

9th ANNUAL REPORT 2015-2016



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Financial Highlights

(₹ in crores)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Total revenue	431.13	963.19	1,688.27	2,527.26	3,302.02
Profit before tax	70.65	150.13	318.07	530.28	817.81
Profit after tax	51.11	102.45	209.24	349.45	534.41
Assets under Management	3,992	8,251	13,560	19,290	25,906
Shareholders' funds	770.78	873.53	1,628.50	3,125.13	3,561.80
Borrowings	3,150.47	7,153.51	11,075.00	15,277.97	19,612.15
Earnings per share (₹)	1.25	2.49	4.32	6.63	7.64
Book value per share (₹)	18.77	21.27	31.70	44.68	50.87

Corporate Information

Board of Directors

Mr. Aditya Puri (DIN: 00062650), Chairman & Non Executive Director
(appointed effective May 01, 2016)

Mr. Bhavesh Zaveri (DIN: 01550468), Non Executive Director
(appointed effective May 01, 2016)

Mr. Jimmy Tata (DIN: 06888364), Non Executive Director
(appointed effective May 01, 2016)

Ms. Smita Affinwalla (DIN: 07106628), Independent Director

Mr. Venkatraman Srinivasan (DIN: 00246012), Independent Director

Mr. G Ramesh (DIN: 05291597), Managing Director

Mr. Anil Jaggia (DIN: 00317490), Non Executive Director
(ceased to be a Director effective September 23, 2015)

Mr. G Subramanian (DIN: 00712803), Chairman & Non Executive Director
(ceased to be a Director effective May 01, 2016)

Mr. Kaizad Bharucha (DIN: 02490648), Non Executive Director
(ceased to be a Director effective May 01, 2016)

Statutory Auditors

B S R & Co. LLP, Chartered Accountants (ICAI Reg. no. 101248W/W-100022)

Registered Office

Radhika, 2nd Floor, Law Garden Road,
Navrangpura, Ahmedabad - 380 009
Tel No.: +91 79-30482717
Web: www.hdbfs.com
Email: compliance@hdbfs.com
CIN: U65993GJ2007PLC051028

Corporate Office

2nd Floor, Process House,
Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel,
Mumbai - 400 013
Tel No.: +91 22 39586300
Fax: +91 22 39586666

Bankers

* Allahabad Bank * Andhra Bank * Bank of Baroda * Bank of India * Bank of Maharashtra * Canara Bank * Citi Bank * Corporation Bank * Deutsche Bank AG * Federal Bank * HDFC Bank * HSBC Bank * IDBI Bank * Indian Bank * Jammu & Kashmir Bank * Kotak Mahindra Bank * Oriental Bank of Commerce * Punjab & Sind Bank * Punjab National Bank * State Bank of Bikaner & Jaipur * State Bank of Hyderabad * State Bank of India * Syndicate Bank * United Bank of India * Vijaya Bank *

Key Managerial Personnel

Mr. G Ramesh, Managing Director
Mr. Haren Parekh, Chief Financial Officer
Mr. Harsh Bajpai, Company Secretary

Registrar & Share Transfer Agents

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

M/s Datamatics Financial Services Limited,
Plot No. , B 5 Part B Cross Lane, MIDC,
Andheri (E), Mumbai-400 093

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

M/s Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound, L.B.S.
Marg, Bhandup (West), Mumbai - 400 078

Debenture Trustees

M/s IDBI Trusteeship Services Limited
Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai - 400 001
Tel.: 91 022 4080 7001, Fax: 91 022 6631 1776, Email: ajit.guruji@idbitrustee.com

9th Annual General Meeting

Date	:	June 28, 2016
Day	:	Tuesday
Time	:	12 noon
Place	:	HDFC Bank House, Final Plot No. 287, Ellis Bridge Township Scheme No. 3, Navrangpura, Ahmedabad, Gujarat - 380 009
Book Closure for AGM	:	Monday, June 20, 2016 to Tuesday, June 28, 2016 (both days inclusive)

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Directors' Report



The Members,
HDB Financial Services Limited

Your Directors have pleasure in presenting the Ninth Annual Report on the business and operations of your Company together with the audited accounts for the Financial Year ended March 31, 2016.

Financial Performance

(₹ In crores)

Particulars	2015-16	2014-15
Total Income	3,302.02	2,527.26
Total Expenditure	2,464.32	1,983.13
Profit/(Loss) before Depreciation & Tax	837.70	544.13
Less: Depreciation	19.89	13.85
Profit before Tax	817.81	530.28
Tax Paid	283.40	180.83
Profit / (Loss) after Tax	534.41	349.45
Appropriations:		
Transfer to Reserve Fund under Section 45-IC of the RBI Act, 1934	106.88	69.89
Interim Dividend Paid	50.56	-
Proposed dividend	42.01	48.96
Dividend Tax thereon	8.55	10.02
Balance carried forward to Balance Sheet	326.40	220.57

Your Company posted total income and net profit of ₹ 3,302.02 crores and ₹ 534.41 crores, respectively, for the financial year ended March 31, 2016, as against ₹ 2,527.26 crores and ₹ 349.45 crores, respectively, in the previous year.

Dividend

Your Company has achieved robust growth during the preceding years and particularly in the financial year 2015 -16. Keeping this in mind, your Directors had declared an 'interim dividend' of Re. 0.60 (Paise Sixty only) per equity share i.e. 6% (Six percent) on each Equity Share of ₹ 10/- (Rupees Ten only), entailing a payout of ₹ 50.56 crores, including dividend distribution tax. The 'interim dividend' was paid to all the shareholders of the Company, whose names appeared on the Register of Members / Beneficial Holders on the 'record date' i.e. Saturday, March 26, 2016.

Further your directors are pleased to recommend a final dividend of Re. 0.60 (Paise Sixty only) per equity share i.e. 6 % (Six percent) on each Equity Share of ₹ 10/- (Rupees Ten only), entailing a payout of ₹ 50.56 crores, including dividend distribution tax. The dividend would be paid to all the shareholders, whose names appear on the Register of Members / Beneficial Holders as on the Book Closure date.

Capital

During the year, your Company issued 7,02,550 (Seven Lac Two Thousand Five Hundred and Fifty) fully paid up equity shares to its employees under the Employees Stock Option Scheme.

Post allotment of equity shares as aforesaid, the issued, subscribed and paid-up share capital of your Company stands increased to ₹ 7,00,17,24,260 (Rupees Seven Hundred crores Seventeen Lac Twenty Four Thousand Two Hundred Sixty only) comprising of 70,01,72,426 (Seventy crores One Lac Seventy Two Thousand Four Hundred and Twenty Six) equity shares of ₹ 10 each as on March 31, 2016.

Directors' Report



Capital Adequacy

Your Company is well capitalized and has a capital adequacy ratio of 19.23 % as at March 31, 2016 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	Amount ₹ in crores
Bank facilities	AAA	AAA/Stable	12,500
Short term debt program	A1+	A1+	2,500
Non-convertible debentures	AAA	AAA/Stable	13,000
Subordinated bond issue	AAA	AAA/Stable	2,000

Borrowings

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

During the year, your Company raised ₹ 7,090 crores through term loans from Banks. No interest payment or principal repayment of the Term Loans was due and unpaid as on March 31, 2016. 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 ₹ 4,062 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 18 months to 5 years. The interest payable is annual and/or on maturity and no interest was due and unpaid as on March 31, 2016. The Company has not received any grievances from the debenture holders. 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 NCDs and Subordinated Bonds are listed on Wholesale Debt Market (WDM) of the Bombay Stock Exchange. The Directors of your Company state that there were no material changes and commitments affecting the financial position of your Company which have occurred between the end of the financial year March 31, 2016 to which the financial statements relate and the date of the report.

Amalgamation

The Company had received approval of the Reserve Bank of India in October 2015 for amalgamation of HBL Global Private Limited ('Transferor Company No. 1') and Atlas Documentary Facilitators Company Private Limited ('Transferor Company No. 2') into HDB Financial Services Limited ('Transferee Company'). The Company subsequently filed application for summons for direction before the High Court of Gujarat for which order was received. In view of the said order, the Company conducted court convened meetings of Shareholders, Secured Creditors and Unsecured Creditors on February 02, 2016 and the amalgamation was unanimously approved by the Shareholders, Secured Creditors and Unsecured Creditors. The Company has made an application to the High Court of Gujarat for its approval for the amalgamation and the same is awaited. Similar processes have been initiated by both the transferor companies before High Court of Mumbai. Final orders are awaited.

Transferor Company No. 1 is into BPO business and provides sales support services to HDFC Bank. Transferor Company No. 2 is into BPO business and provides back office, operations and processing support to HDFC Bank. Transferee Company also carries on BPO business and provides collection services for HDFC Bank. Therefore, the Transferee Company and the Transferor Companies cater primarily to the same customer i.e. HDFC Bank on different service fronts.

The proposed Scheme would simplify and consolidate various services offered by both the Transferor Companies and the Transferee Company into a single entity and enable the merged entity to offer a comprehensive bouquet of services, including BPO services, to HDFC Bank. The amalgamation will also help the Transferee Company provide end-to-end services in the financial services arena covering inter alia sales, document processing, back-office support services and collections.

Corporate Social Responsibility

Your Company's Corporate Social Responsibility (CSR) activities are guided and monitored by its CSR Committee. The CSR Policy of the Company provides a broad set of guidelines including intervention areas. The Company believes CSR is a way of creating shared value and contributing to social and environmental good. Company's strategy is to integrate its activities in community development, social responsibility and environmental responsibility and encourage each business unit or function to include these considerations into its operations.

As part of its initiatives under CSR, the Company has initiated partnerships with implementing agencies for projects in the areas of vocational training, healthcare and education. These projects are in accordance with Schedule VII of the Companies Act, 2013. The Company believes in achieving its CSR objectives through sustained intervention by partnering implementing agencies with strong credentials in the areas the Company seeks to make a difference.

The Company has been circumspect in initiating projects and partnering with the agencies concerned. The endeavor in the current financial year has been building relationships with credible implementing agencies and effective implementation of projects initiated.

The Company, however, believes that it is well positioned to build on the foundations put in place in the current year to broaden and accelerate its CSR interventions in the ensuing years.

The Annual disclosure on CSR activities is annexed herewith as "Annexure A".

Directors

Shareholders at the Annual General Meeting held on June 17, 2015 had appointed Mr. Venkatraman Srinivasan and Ms. Smita Affinwalla as Independent Directors for a term of five (5) years in terms of Section 149 of the Companies Act, 2013.

