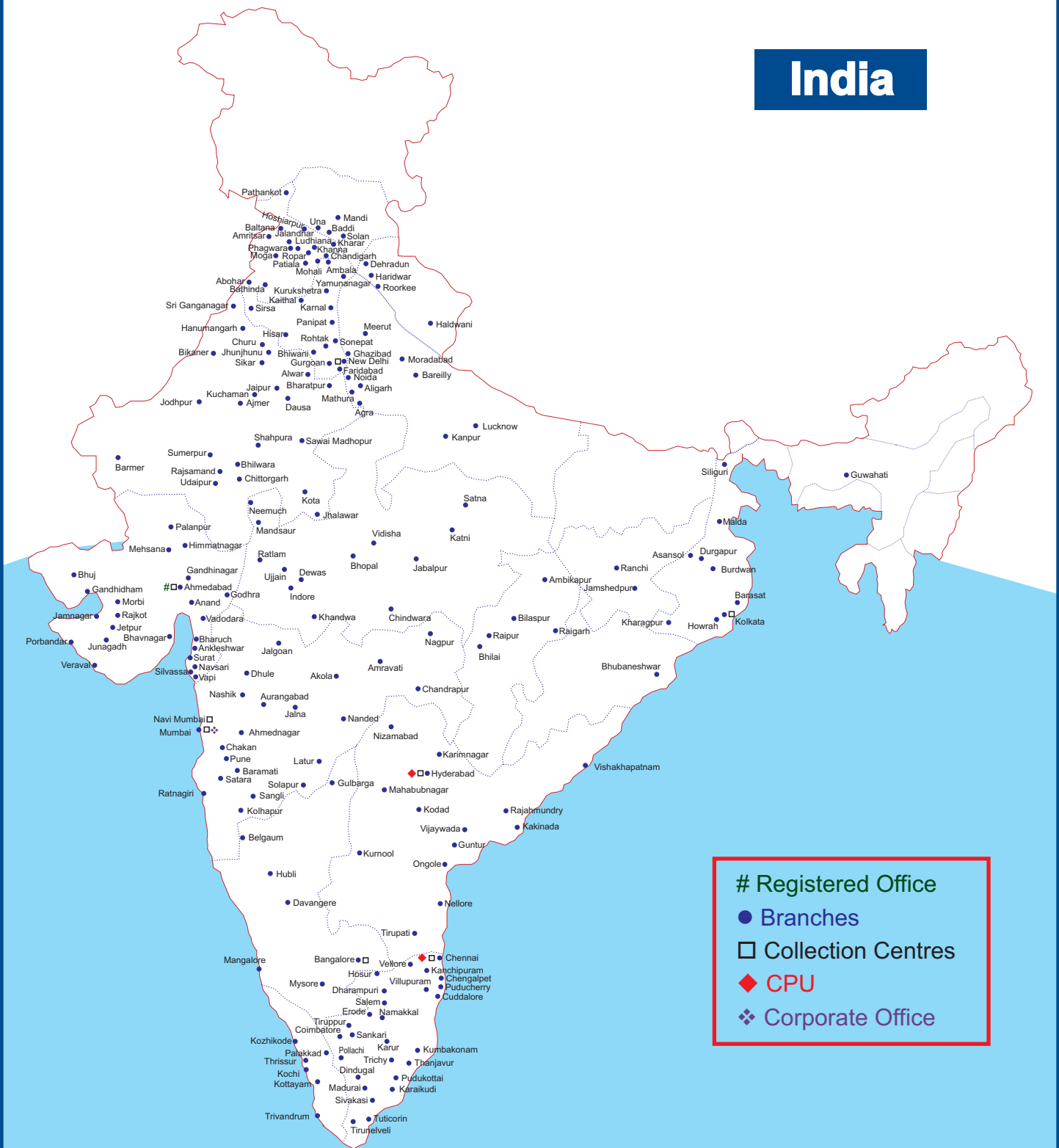
Name and Address of the Proxy (IN BLOCK LETTERS, to be filled in by the proxy attending instead of the Equity Shareholder):

Signature of the Equity Shareholder / Proxy

NOTE: Equity Shareholders attending the meeting in person or through Proxy are requested to complete the Attendance Slip and hand it over at the entrance of the meeting hall.

Distribution Network

India



- # Registered Office
- Branches
- Collection Centres
- ◆ CPU
- ❖ Corporate Office

Disclaimer : All efforts have been made to make this image accurate. However, HDB Financial Services Limited and its Directors do not own any responsibility for the correctness or authenticity of the same.

Car Loan

Personal Loan

Business Loan

Loan against Shares

Loan against Property

Loan against Securities

Commercial Vehicle Loan

Construction Equipment Loan

Loan against Gold Jewellery

BPO Services

Life Insurance

General Insurance