Mr. Anil Jaggia, Non Executive Director, resigned from the Board of your Company effective September 23, 2015. Consequent to his resignation, he also ceased to be a member of Nomination and Remuneration and Corporate Social Responsibility Committees of the Company. Your directors place on record sincere appreciation for the active participation of Mr. Anil Jaggia in the Board meetings and for his invaluable suggestions relating to the business of the Company during his tenure as a Director of the Company.

Mr. G Subramanian has been associated with the Company since inception as a Non executive Director. He was appointed as the Non executive Chairman of the Company with effect from May, 2012. The term of Mr. G Subramanian as the Chairman of the Company expires on April 30, 2016. Mr. G Subramanian has expressed his desire to step down from the Board due to his family commitments, social and philanthropic interests. The Board of Directors, at their meeting held on April 14, 2016, have accepted his request to step down from the Board of the Company effective May 01, 2016. Consequent to his resignation, he ceases to be a member of the Audit, Risk, Asset Liability, Nomination and Remuneration, Corporate Social Responsibility, Debenture Allotment, Bond Allotment and Share Allotment Committees of the Company.

Your directors place on record their sincere appreciation for Mr. G Subramanian for his contribution to the Company as a Director and Chairman. Mr. G Subramanian has provided his guidance and expert advice to the Board members and management team in matters of audit, business development, finance and compliance, since has helped your Company to achieve growth and enhance its brand value.

Directors' Report



Mr. Kaizad Bharucha has been associated with the Company as a Non executive Director since January, 2009. Mr. Kaizad Bharucha has expressed his desire to step down from the Board due to his other professional commitments. The Board of Directors, at their meeting held on April 14, 2016, have accepted his request to step down from the Board of the Company effective May 01, 2016. Consequent to his resignation, he ceases to be a member of the Risk, Asset Liability, Nomination and Remuneration, Corporate Social Responsibility, Debenture Allotment, Bond Allotment and Share Allotment Committees of the Company.

Your directors place on record their sincere appreciation for Mr. Kaizad Bharucha for his contribution to the Company as a Director. Mr. Kaizad Bharucha has provided his invaluable guidance and expert advice to the Board members and management team in matters of business development, finance, treasury and risk management, which has helped your Company to achieve growth and enhance its brand value.

The Board of Directors, at its meeting held on April 14, 2016, have inducted Mr. Aditya Puri (DIN: 00062650) as an Additional Non - Executive Director of the Company with effect from May 01, 2016 and till the conclusion of the ensuing Annual General Meeting, in terms of Sections 152 and 161 of the Companies Act, 2013 ('the Act'). Furthermore, the Board of Directors, at its meeting held on April 14, 2016, has also approved the appointment of Mr. Aditya Puri as the Non Executive Chairman of the Company effective May 01, 2016. The Company has received written notice along with requisite deposit as per Section 160 of the Act, from a member proposing his candidature for the office of Non Executive Director as per the provisions of Section 152 of the Act.

Furthermore, the Board of Directors, at its meeting held on April 26, 2016, have inducted Mr. Bhavesh Zaveri (DIN: 01550468) and Mr. Jimmy Tata (DIN: 06888364) as Additional Non - Executive Directors of the Company with effect from May 01, 2016 and till the conclusion of the ensuing Annual General Meeting, in terms of Sections 152 and 161 of the Act. The Company has received written notice along with requisite deposit as per Section 160 of the Act, from a member proposing the candidatures of Mr. Bhavesh Zaveri and Mr. Jimmy Tata for the office of Non Executive Directors as per the provisions of Section 152 of the Act.

Key Managerial Personnel

During the year under review, there has been no change in the composition of the Key Managerial Personnel of the Company.

Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- i. that in preparation of the annual financial statements for the year ended March 31, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii. that appropriate accounting policies have been selected & applied consistently & judgments and estimates made are reasonable & prudent so as to give a true & fair view of the state of affairs of the Company at the end of the financial year ended March 31, 2016 & of the profit of the Company for the said year;
- iii. that proper & sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company & for preventing & detecting fraud & other irregularities;
- iv. that the annual accounts have been prepared on a going concern basis;
- v. the Company has an established internal financial control framework including internal controls over financial reporting, operating controls and for the prevention & detection of frauds & errors. The framework is reviewed periodically by Management and tested by the internal audit team appointed by the Management to conduct the internal audit. Based on the periodical testing, the framework is strengthened from time to time to ensure the adequacy and effectiveness of internal financial controls; and

- vi. that systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and operating effectively.

Vigil Mechanism / Whistle Blower Policy

The Company as part of the 'vigil mechanism' has in place a 'Whistle Blower Policy' to deal with instances of fraud and mismanagement, if any. The Whistle Blower Policy has been placed on the website of the Company.

This vigil mechanism of the Company is overseen by the Audit Committee and provides adequate safeguard against victimization of employees and also provide direct access to the Chairperson of the Audit Committee in exceptional circumstances.

During the year under review, no whistle blower complaint was received and none of the personnel of your Company were denied access to the Audit Committee.

Policy on Prevention of Sexual Harassment

Policy on Prevention and Redressal of Sexual Harassment at Workplace is in place as per the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The said policy is uploaded on the website of the Company.

During the year under review, the Company received one complaint of harassment, which was addressed as per policy.

Statutory Auditors

Pursuant to the provisions of Sections 139 and 141 of the Companies Act, 2013, M/s. B S R & Co. LLP, Chartered Accountants, were appointed as Statutory Auditors of the Company to hold office up to the financial year 2017 -18, subject to the ratification by the members at every Annual General Meeting to be held during their term.

During the year, the audit fees payable to M/s BSR & Co. LLP, Statutory Auditors, was enhanced from ₹ 18,00,000/- p.a. to ₹ 22,00,000/- p.a. excluding out of pocket expenses and service tax effective F.Y. 2015-16. The revision in audit fees was carried out due to increase in scope of audit work, subsequent to the enactment of Companies Act, 2013, wherein the statutory auditors are also required to comment on the adequacy of the 'internal financial controls' of the Company as per Section 134 of the Act.

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

The Board recommends the ratification of M/s. B S R & Co. LLP, Chartered Accountants, as Statutory Auditors of the Company for financial year 2016 -17, to the members at the ensuing Annual General Meeting.

Secretarial Auditors

Pursuant to the provisions of Section 204 of the Companies Act, 2013, the Board of Directors at its meeting held on October 16, 2015 had appointed M/s. Kaushal Dalal & Associates, Practicing Company Secretaries, as the Secretarial Auditor of the Company to conduct the secretarial audit of the Company for the Financial Year 2015 - 16. The Report of the Secretarial Auditor in Form MR-3 is annexed as 'Annexure B'.

Employees Stock Option Scheme (ESOS)

The information pertaining to ESOS in terms of Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 is given in 'Annexure C'.

Statutory Disclosures

- i. Pursuant to the provisions of Section 134(3)(a) and Section 92(3) read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, extract of the Annual Return in Form MGT- 9 is annexed as 'Annexure D'.
- ii. Disclosure as per Section 197(12) of the Companies Act, 2013 pertaining to individuals employed throughout the year and in receipt of remuneration of not less than ₹ 60,00,000/- per annum or ₹ 500,000/- per month is given in 'Annexure E'.
- iii. Disclosures in terms of Section 197(12) read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in 'Annexure F'.
- iv. Pursuant to the provisions of Section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, particulars of the contracts or arrangements with related parties referred to in section 188(1) in Form AOC-2 is annexed as 'Annexure G'.
- v. Pursuant to the provisions of Section 134(3)(e), the Company's policy on director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under Section 178(3) is annexed as 'Annexure H'.

Corporate Governance Report

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

Energy conservation, technology absorption and foreign exchange earnings and outgo

The provisions of Section 134(3)(m) of the Companies Act, 2013, the rules made there under relating to conservation of energy, 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. During the year under review, there was no foreign earning or expenditure in the Company.

Fixed Deposits

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

RBI guidelines

Reserve Bank of India (RBI) granted the Certificate of Registration to the Company in December 2007 vide Registration No. N.01.00477, to commence the business of a non-banking financial institution without accepting deposits. Your Company is 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.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economic Outlook

The year 2015 - 16 witnessed steady economic growth despite a volatile and weak external environment. Decline in commodity prices, low fiscal deficit and depreciation of the rupee vis-a-vis the dollar resulted in low levels of inflation.

Consumer Price Index (CPI) inflation and Wholesale Price Index moderated to 4.83% and (0.85%) respectively, for the month ended March 2016. The Reserve Bank of India (RBI) reduced the repo rate by 1.25% in three stages during the F.Y. 2015-2016. Overall GDP growth in the fiscal settled at around 7.6%, driven by the industry and services sector. Structural shifts in inflation are due to lower oil prices, deceleration in agriculture prices & wages and improved household consumption. Current account deficit (CAD) narrowed to 1.4% of the GDP in the nine months period ended December 2015. Foreign exchange reserves increased to \$ 356 billion at week ended March 25, 2016. Fiscal deficit is expected to be contained at 3.9% as per the budget estimates.

The trading environment witnessed some stability due to decline in both exports and imports bills, significant increase in Foreign Trade Agreements and several mega - regional trading agreements with world's largest traders (USA, Japan, EU).

The vision of the new government is pragmatic and of inclusive growth which is apparent from improvements in indirect tax collections, quality of spending and fiscal consolidation, thereby making more space for public investment in the country. Thrust to agriculture, infrastructure, manufacturing, tax reforms, implementation of UDAY (Ujwal Discom Assurance Yojana) scheme, Pradhan Mantri Jan Dhan Yojna (PMJDY), direct benefit/ subsidy transfer programme, ease of doing business and boosting entrepreneurship are major drivers for boosting the socio-economic environment by the government.

(Data Source: RBI, MoF, CSO and Industry reports)

Industry Structure and Developments

The NBFCs saw moderation in rate of asset growth, rising delinquencies resulting in higher provisioning thereby impacting profitability. However, comfortable capitalisation levels and conservative liquidity management, continues to provide comfort to the credit profile of well run NBFCs inspite of the impact on profitability. NBFCs are likely to see an uptick in bad loans as they migrate towards tighter non-performing asset (NPA) recognition norms.

The Union Budget 2016-17 has cheered the NBFC sector by offering 5% deduction of total income in respect of provision for bad and doubtful debts (NPAs) and full-filled a long standing demand. This has ensured parity of the NBFCs with Banks on tax matters, just as the revised regulatory framework for NBFCs has brought parity with Banks. Some of the other key budget proposals are:

- FDI will be allowed beyond the 18 specified NBFC activities through automatic route in other activities which are regulated by financial sector regulators.
- Amendments in the SARFAESI Act, 2002 to include NBFCs in the loan recovery mechanisms.

NBFCs, which historically have been reliant on bank borrowings, have diversified their resource raising profile to reduce cost of funds. In the current environment financing through debentures and commercial papers (CPs) are cheaper as compared to bank borrowings.

Opportunities

Government has announced a number of policy measures to achieve the projected GDP growth in 2016-17. This includes, approval for large infrastructure projects, addressing challenges of mining and power sectors, increasing foreign investment limits in Insurance and Pension, Asset Reconstruction Companies, E-commerce, Stock Exchanges, Food Processing, Ports, etc. Growth in agricultural sector output and expectations of good monsoon will drive demand from rural areas.

In view of the aforesaid initiatives of the Government, NBFCs can also look for growth in lending activities including asset financing.

Threats

Growth of the Company's asset book, quality of assets and ability to raise funds depend significantly on the economy. Unfavourable 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 service providers, unstable political environment and changes in Government policies / regulatory framework could impact the Company's operations.

Operations

Loan disbursements during the year were ₹ 14,809 crores, as against ₹ 11,351 crores in the previous year. The Assets under Management (AUM) of the Company as at March 31, 2016 increased to ₹ 25,906 crores from ₹ 19,290 crores in the previous year.

Directors' Report



The Company has continued to focus on diversifying its products and expand its distribution to effectively deliver credit solutions to its market.

The current product portfolio consists of:

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

- **Unsecured loans** - These Loans are in the range of ₹ 1,00,000 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 ₹ 1,00,000 to ₹ 8,00,00,000. These loans are offered as term loans with the maximum tenure of upto 180 months. These loans are normally offered on a floating rate basis.

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

- o Residential / Commercial property
- o Cars / automobiles (new and used)
- o Shares
- o Marketable securities such as Bonds
- o Gold jewellery
- **Asset Finance** - Your Company offers loans for purchase of vehicles and equipment that generate income for the borrowers.
 - o **Commercial Vehicle** - The Company provides loans for purchase of new and used commercial vehicles. The Company also offers refinancing for vehicles.
 - o **Construction Equipment** - The Company also provides facilities for purchase of new and used construction equipments.

Your Company's strategy is to diversify its product offerings by providing right credit solutions that fulfils the financial needs of its target segments.

Fee based products

- **Insurance services** - The Company is a registered insurance Corporate Agent having license vide no. HDF 4684721 from Insurance Regulatory & Development Authority of India (IRDAI). The Company sells life and general insurance products of HDFC Standard Life Insurance Company Limited and HDFC Ergo General Insurance Company Limited respectively. IRDAI has renewed Corporate Agency license of the Company which is valid for three years from April 01, 2016 to March 31, 2019 vide its license reg. no. CA0095 dated March 22, 2016.

BPO services business

- **BPO services** - The Company has a contract with HDFC Bank to run collection call centres and collect over dues from borrowers. The Company has set up call centres across the country with a capacity of over 3513 seats. These centres provide collection services for the entire gamut of retail lending products of HDFC Bank. The Company offers end to end collection services in over 500 locations through its calling and field support teams.

Segment wise performance

The details with regard to segment wise performance of the Company are mentioned in the notes forming part of the financial statements at Note no. 32.

Infrastructure

The Company has 929 branches in 623 cities thus creating the right distribution network to sell its products and services. The Company has its data centre at Bengaluru and centralised operations in Hyderabad and Chennai. The Business Process Outsourcing (BPO) services vertical now runs 13 centres with a capacity of over 3513 work stations.

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 2016-17.

Risk management and portfolio quality

The Company recognizes the importance of risk management and has invested in appropriate processes, people and management structure. Towards this end, the Board of Directors at its meeting held on January 15, 2016 had approved a Risk Management Policy for implementation of its risk management strategy and to review the systems used to manage and identify risks faced by your Company. The risk function is supervised by the Risk Committee of the Board. Risk Committee reviews the asset quality on a 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 net advances as of March 31, 2016 stood at 1.23% and 0.73% 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.

Service Quality Initiatives

Your Company has taken various steps to improve the effectiveness of its service delivery and drive consistency of customer experience across its delivery channels. To ensure prompt redressal of customer grievances, the Company has put customer support desk to address all grievances. A customer service committee chaired by the Managing Director undertakes a monthly review of all complaints. The focus of the review is to identify root cause for complaints, to make process changes and identify training needs. A quarterly report is also placed before the Audit Committee.

Your Company has developed a mobile application (ON THE GO) for the use of its customers / borrowers. This application allows our Customers to access their loan details on their mobile phones / devices for information and service. This will provide our customers with an additional option to connect with the Company.

As part of your Company's endeavour to digitize its service offerings, a mobile application has been developed which is installed in the mobile phones of sales and credit staff. This application is integrated with the Company's system.

All these initiatives will provide customer delight and will further help in meeting customer expectations.

To strengthen its internal processes the Company implemented a quality management system in its centralized operations at Hyderabad and Chennai. Operations of the Company are ISO 9001:2008 certified by BSI.

Information Technology

Your Company believes that use of the technology in an optimum manner in its business operations is essential to enhance its brand visibility and achieve business goals. In the FY 2015 – 16, major upgrades and changes have been carried out in the Information Technology infrastructure and related systems of your Company so as to keep in pace with the business and technological requirements.

Data Privacy and Information Security has been a focus area during the year. The Company has invested in network security, testing and training during the year.

Internal Control Systems

The Company has an Internal Control System which is commensurate with the size, scale and complexity of its operations. The Internal Auditors monitor the efficiency and efficacy of the internal control systems in the Company, compliance with operating systems/accounting procedures and policies of the Company. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

The Company also undertakes audit of its branches covering all aspects of branch operations and credit audit covering underwriting aspects.

Directors' Report



The Company has adequate systems and procedures to provide assurance of recording transactions in all material respects. During the year, the Internal Auditors reviewed the operating effectiveness of the internal financial controls by undertaking an effectiveness testing of controls covered under the Risk Control Matrices for major processes.

During the year M/s. NMAH & Associates, Chartered Accountants, in phase two of their scope of work established and reviewed the adequacy of the internal financial controls of various processes as required under Section 134 (5) of the Companies Act, 2013.

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 are reviewed and enhanced 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. Your Company plans to conduct Internal Audit through an in house team from the current year.

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 continues to build on its capabilities in getting the right talent to support different products & geographies and is taking effective steps to retain the talent. The Company continues to focus on training programs for skill development, compliance and improved customer experience. As on March 31, 2016, your Company had 16,508 employees as compared to 10,476 as on March 31, 2015.

Cautionary Note

Certain statements in this Report may be forward-looking and are stated as may be required by applicable laws and regulations. Actual results may vary from those expressed or implied, depending upon economic conditions, Government policies and other incidental / related factors.

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

**G Subramanian
Chairman**

Mumbai
April 26, 2016

Disclosure on Corporate Social Responsibility (CSR) Policy and Activities

1. **A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes:** Given in the CSR Policy, which is uploaded on the Company's website.

Web link: <http://www.hdbfs.com/policies.htm>

2. Composition of the CSR Committee:

- i. Mr. G Subramanian, Chairperson
- ii. Ms. Smita Affinwalla, Member
- iii. Mr. G Ramesh, Member
- iv. *Mr. Kaizad Bharucha, Member
- v. *Mr. Anil Jaggia, Member

**Note: Mr. Anil Jaggia ceased to be the member of CSR Committee effective September 23, 2015. Mr. Kaizad Bharucha was inducted as the member of the CSR Committee effective January 15, 2016.*

3. **Average net profit of the Company for last three (3) financial years of the Company:** ₹ 332.82 crores

4. **Prescribed CSR Expenditure (two percent (2%) of the amount as in item 3 above):** ₹ 6.66 crores

5. Details of CSR spend for the financial year:

- i. Total amount spent for the financial year: ₹1.54 crores and committed ₹ 0.24 crores
- ii. Amount unspent, if any: ₹ 5.12 crores
- iii. Manner in which the amounts were spent during the financial year is detailed below:

(₹ in crores)

#	CSR Project / Activity	Sector	Location	Amount Outlay (Budget) Project wise	Amount spent on the Project	Cumulative Expenditure upto Reporting Period	Amount Spent: Direct or through Implementing Agency*
1.	Health needs of women and children in vulnerable urban slums	Healthcare	Mumbai	0.19	0.19	0.25	0.19
2.	Vocational and placement linked skills development training to unemployed youth, school drop outs	Vocational Training	Jaipur and Udaipur	0.15	0.15	0.20	0.15
3.	Senior Citizen's day care centre	Healthcare	Mumbai	0.04	0.04	0.04	0.04
4.	Vocational and English Literacy Training for Deaf Youth	Vocational Training	Mumbai	0.06	0.06	0.06	0.06
5.	Skills development (vocational) training for underprivileged youth	Vocational Training	Bengaluru	0.12	0.12	0.12	0.12
6.	Skills development (vocational) training for underprivileged youth	Vocational Training	Bengaluru	0.24	0.24	0.24	0.24
7.	Rural school infrastructure improvement	Education	Tamil Nadu	0.50	0.50	0.50	0.50
8.	Infrastructure support (rehab centre) for mentally challenged children from poor socio-economic background	Education	Chennai	0.48	0.24	0.24	0.24
	Total			1.78	1.54	1.65	1.54

* **Details of the Implementing Agency:**

1. *Society for Nutrition Education and Health Action, Mumbai*
2. *Aide-et-Action India, Chennai*
3. *Bombay Community Public Trust, Mumbai*
4. *Deeds Public Charitable Trust, Mumbai*
5. *SGBS Trust, Bengaluru*
6. *SGBS Unnati Foundation, Bengaluru*
7. *Isha Education, Coimbatore*
8. *Bala Vihar (Guild of Service), Chennai*

6. **In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report:**

The Company CSR intervention has endeavoured to obtain an in-depth understanding of the various implementation options available that best integrate with the Company's stated CSR objectives and put in place a strong framework which could be leveraged for CSR interventions in the ensuing years. The Company has also focused on skill development, sanitation and other development projects. The Company is required to partner with FCRA registered CSR implementing agencies. This has limited the options available to the Company to carry out its CSR activities. Certain CSR proposals evaluated by the Company during the year did not meet its objectives. The Company, however, believes that it is well positioned to build on the foundations put in place in the current year to broaden and accelerate its CSR interventions in the ensuing years.

7. The CSR Committee confirms that the implementation and monitoring of its CSR Policy is in compliance with the CSR objectives and policies as laid down in this report.

*Sd/-
Chairperson*

*Sd/-
Managing Director*

Form No. MR-3**SECRETARIAL AUDIT REPORT****For the Financial Year Ended 2015-2016**

[Pursuant to Section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
HDB Financial Services Limited

We have conducted the secretarial audit of all applicable statutory provisions for the financial year 2015-2016 of M/s HDB Financial Services Limited (hereinafter called "the Company"), incorporated on June 04, 2007 having CIN: U65993GJ2007PLC051028 and Registered office at Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad - 380 009, Gujarat.

Based on our verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms, returns filed and other records maintained by the Company for the financial year ended on March 31, 2016 according to the applicable provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder and Companies Act, 1956 as may be applicable;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
- (v) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
- (vi) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (vii) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (viii) Securities And Exchange Board of India (Debenture Trustees) Regulations, 1993
- (ix) Other laws applicable to the Company (List of other laws enclosed and Marked as Annexure-I)

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India w.e.f. July 01, 2015.
- (ii) The Debt Listing Agreement entered into by the Company with BSE Limited upto December 01, 2015.
- (iii) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 w.e.f. December 02, 2015.

During the year under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above. I further report that:

- a. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors and the Key Managerial Personnel of the Company that took place during the year under review were carried out in compliance with the provisions of the Act.
- b. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Directors' Report



- c. Majority decisions are carried through while the dissenting members' views are captured and recorded as part of the minutes.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period the Company has transacted following activities through the approval of the Board / Members, wherever applicable:

- d. Issued and allotted 40,620 (Forty Thousand Six Hundred Twenty) Secured Non Convertible Debentures of ₹ 10,00,000/- (Rupees Ten Lakhs only) on various tranches through Offer or invitation for subscription of securities on private placement, and these securities are listed with the BSE Limited.
- e. Issued and allotted 7,02,550 (Seven Lac Two Thousand and Five Hundred and Fifty) Equity Shares of ₹ 10/- (Rupees Ten only) to the employees of the Company under the Employee Stock Option Scheme ('ESOS') pursuant to the provision of the Section 62(1)(b) of the Companies Act, 2013 and the rules made thereunder.
- f. Redeemed 14,750 (Fourteen Thousand Seven Hundred and Fifty) Secured Non-Convertible Debentures in various tranches during the year.
- g. The members of the Company vide Special Resolution passed in the Extra Ordinary General Meeting held on August 31, 2015 have approved Issuance of Secured Redeemable Non-Convertible Debentures of the Company upto ₹ 5,000 crores (Rupees Five Thousand Crores) on a private placement basis pursuant to the provisions of Section 71 read with Section 42 of the Companies Act, 2013 and rules made thereunder.
- h. Scheme of Amalgamation of HBL Global Private Limited and Atlas Documentary Facilitators Company Private Limited with HDB Financial Services Limited was approved by the Secured Creditors, unsecured creditors and Shareholders respectively in their separate Court convened meeting held on February 02, 2016.
- i. The Board of Directors of the Company at its Meeting held on March 23, 2016, declared an interim dividend at the rate of Re. 0.60/- (Sixty Paise Only) per share (i.e. 6% on the face value of the equity shares) out of the current year's profits on the paid-up equity share capital of the Company.

**For KAUSHAL DALAL & ASSOCIATES
COMPANY SECRETARIES**

Sd/-

**KAUSHAL M. DALAL
PROPRIETOR**

**FCS No. : 7141
COP No.: 7512**

**Mumbai
April 05, 2016**

Directors' Report



Appendix 1

#	Particulars
1	The Employees' Provident Fund and Miscellaneous Provisions Act, 1952
2	The Payment of Gratuity Act, 1972
3	The Payment of the Bonus Act, 1965
4	The Industrial Dispute Act, 1947
5	Employees' State Insurance Act, 1948
6	The Reserve Bank of India Act, 1934
7	The Bombay Industrial Relations Act, 1946
8	Wealth Tax Act, 1957
9	Prevention of Money Laundering Act, 2002
10	Income Tax Act, 1961
11	Chapter V of the Finance Act, 1994

**For KAUSHAL DALAL & ASSOCIATES
COMPANY SECRETARIES**

Sd/-

**KAUSHAL M. DALAL
PROPRIETOR
FCS No. : 7141
COP No.: 7512**

**Mumbai
April 05, 2016**

Annexure C

Details of Employees' Stock Option Scheme pursuant to the provisions of Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 for the year ended March 31, 2016

Details	ESOS - 4	ESOS - 5	ESOS - 6	ESOS - 7	ESOP - 8
Options granted during the year	0	0	0	0	44,13,000
Options vested	0	0	2,06,000	7,92,900	0
Options exercised	2,400	3,000	2,10,250	4,86,900	0
Total number of shares arising as a result of exercise of option	2,400	3,000	2,10,250	4,86,900	0
Options lapsed	4,000	0	9,750	86,000	2,05,000
Exercise price (in ₹)	17.50	25.00	31	56	88
Money realized by exercise of options (in ₹)	70,000	75,000	65,17,750	2,72,66,400	0
Total number of options in force as at March 31, 2016	0	4,000	70,650	5,60,300	42,08,000

Note: There was no variation of the terms of options granted.

Extract of the Annual Return in Form MGT- 9 as per Section 92 of the Companies Act, 2013 for the financial year ended on March 31, 2016

*[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies
(Management and Administration) Rules, 2014]*

I. REGISTRATION AND OTHER DETAILS:

i	CIN	U65993GJ2007PLC051028
ii	Registration Date	June 04, 2007
iii	Name of the Company	HDB Financial Services Limited
iv	Category / Sub-Category of the Company	Non-Banking Financial Company
v	Address of the Registered office and contact details	Radhika, 2 nd Floor, Law Garden Road, Navrangpura, Ahmedabad - 380 009. Tel: +91 79 3048 2717
vi	Whether listed company Yes/ No	Equity Shares not listed, however, Debentures and Sub-ordinate Bonds listed on Bombay Stock Exchange
vii	Name, Address and Contact details of Registrar and Transfer Agent, if any	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 - 400 093 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

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

#	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Non Banking Financial Services (Lending)	649	97

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

#	Name and address of the company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held	Applicable section
1	HDFC Bank Limited Reg. Off: HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai - 400013	L65920MH1994PLC080618	Holding	97.12%	Section 2(46) of Companies Act, 2013

Directors' Report



IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i. Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year		No. of Shares held at the end of the year		% Change during the year
	Demat	% of Total Shares	Demat	% of Total Shares	
A. Promoters:					
1. Indian-					
a) Individual/HUF	Nil	Nil	Nil	Nil	Nil
b) Central Government	Nil	Nil	Nil	Nil	Nil
c) State Government(s)	Nil	Nil	Nil	Nil	Nil
d) Bodies Corporate	Nil	Nil	Nil	Nil	Nil
e) Banks/Financial Institution	68,00,00,000	97.2165	68,00,00,000	97.1189	-0.0976
f) Any Other	Nil	Nil	Nil	Nil	Nil
Sub-Total A(1)	68,00,00,000	97.2165	68,00,00,000	97.1189	-0.0976
2. Foreign					
a) Non-Resident Indians - Individuals	Nil	Nil	Nil	Nil	Nil
b) Other - Individuals	Nil	Nil	Nil	Nil	Nil
c) Bodies Corporate	Nil	Nil	Nil	Nil	Nil
d) Banks / Financial Institution	Nil	Nil	Nil	Nil	Nil
e) Any other	Nil	Nil	Nil	Nil	Nil
Sub-Total A(2)	Nil	Nil	Nil	Nil	Nil
Total shareholding of Promoter (A) = (A) (1)+(A)(2)	68,00,00,000	97.2165	68,00,00,000	97.1189	-0.0976
B. Public Shareholding					
1. Institutions					
a) Mutual Funds	Nil	Nil	Nil	Nil	Nil
b) Banks/Financial Institution	Nil	Nil	Nil	Nil	Nil
c) Central Government	Nil	Nil	Nil	Nil	Nil
d) State Government(s)	Nil	Nil	Nil	Nil	Nil
e) Venture Capital Funds	Nil	Nil	Nil	Nil	Nil
f) Insurance Companies	Nil	Nil	Nil	Nil	Nil
g) Foreign Institutional Investors	Nil	Nil	Nil	Nil	Nil
h) Foreign Venture Capital Funds	Nil	Nil	Nil	Nil	Nil
i) Other (Specify)	Nil	Nil	Nil	Nil	Nil
Sub-Total B(1)	Nil	Nil	Nil	Nil	Nil
2. Non-Institutions					
a) Bodies Corporate					
i) Indian	Nil	Nil	7252	0	0.0010
ii) Overseas	Nil	Nil	Nil	Nil	Nil
b) Individuals					
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	11,88,611	0.1699	13,06,480	0.1866	0.0167
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	1,63,99,865	2.3446	1,69,77,294	2.4247	0.0801
c) Trust	12,50,010	0.1787	12,50,010	0.1785	-0.0002
NRI- Non- Rept	6,31,390	0.0903	6,31,390	0.0902	-0.0001
Sub-Total B(2)	1,94,69,876	2.7835	2,01,72,426	2.8811	0.0975
Total Public Shareholding (B) = (B)(1)+ (B)(2)	1,94,69,876	2.7835	2,01,72,426	2.8811	0.0975
C. Shares held by Custodian for GDRs & ADRs	Nil	Nil	Nil	Nil	Nil
Grand Total (A+B+C)	69,94,69,876	100.00	70,01,72,426	100.00	-

Note: All the shares are held in Demat mode.

ii. Shareholding of Promoters

#	Name of the Shareholders	No. of Shares held at the beginning of the year		No. of Shares held at the end of the year		% Change during the year
		Demat	% of Total Shares	Demat	% of Total Shares	
1.	HDFC Bank Limited	68,00,00,000	97.2165	68,00,00,000	97.1189	-0.0976
	TOTAL	68,00,00,000	97.2165	68,00,00,000	97.1189	-0.0976

Note: None of the shares held by the Promoters of the Company were pledged / encumbered.

Directors' Report



iii. Change in Promoters' Shareholding

Name of the Promoter	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
HDFC Bank Limited				
At the beginning of the year	68,00,00,000	97.2165	68,00,00,000	97.2165
At the End of the year	-	-	68,00,00,000	97.1189

Note: No change in shares held by the Promoter of the Company, however, due to ESOP allotment of equity shares to the employees of the Company, decrease in percentage (%).

iv. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

#	Name of the Shareholders	No. of Shares held at the beginning of the year	% of total shares of the Company	No. of shares at the end of the year	% of total shares of the Company
1	HDB Employees Welfare Trust	12,50,010	0.1785	12,50,010	0.1785
2	Mr. Vinod Yennemadi	6,00,000	0.0857	6,00,000	0.0857
3	Mr. Amit Puri	5,60,463	0.0800	5,60,463	0.0800
4	Ms. Amrita Puri	5,60,462	0.0800	5,60,462	0.0800
5	Mr. Harish Engineer	4,85,212	0.0693	4,85,212	0.0693
6	Ms. Ankita Sukhtankar	3,95,000	0.0564	3,95,000	0.0564
7	Mr. Pralay Mondal	3,58,559	0.0512	3,58,559	0.0512
8	Mr. Abhay Aima	3,06,000	0.0437	3,06,000	0.0437
9	Mr. Jimmy Tata	2,90,299	0.0415	2,90,299	0.0415
10	Mr. A. Rajan	2,76,636	0.0395	2,76,636	0.0395

Note: During the year under review, there was no increase or decrease in the holding of equity shares by the Top 10 shareholders.

v. Shareholding of Directors and Key Managerial Personnel:

#	Name of the Shareholders	No. of Shares held at the beginning of the year	% of total shares of the Company	Increase due to allotment through ESOS on November 30, 2015	% of total shares of the Company	No. of shares at the end of the year	% of total shares of the Company
1	Mr. G Subramanian	1,95,000	0.0279	18,000	0.0026	2,13,000	0.030
2	Mr. Kaizad Bharucha	2,99,555	0.0428	Nil	Nil	2,99,555	0.0428
3	Mr. Anil Jaggia*	95,170	0.00136	Nil	Nil	95,170	0.0136
4	Mr. G Ramesh	3,81,500	0.0545	Nil	Nil	3,81,500	0.0545
5	Mr. Haren D Parekh	1,60,751	0.0230	36,000	0.0051	1,96,751	0.0281

* Mr. Anil Jaggia ceased to be a Director of the Company with effect from September 23, 2015

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in crores)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
a) Principal Amount	13,598	1,680	10	15,288
b) Interest due but not paid	0	0	0	0
c) Interest accrued but not due	311	54	0	365
Total (a+b+c)	13,909	1,734	10	15,653

Directors' Report



Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Change in Indebtedness during the financial year				
Addition	11,286	5,285	0	16,571
Reduction	7,378	4,725	0	12,103
Net Change	3,908	560	0	4,468
Indebtedness at the end of the financial year				
a) Principal Amount	17,372	2,240	10	19,622
b) Interest due but not paid	0	0	0	0
c) Interest accrued but not due	445	54	0	499
Total (a+b+c)	17,817	2,294	10	20,121

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

#	Particulars of Remuneration	Name of MD/WTD/ Manager	
		Mr. G Ramesh	
1.	Gross salary		
	a) Salary as per provisions of section 17(1) of the Income-tax Act, 1961		1,68,09,200
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961		60,088
	c) Profits in lieu of salary u/s 17(3) Income-tax Act, 1961		-
2.	Stock Options		-
3.	Sweat Equity		-
4.	Commission		-
5.	Others, please specify		-
Total (A)			1,68,69,288

B. Remuneration to other directors:

#	Remuneration to the Independent Directors			
	Particulars	Mr. Venkatraman Srinivasan	Ms. Smita Affinwalla	Total Amount (in ₹)
1	Fees for attending Board/Committee Meetings	4,25,000	5,00,000	9,25,000
2	Commission	0	0	0
3	Others, please specify	0	0	0
Total (1)		4,25,000	5,00,000	9,25,000

#	Remuneration to the Non Executive Directors other than Independent Directors				
	Particulars	Mr. G Subramanian	Mr. Kaizad Bharucha	Mr. Anil Jaggia*	Total Amount (in ₹)
1	Fees for attending Board/ Committee Meetings	7,00,000	4,50,000	1,00,000	12,50,000
2	Commission	0	0	0	0
3	Others	27,84,677	0	0	27,84,677
Total (2)		37,84,677	4,50,000	1,00,000	40,34,677
Total (B)=(1+2)					49,59,677
Total Remuneration to Directors (A+B)					2,18,28,965

* Mr. Anil Jaggia ceased to be a director of the Company w.e.f. September 23, 2015.

C. Remuneration To Key Managerial Personnel Other Than MD/Manager/WTD:

#	Particulars of Remuneration	Key Managerial Personnel		
		CFO	CS	Total Amount (in ₹)
1.	Gross salary	87,82,170	10,94,932	98,77,102
	a) Salary as per provisions of section 17(1) of the Income-tax Act, 1961	1,19,395	-	1,19,395
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-
	c) Profits in lieu of salary u/s 17(3) Income-tax Act, 1961	11,88,000	-	11,88,000
2.	Stock Options	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission	-	-	-
5.	Others, please specify	-	-	-
Total		1,00,89,565	10,94,932	1,11,84,497

8 PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
A) Company					
Penalty			NIL		
Punishment					
Compounding					
B) Director					
Penalty			NIL		
Punishment					
Compounding					
C) Other Officers in Default					
Penalty			NIL		
Punishment					
Compounding					

Annexure E

Disclosure as per Section 197(12) of the Companies Act, 2013 pertaining to individuals employed throughout the year and were in receipt of remuneration of not less than ₹ 60,00,000/- per annum or ₹ 5,00,000/- per month

#	Name of the Employee	Designation of the Employee	Remuneration Received (in ₹)	Date of Commencement of employment	Age in years	Experience in years	Qualification and experience	Last employment held before joining
1	Mr. Ashish Ghatnekar	Head - Human Resources & Operations	89,07,651	01-Dec-08	46	23	MBA	Centurion Bank of Punjab
2	Mr. Deep Jaggi	Business Head	81,78,039	28-Oct-10	46	22	MBA	Cholamandalam DNBS Finance
3	Mr. Dhaval Oza	Business Head	80,06,233	16-Jun-08	48	22	BE	Yes Bank
4	Mr. G Ramesh	Managing Director	1,68,69,288	03-Sep-07	46	24	MBA	Enam AMC Pvt. Ltd.
5	Mr. Haren Parekh	Chief Financial Officer	1,00,89,565	10-Oct-07	54	31	A.C.A.	CIBIL
6	Mr. Karthik Srinivasan*	Business Head	23,27,968	30-Nov-15	43	21	PGDM	Mphasis Ltd
7	Mr. Manoj Nampoothiry	National Portfolio Manager	64,52,494	24-Apr-08	41	20	M.Com.	GE Money
8	Mr. Mrinal Sinha	Business Head	63,75,868	01-Jun-09	43	19	P.G. DBM	Bharti Axa Life Insurance
9	Mr. Rohit Patwardhan	Head - Risk	1,18,78,009	10-Dec-07	41	19	MBA	Citi Bank
10	Mr. Sanjay Belsare*	Head - Information Technology	22,45,011	01-Dec-15	53	26	B. Tech.	Kotak Mahindra Bank
11	Mr. Sarabjeet Singh	Business Head	1,06,02,641	22-Feb-08	43	20	MBA	GE Money
12	Mr. Sathya Ramanan	Business Head	62,16,708	24-Jan-08	41	19	MBA	Prime Financial
13	Mr. Venkata Swamy	Business Head	92,86,484	01-Aug-08	42	20	MBA	ICICI Bank

Note:

- Gross remuneration comprises salary, medical reimbursement, leave travel concession, allowances, 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.
- *Employed for the part of the year.

Annexure F

Disclosures in terms of Section 197(12) read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

1. The ratio of the remuneration of each director to the median remuneration of employees of the Company for the financial year is 1:78.
2. During the year under review there was 19% increase in remuneration of Managing Director and Chief Financial Officer of your Company.
3. During the year under review there was 8% increase in the median remuneration of the employees of your Company.
4. As on March 31, 2016 there were 16,508 employees on the rolls of your Company.
5. During the year under review, the net income of your Company grew over by 47% and the hike was in consonance with the wage hike given by the Industry. Further, in comparison to the growth of the Company, the average increase in remuneration paid to Key Managerial personnel was 19% and the average increase in remuneration for rest of the employees was 12.5% depending on individual and business unit performance.
6. The key parameters for variable compensation for directors are growth in volume of the Business of the Company, profit growth, portfolio quality, and enhancement of customer base over the previous year.

Annexure G

Related Party Transaction Disclosure as per Section 188 of the Companies Act, 2013

Form No. AOC - 2

(Pursuant to clause (h) of sub - section (3) of section 134 of the Act and Rule 8 (2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts / arrangements entered into by the company with related parties referred to in sub - section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis: **NIL**
2. Details of material contracts or arrangement or transactions at arm's length basis:

(a)	Name(s) of the related party and nature of relationship	1. HDFC Bank Ltd. (Holding Company) 2. HDFC Securities Ltd. (Enterprise under common control of the Holding Company) 3. HBL Global Pvt. Ltd. (related party as per Companies Act, 2013)
(b)	Nature of contracts/arrangements/transactions	Banking and other normal business transactions (Mentioned in the notes forming part of the financial statements at Note no. 34).
(c)	Duration of the contracts/arrangements/ transactions	Usually annual, however, depends on the nature of transaction.
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Maintained at arm's length similar to third party contracts. Value of such transactions during the financial year is mentioned in the notes forming part of the financial statements at Note no. 34.
(e)	Justification for entering into such contracts or arrangements or transactions	Competitive pricing and value of services rendered.
(f)	Date(s) of approval by the Board, if any	N.A.
(g)	Amount paid as advances, if any	N.A.

Note: No advance is payable in respect of any of the above transactions.

Sd/-
Chairperson

Details of Nomination and Remuneration Policy as per Section 178 of the Companies Act, 2013

- A. **Policy for appointment and removal of Director, KMP and Senior Management**
- a. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his/her appointment.
 - b. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient/satisfactory for the concerned position.
- B. **Term / Tenure**
- a) Managing Director/Whole-time Director:
 - The Company shall appoint or re-appoint any person as its Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.
 - b) Independent Director:
 - An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
 - No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
 - At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act.
- C. **Evaluation**
- The Committee shall carry out evaluation of annual performance of every Director, KMP and Senior Management Personnel.
- D. **Removal**
- Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.
- E. **Retirement**
- The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.
- F. **Policy relating to the Remuneration for the Whole-time Director, KMP and Senior Management Personnel**
- a. The remuneration/compensation/commission etc. to the Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee. The remuneration/compensation/commission etc. shall be subject to the prior/post approval of the Board and/or shareholders of the Company and Central Government, if required.

- b. Increments to the existing remuneration/compensation structure will be determined by the Committee, and if required shall be recommended for further Board and/or shareholder approval.
 - c. Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.
- G. **Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:**
- a) Fixed pay:
 - The Whole-time Director, KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board/the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.
 - b) Minimum Remuneration:
 - If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.
- H. **Remuneration to Non- Executive/Independent Director:**
- a) Remuneration/Commission:
 - The remuneration/commission shall be fixed as per statutory provisions, if any and approval of the Board and/or Shareholders be taken, wherever required.
 - b) Sitting Fees:
 - The Non- Executive/Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rupees One Lac per meeting of the Board or Committee or such amount as may be approved by the Board and prescribed by the Central Government from time to time.

Corporate Governance disclosures as per Section 134 of the Companies Act, 2013

1. Company's philosophy on Corporate Governance

The Company's philosophy on 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.

During the year under review, your Company has adopted a Board approved Corporate Governance Code which will help the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls, performance measurement and regulatory disclosure. The said Corporate Governance Code has been uploaded on the Company's website.

2. Board of Directors

During the year the Board met at regular intervals to discuss and decide on various business and policy matters of the Company. The meetings of the Board of Directors during the FY 2015 - 16 were held on April 17, 2015, July 15, 2015, October 16, 2015, January 15, 2016 and March 23, 2016. The Board of Directors, at its meeting held on October 16, 2015, noted the resignation of Mr. Anil Jaggia as a Non- Executive Director of the Company with effect from September 23, 2015.

The Board of Directors at their meeting held on April 14, 2016, appointed Mr. Aditya Puri (DIN: 00062650) as an Additional Non- Executive Director and Chairman of the Company w.e.f. May 01, 2016, pursuant to the provisions of Section 152 and 161 of the Companies Act, 2013. Subsequently, the Board of Directors, at its meeting held on April 26, 2016, appointed Mr. Bhavesh Zaveri (DIN: 01550468) and Mr. Jimmy Tata (DIN: 06888364) as Additional Non - Executive Directors of the Company with effect from May 01, 2016, in terms of Sections 152 and 161 of the Companies Act, 2013.

Consequent to the aforesaid, various committees of the Board shall be reconstituted as follows with effect from May 01, 2016:

#	Name of the Committee	Composition
1	Audit Committee	Mr. Venkatraman Srinivasan, Member Ms. Smita Affinwalla, Member Mr. Bhavesh Zaveri, Member
2	Risk Committee	Mr. Jimmy Tata, Member Mr. G Ramesh, Member Mr. Rohit Patwardhan, Member
3	Asset Liability Committee	Mr. Jimmy Tata, Member Mr. G Ramesh, Member Mr. Haren Parekh, Member
4	Nomination and Remuneration Committee	Ms. Smita Affinwalla, Member Mr. Venkatraman Srinivasan, Member Mr. Bhavesh Zaveri, Member Mr. Jimmy Tata, Member
5	Corporate Social Responsibility Committee	Mr. Bhavesh Zaveri, Member Ms. Smita Affinwalla, Member Mr. G Ramesh, Member
6	Share Allotment Committee	Mr. Bhavesh Zaveri, Member Mr. Jimmy Tata, Member Mr. G Ramesh, Member Mr. Haren Parekh, Member
7	Debenture Allotment Committee	Mr. Bhavesh Zaveri, Member Mr. Jimmy Tata, Member Mr. G Ramesh, Member Mr. Haren Parekh, Member
8	Bond Allotment Committee	Mr. Bhavesh Zaveri, Member Mr. Jimmy Tata, Member Mr. G Ramesh, Member Mr. Haren Parekh, Member

Directors' Report



The present strength of Board of Directors is five (5) Directors. The Board comprises of one (1) Executive and four (4) Non-Executive Directors including two (2) Independent Directors. One of the Independent Directors is a woman. The Non-Executive Directors bring independent judgment in the Board's deliberations and decisions. None of the Directors of your Company are related to each other.

The Directors of the Company have wide experience in the field of finance, risk management, banking and human resources.

The details of the Directors as at March 31, 2016, 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	3	2,13,000
Mr. Kaizad Bharucha	Non-Executive	2	2,99,555
Mr. G Ramesh	Executive	Nil	3,81,500
Mr. Venkatraman Srinivasan	Independent	2	Nil
Ms. Smita Affinwalla	Independent	2	Nil

3. Related Party Transactions

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.

During the year under review the Board of Directors of your Company have approved the Related Party Transactions Policy, which governs the following:

- a. Identifying related parties, updating and maintaining the database of such persons/entities;
- b. Ascertaining that the transactions entered with the related parties are in 'ordinary course of business' and at 'arm's length basis';
- c. Identifying related party transactions;
- d. Obtaining Report approvals before entering into any related party transactions;
- e. Determining the disclosures / compliances to be adhered in relation to the related party transactions.

The said policy has been displayed on the website of the Company <http://www.hdbfs.com/policies.htm>

All related party transactions are placed before the Audit Committee as also the Board for their approval on quarterly basis. Transactions with related parties, as per the requirements of Accounting Standard 18, are disclosed to the notes to accounts annexed to the financial statements.

All the related party transactions that were entered into during the financial year were on arm's length basis and in ordinary course of business.

4. Committees of the Board

Audit committee

Pursuant to the provisions of the Section 177 of the Companies Act, 2013, the Composition of the Audit Committee of the Company as on March 31, 2016 is as under:

- i. Mr. Venkatraman Srinivasan, Chairman (Independent Director)
- ii. Ms. Smita Affinwalla, Member (Independent Director)
- iii. Mr. G Subramanian, Member (Non Executive Director)

The Audit Committee has discussions with the auditors on periodical basis pertaining to the scope of audit including the observations of the auditors, reviews the audited/unaudited quarterly and annual financial statements before submission to the Board and also oversees compliance of internal control systems. Committee's responsibilities include:

- i. the recommendation for appointment, remuneration and terms of appointment of auditors
- ii. review & monitor the auditor's independence, and performance and effectiveness of audit process
- iii. examination of the financial statement and the auditors' report thereon.

Nomination and Remuneration Committee

During the year under review, the Nomination and Remuneration Committee (NRC) of the Board was reconstituted pursuant to the provisions of Section 178 of the Companies Act, 2013 as detailed under:

- i. Ms. Smita Affinwalla, Chairperson (Independent Director)
- ii. Mr. Venkatraman Srinivasan, Member (Independent Director)
- iii. Mr. G Subramanian, Member (Non Executive Director)
- iv. *Mr. Kaizad Bharucha, Member (Non Executive Director)
- v. *Mr. Anil Jaggia, Member (Non Executive Director)

**Note: Mr. Anil Jaggia ceased to be a member of the NRC effective September 23, 2015 and Mr. Kaizad Bharucha was inducted as a member effective January 15, 2016.*

Risk Committee

The Board of Directors of your Company monitors the risk management strategy of the Company through the Risk Committee consisting of the following members:

- i. Mr. G Subramanian, Chairman (Non Executive Director)
- ii. Mr. Kaizad Bharucha, Member (Non Executive Director)
- iii. Mr. G Ramesh, Member (Managing Director)

In addition to the above, the Company has in place exclusive risk function having dedicated team to monitor and mitigate the risks of the Company. This function is headed by an experienced and qualified person holding Head - Risk position who reports to the Managing Director of the Company.

During the year under review the Committee at its meeting held on January 15, 2016 approved Risk Management Policy of the Company.

In order to ensure best governance practices the Company has established risk management process for each line of its business and operations. These processes have been implemented through the specific policies adopted by the Board of Directors of the Company from time to time. Nevertheless, entire processes are subjected to robust independent internal audit review to arrest any potential risks and take corrective actions.

The Risk Committee of the Board has been in place since the commencement of business of the Company, meets on a quarterly basis and reports to the Board of Directors. The minutes of such meetings are tabled before the Board of Directors. The key responsibilities of the Risk Committee are:

- a) approve and monitor the Company's risk management policies and procedures;
- b) review portfolio and its delinquency at a product level;
- c) review the NPA Management policy;
- d) reporting to the Board of Directors of the Company on periodical basis on the above matters.

o **Asset Liability Committee (ALCO)**

The Board of Directors of your Company carries out asset liability management of the Company through the ALCO consisting of the following members:

- i. Mr. G Subramanian, Chairman (Non Executive Director)
- ii. Mr. Kaizad Bharucha, Member (Non Executive Director)
- iii. Mr. G Ramesh, Member (Managing Director)

The key responsibilities of the Committee are:

- i. Review and management of liquidity gaps and structural liquidity of the Company;
- ii. Review and management of interest rate sensitivity of the Company;
- iii. Develop a view on future direction on interest rate movements and decide on funding mixes.

o **Corporate Social Responsibility (CSR) Committee**

During the year under review the Board of Directors reconstituted Corporate Social Responsibility ('CSR') Committee in terms of Section 135 of the Companies Act, as detailed below:

- i. Mr. G Subramanian, Chairman (Non Executive Director)
- ii. Ms. Smita Affinwalla, Member (Independent Director)
- iii. *Mr. Kaizad Bharucha, Member (Non Executive Director)
- iv. *Mr. Anil Jaggia, Member (Non Executive Director)
- v. Mr. G Ramesh, Member (Managing Director)

Mr. Anil Jaggia ceased to be a member of the CSR Committee effective September 23, 2015 and Mr. Kaizad Bharucha was inducted as a member effective January 15, 2016.

The key responsibilities of the CSR Committee are:

- i. Formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013;
- ii. Recommend the amount of expenditure to be incurred on the activities;
- iii. Institute a transparent monitoring mechanism for implementation of the CSR activities.

5. Attendance of the Board and its Committees

Type of meeting	No. of meetings held	Mr. G Subramanian	Mr. Kaizad Bharucha	Mr. Anil Jaggia*	Mr. G Ramesh	Mr. Venkatraman Srinivasan*	Ms. Smita Affinwalla*
Board of Directors	5	5	5	1	5	5	5
Audit Committee	4	4	4	NA	NA	4	4
Asset-Liability Committee	4	4	4	NA	4	NA	NA
Risk Committee	4	4	4	NA	4	NA	NA
Nomination and Remuneration Committee	4	4	NA	1	NA	3	4
Corporate Social Responsibility Committee	2	2	NA	1	2	NA	2
Debenture Allotment Committee	22	12	18	NA	18	NA	NA
Share Allotment Committee	2	2	2	NA	1	NA	NA
Attendance at last AGM	1	Yes	No	No	Yes	Yes	No

* Mr. Anil Jaggia ceased to be a Non - Executive Director of the Company effective September 23, 2015.

Sitting fees of ₹ 50,000/- per meeting was paid to all the Non Executive Directors of the Company for attending the meetings of Board of Directors and ₹ 25,000/- per meeting for attending the meetings of Audit Committee, Risk Committee, Asset Liability Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee of the Company.

6. Board Performance Evaluation Mechanism

The Nomination and Remuneration Committee (NRC) had approved a framework for performance evaluation of the Board of Directors, its Committees and the individual Board members. This performance evaluation framework was designed based on the following:

- i. Attendance of Board Meetings and Board Committee Meetings
- ii. Quality of contribution to Board deliberations
- iii. Strategic perspectives or inputs regarding future growth of Company and its performance

As part of the framework, structured questionnaires were prepared after taking into consideration the legal requirements, inputs received from the Directors and NRC. These questionnaires cover various aspects of the Board's functioning including composition and quality, culture, roles and responsibilities, processes and functioning, execution and performance to specific duties, obligations and governance. The questionnaires consist of:

- i. 'Self Assessment' form given by the directors, rating his/her own performance
- ii. 'Peer Review' form given by the directors, rating performance of all other directors.
- iii. 'Committee Evaluation' form given by the directors, rating performance of individual committees
- iv. 'Board Self Assessment' form given by every director, rating performance of the Board as a whole

Responses received on the questionnaires from the Directors were reviewed in the below manner:

- i. 'Self Assessment' and 'Peer Review' were reviewed by the NRC and recommended to the Board for its review. Subsequently, the Board reviewed the same.
- ii. 'Committee Evaluation' and 'Board Self Assessment' were reviewed by the Board.

After the review of the aforesaid questionnaires by the Board, Independent Directors of the Company, at their separate meeting had reviewed all the responses received from the Non Independent (Non Executive) Directors on the questionnaires pertaining to 'Self Assessment', 'Peer Review' and 'Board Self Assessment'.

7. General Body meetings (FY 2015-16)

Meeting	Date and Time	Venue	Resolutions passed
AGM	12 noon June 17, 2015	404, 4 TH Floor, Pushpak Landmark Building, Anandnagar, Satellite, Ahmedabad - 380 015	<ul style="list-style-type: none"> • Approval of Audited Statement of Profit & Loss, Balance Sheet and Cash Flow for the year ended March 31, 2015 and Report of the Directors and Auditors thereon. • Declaration of dividend @ 7% on equity shares for the year ended March 31, 2015. • Re-appointment of Mr. Anil Jaggia, who retires by rotation and being eligible, offered himself for re-appointment. • Ratification of appointment of M/s B S R & Co., LLP, Chartered Accountants as the Statutory Auditors. • Appointment of Mr. Venkatraman Srinivasan as an Independent Director of the Company. • Appointment of Ms. Smita Affinwalla as an Independent Director of the Company. • Appointment of Mr. G Subramanian as Chairman of the Company and payment of remuneration thereof. • Approval for Issuance of Secured Redeemable Non-Convertible Debentures (NCDs). • Approval for Issuance of Unsecured Redeemable Non-Convertible Subordinated Bonds (Subordinated Bonds).
EGM	12 noon August 31, 2015	Board Room, Process House, 2 nd Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013	<ul style="list-style-type: none"> • Approval of Issuance of Secured Redeemable Non-Convertible Debentures.

8. Shareholding pattern as at March 31, 2016

Name of Shareholder	No. of equity shares held	%
HDFC Bank Ltd.	68,00,00,000	97.12
Others	2,01,72,426	2.88
Total (Issued & Paid-up Shares)	70,01,72,426	100.00

Independent Auditors' Report



To the members of HDB Financial Services Limited

Report on the Financial Statement

We have audited the accompanying financial statements of **HDB Financial Services Limited** ('the Company'), which comprise the balance sheet as at March 31, 2016, the statement of profit and loss, the cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation and presentation 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true & fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016 and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the said Order.

Independent Auditors' Report



As required by Section 143 (3) of the Act, we report that:

- (a) We have sought & obtained all the information & explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) The 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure B'; and
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer note 38 and 62 to the financial statements;
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses - Refer note 63 to the financial statements;
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Akeel Master
Partner
Membership No: 046768

Mumbai,
April 14, 2016

Annexure A to the Independent Auditor's Report of even date on financial statements of HDB Financial Services Limited (Contd.)



- (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 over a period of two years. 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. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of the immovable property is held in the name of the Company.
- (ii) The Company is a service company. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable to the Company.
- (iii) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act.
- (iv) According to the information & explanations given to us and on the basis of our examination of the records of the Company, the provisions of section 185 and 186 of the Act are not applicable to the Company. Accordingly, paragraph 3(iv) of the Order is not applicable.
- (v) According to the information & 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 73 to Section 76 or any other relevant provisions of the Act and the rules framed there under apply.
- (vi) The Central Government has not prescribed the maintenance of cost records under sub section (1) of section 148 of the Act for any of the services rendered by the Company. Accordingly paragraph 3(vi) of the Order is not applicable.
- (vii)
 - a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax and other statutory dues have generally been deposited regularly during the year by the Company to the appropriate authorities, except dues of Employee state insurance of ₹ 27 lakhs are outstanding as on last day of the financial year for a period of more than six months from the date they became payable.
 - b. According to the information and explanations given to us, there are no dues of income tax or service tax which have not been deposited on account of any dispute.
- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks, Government or debenture holders.
- (ix) 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. The Company has not raised any money by way of initial public offer or further public offer during the year.
- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the explanation and information given to us, one instance 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 /other documents with respect to Commercial Vehicle amounting to ₹ 0.59 crores.
- (xi) According to the information & explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained certificate of registration dated December 31, 2007.

For B S R & Co. LLP
Chartered Accountants

Firm's Registration No: 101248W/W-100022

Akeel Master
Partner

Membership No: 046768

Mumbai
April 14, 2016

Annexure – B to the Independent Auditors’ Report



Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of HDB Financial Services Limited (‘the Company’) as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the ‘Guidance Note’) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143 (10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial control over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Akeel Master

Partner

Membership No: 046768

Mumbai

April 14, 2016

Balance Sheet



(₹ in crores)

Particulars	Note	As at March 31, 2016	As at March 31, 2015
EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	700.17	699.47
(b) Reserves and surplus	4	2,861.63	2,425.66
		3,561.80	3,125.13
2 Non-current liabilities			
(a) Long-term borrowings	5	13,470.45	10,500.06
(b) Other long term liabilities	6	113.35	104.56
(c) Long-term provisions	7	150.15	128.30
		13,733.95	10,732.92
3 Current liabilities			
(a) Short-term borrowings	8	910.38	350.28
(b) Trade payables	9	204.59	51.96
(c) Other current liabilities	10	6,410.26	5,249.28
(d) Short-term provisions	7	368.09	232.56
		7,893.32	5,884.08
TOTAL		25,189.07	19,742.13
ASSETS			
1 Non-current assets			
(a) Fixed assets	11		
(i) Tangible assets		81.29	51.00
(ii) Intangible assets		1.54	1.40
(b) Non-current investments	12	48.42	8.43
(c) Deferred tax assets (net)	13	110.48	81.24
(d) Long - term loans and advance :			
- Receivables under financing activity	14	18,742.41	14,504.12
- Other loans and advances	15	39.08	29.66
		19,023.22	14,675.85
2 Current assets			
(a) Current investments	16	300.00	425.00
(b) Trade receivables	17	23.50	14.46
(c) Cash and bank balances	18	135.04	123.27
(d) Short-term loans and advances			
- Receivables under financing activity	14	5,667.19	4,485.01
- Other loans and advances	15	4.60	10.99
(e) Other current assets	19	35.52	7.55
		6,165.85	5,066.28
TOTAL		25,189.07	19,742.13
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 and on behalf of the Board

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

Chartered Accountants

G Subramanian

G Ramesh

Kaizad Bharucha

Firms' Registration No: 101248W/W-100022

Chairman

Managing Director

Venkatraman Srinivasan

Smita Affinwalla

Akeel Master

Harsh Bajpai

Haren Parekh

Directors

Partner

Company Secretary Chief Financial Officer

Membership No. 046768

Mumbai

April 14, 2016

Statement of Profit and Loss



(₹ in crores)

Particulars	Note	For the year ended March 31, 2016	For the year ended March 31, 2015
Revenue from operations	20	3,297.77	2,521.63
Other income	21	4.25	5.63
Total revenue		3,302.02	2,527.26
Expenses			
Employee benefits expense	22	493.76	312.22
Finance costs	23	1,571.53	1,347.28
Depreciation and amortization	11	19.89	13.85
Other expenses	24	204.79	151.98
Provisions and write offs	25	194.24	171.65
Total expenses		2,484.21	1,996.98
Profit before tax		817.81	530.28
Tax expense:			
a. Current tax		311.46	202.63
b. Deferred tax (credit)		(29.24)	(22.28)
c. Income tax for earlier year		1.18	0.48
Total tax expense		283.40	180.83
Profit for the year		534.41	349.45
Basic and diluted earnings per equity share (Face value ₹ 10 each)	26	7.64	6.63
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/W-100022

Akeel Master

Partner

Membership No. 046768

For and on behalf of the Board

G Subramanian

Chairman

Harsh Bajpai

Company Secretary

G Ramesh

Managing Director

Haren Parekh

Chief Financial Officer

Kaizad Bharucha

Venkatraman Srinivasan

Smita Affinwalla

Directors

Mumbai

April 14, 2016

Cash flow statement



(₹ in crores)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
A Cash flow from operating activities		
Profit before tax	817.81	530.28
Adjustments for		
(Profit)/loss on sale of asset	0.05	0.00
Discount on commercial paper	126.97	53.01
Provision and write offs	194.24	171.65
Provision for compensated absence & gratuity	1.75	1.28
Depreciation and amortisation	19.89	13.85
Operating cash flow before working capital changes	1,160.71	770.07
Adjustments for working capital changes:		
(Increase)/decrease in trade receivables	(9.03)	5.05
(Increase)/decrease in advances	(39.92)	(65.40)
(Increase)/decrease in other current assets	(154.95)	(39.36)
Increase/(decrease) in other liabilities and provisions	219.26	91.80
Increase/(decrease) in trade payables	152.63	28.98
(Increase)/Decrease in Receivables under financing activity (Net)	(5,420.47)	(5,601.66)
Increase/(Decrease) in Borrowings (Net)	4,334.19	4,202.97
Cash generated from operations	242.42	(607.55)
Direct taxes paid (net of refunds)	(255.00)	(173.00)
Net cash flow generated from/(used in) operating activities (A)	(12.58)	(780.55)

Cash flow statement



(₹ in crores)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
B Cash flow from investing activities		
Purchase of fixed assets	(50.38)	(27.00)
Proceeds from sale of fixed assets	0.00	0.02
Purchase of long term investments	(40.68)	(6.09)
Sale of long term investments	0.69	-
Purchase of short term investments	(2,185.00)	(3,455.00)
Sale of short term investments	2,310.00	3,030.00
Net cash generated from/(used in) investing activities (B)	34.63	(458.07)
C Cash flow from financing activities		
Proceeds from issue of shares and security premium	3.39	1206.13
Interim dividend and dividend distribution tax	(50.57)	-
Net cash generated from/(used in) financing activities (C)	(47.18)	1206.13
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(25.13)	(32.50)
Add : Cash and cash equivalents as at the beginning of the year	85.91	118.41
Cash and cash equivalents as at the end of the year*	60.79	85.91
Components of cash and cash equivalents		
Balances with banks	40.18	65.33
Demand drafts on hand	2.33	8.75
Cash on hand	18.28	11.83
	60.79	85.91

As per our report of even date

For and on behalf of the Board

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

Chartered Accountants

Firms' Registration No: 101248W/W-100022

G Subramanian

Chairman

G Ramesh

Managing Director

Kaizad Bharucha

Venkatraman Srinivasan

Smita Affinwalla

Directors

Akeel Master

Partner

Membership No. 046768

Harsh Bajpai

Company Secretary

Haren Parekh

Chief Financial Officer

Mumbai

April 14, 2016

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, collection 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 have been prepared to comply in all material respects with the Accounting Standards ('AS') notified under Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 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. The rates applied for making provisions on non-performing advances are higher than those required by 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 assets on a straight line basis in the manner prescribed in Schedule II of the Companies Act, 2013, except for assets as under :-

Assets	Estimated useful life as assessed by the company	Estimated useful life under schedule II of Companies act, 2013
Motor cars	5 years	8 years

- 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.
- The Company has estimated Nil residual value at the end of the useful life for all block of assets
- 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 useful life of the same is estimated of 3 years with zero residual value. 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 long term/non current 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 short term/current investments 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 companies for amounts notified by the said insurance companies. 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

In accordance with the applicable law, 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 (RPFC) 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 but are permitted to carry forward 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. 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 Institute of Chartered Accountants of India.

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, Earnings Per Share issued, by the Institute of Chartered Accountants of India. 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 in hand are taken into consideration.

2.15 Income from Securitisation/Assignments

- I) Prior to Issuance of RBI Circular dated August 21, 2012
 - a) On receivables being assigned/secured, the assets are de-recognised as all the rights, title, future receivables & interest thereof are assigned to the purchaser
 - b) 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.
- II) Post Issuance of RBI Circular dated August 21, 2012
 - a) Securitised receivables are de-recognised in the balance sheet when they are sold i.e. they meet true sale criteria
 - b) Gains arising out of securitisation of assets are recognised over the tenure of the securities issued by Special Purpose Vehicle Trust (SPV) .
 - c) The excess interest spread on the securitisation transactions are recognised in the statement of Profit & Loss only when it is redeemed in cash by the SPV after adjusting for overdue receivable. Losses if any, are 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 0.30% on standard assets as stipulated by Circular No. DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014 issued by RBI under the head "Contingent Provision against Standard Assets" .

3 Share capital

(₹ in crores)

Particulars	March 31, 2016	March 31, 2015
Authorised 1,00,00,00,000 (1,00,00,00,000) equity shares of ₹ 10 each	1,000.00	1,000.00
Issued, Subscribed & Paid up 70,01,72,426 (69,94,69,876) equity shares of ₹ 10 each fully paid	700.17	699.47
Total	700.17	699.47

3.1 Reconciliation of the number of shares

(₹ in crores)

Particulars	March 31, 2016		March 31, 2015	
	Number	Amount	Number	Amount
Equity shares of ₹ 10 fully paid up				
Shares outstanding at the beginning of the year	69,94,69,876	699.47	51,37,50,219	513.75
Shares issued during the year	7,02,550.00	0.70	18,57,19,657	185.72
Shares outstanding at the end of the year	70,01,72,426	700.17	69,94,69,876	699.47

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	March 31, 2016		March 31, 2015	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity shares of ₹ 10 fully paid up HDFC Bank Limited (Holding Company)	68,00,00,000	97.12	68,00,00,000	97.22

3.4 Number of shares reserved for ESOS

Particulars	March 31, 2016	March 31, 2015
Equity shares of ₹ 10 fully paid up Number of Shares reserved for ESOPS (Refer note 36)	48,42,950	14,37,250

4 Reserves and surplus

(₹ in crores)

Particulars	March 31, 2016	March 31, 2015
Securities premium account		
Opening balance	1,789.57	769.16
Add : Additions during the year on account of issue of shares	2.69	1,020.41
Closing balance	1,792.26	1,789.57
Statutory Reserve u/s 45 IC(1) of Reserve Bank of India Act, 1934		
Opening balance	147.80	77.91
Add : Additions during the year	106.88	69.89
Closing balance	254.68	147.80
Surplus in statement of profit and loss		
Opening balance	488.29	267.71
Add : Profit for the year	534.41	349.45
Less : Transfer to statutory reserve u/s 45 IC (1) of RBI Act, 1934	106.88	69.89
Less : Interim dividend	42.01	-
Less : Dividend distribution tax	8.56	-
Less : Proposed dividend (Refer note 63)	42.01	48.96
Less : Provision for dividend tax on dividend (Refer note 63)	8.55	10.02
Closing balance	814.69	488.29
	2,861.63	2,425.66

5 Long term borrowings

(₹ in crores)

Particulars	Non Current		Current	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Secured				
(a) Privately placed redeemable non convertible debentures (Refer note 5.3) Secured by pari passu charge by mortgage of Company's Office no.130, 3 rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and receivables under financing activity. (Refer Note 61)	6,199.80	4,238.00	2,100.20	1,157.00
Less : shown under other current liabilities. (Refer note 10)	-	-	2,100.20	1,157.00
	6,199.80	4,238.00	-	-
(b) Term loans from banks against hypothecation of receivables under financing activity (Refer note 5.2, 5.4)	5,940.65	4,932.06	3,131.12	3,270.63
Less : shown under other current liabilities. (Refer note 10)	-	-	3,131.12	3,270.63
	5,940.65	4,932.06	-	-
Unsecured				
Privately placed subordinated (Tier II) redeemable bonds (Refer note 5.5)	1,330.00	1,330.00	-	-
	1,330.00	1,330.00	-	-
	13,470.45	10,500.06	-	-

- 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 ₹ 978.20 crores (Previous year: ₹ 490.01 crores).
- 5.3 Terms of repayment of privately placed redeemable non convertible debenture. (Non Current portion)

(₹ in crores)

Previous year figures are in (brackets)

Rate of interest (%)	1-3 years	3-5 years	>5 years	Total
8.5-9.5	4,623.00	189.00	-	4,812.00
	(1,687.00)	(350.00)	-	(2,037.00)
9.5-10.5	1,237.80	150.00	-	1,387.80
	(1,566.20)	(489.80)	-	(2,056.00)
above 10.5	-	-	-	-
	(145.00)	-	-	(145.00)
	5,860.80	339.00	-	6,199.80
	(3,398.20)	(839.80)	-	(4,238.00)

- 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 maintained throughout the year. (Refer Note 61)

- 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	3,484.13	277.50	-	3,761.63
	(1,812.67)	(135.43)	-	(1,948.10)
Base rate + (0.00% to 0.25%)	1,976.30	72.73	-	2,049.03
	(1,946.04)	(64.58)	-	(2,010.62)
Base rate + (0.26% to 1.15%)	130.00	-	-	130.00
	(973.34)	-	-	(973.34)
	5,590.43	350.23	-	5,940.66
	(4,732.05)	(200.01)	-	(4,932.06)

- 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 maintained throughout the year. (Refer Note 61)

- 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%	1,330.00	-	1,330.00
	(1330.00)	-	(1330.00)

6 Other long term liabilities

(₹ in crores)

Particulars	March 31, 2016	March 31, 2015
Deposits (not as defined in Section 2(31) of Companies Act, 2013)	9.75	9.75
Interest accrued but not due on borrowings	98.04	91.10
Other payables	5.56	3.71
Total	113.35	104.56

7 Long term and short term provisions

(₹ in crores)

Particulars	Non Current		Current	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
(a) Provision for employee benefits				
- Gratuity (funded)	-	-	2.26	1.84
- Compensated absence (unfunded)	3.32	1.99	-	-
- Salary, bonus and reimbursements	-	-	58.69	24.80
- Contribution to provident fund	-	-	3.23	2.03
(b) Others				
- Provision for doubtful debts (Refer note 41A)	-	-	123.15	69.83
- Provisions for tax (Net of advance tax ₹255 crores, previous year ₹173 crores)	-	-	34.79	6.44
- Provision for expenses	-	-	53.36	30.97
- Contingent provision against standard assets (refer note 41B)	56.23	36.54	16.10	10.90
- General provisions (Refer note 41B)	90.60	89.77	25.95	26.77
- Provision for dividend	-	-	42.01	48.96
- Provision for dividend distribution tax	-	-	8.55	10.02
Total	150.15	128.30	368.09	232.56

8 Short term borrowings

(₹ in crores)

Particulars	March 31, 2016	March 31, 2015
Unsecured (Refer note 5.1)		
Commercial paper	910.00	350.00
Loans repayable on demand from banks (overdraft)	0.38	0.28
Total	910.38	350.28

9 Trade payables

(₹ in crores)

Particulars	March 31, 2016	March 31, 2015
Trade payables (Refer note 9.1)	204.59	51.96
Total	204.59	51.96

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 above is based on the information available with the Company which has been relied upon by the auditors. (Refer note 37)

10 Other current liabilities

(₹ in crores)

Particulars	March 31, 2016	March 31, 2015
(a) Current maturities of term loans from banks and non convertible debentures (Refer note 5.1)	5,231.32	4,427.63
(b) Other payables		
Overdrawn balances in current account with banks	756.04	529.92
Statutory liabilities	3.77	2.83
Interest accrued but not due on borrowings	400.89	283.62
Creditors for other expenses (Refer note 10.1)	18.24	5.28
Total	6,410.26	5,249.28

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 above is based on the information available with the Company which has been relied upon by the auditors. (Refer note 37)

11 Fixed assets

(₹ in crores)

Description of Assets	Gross Block			Accumulated Depreciation				Net Block		
	Balance as at 1 April, 2015	Additions during the period	Disposal during the period	Balance as at Mar 31, 2016	Balance as at April 1, 2015	Depreciation charge for the period	On disposals	Balance as at Mar 31, 2016	Balance as at Mar 31, 2016	Balance as at Mar 31, 2015
Tangible assets										
Office equipment	13.22	6.65	0.01	19.86	5.95	3.31	0.01	9.25	10.61	7.27
Furniture and fixtures	21.65	17.05	0.05	38.65	7.29	4.06	0.03	11.32	27.33	14.36
Leasehold improvements	25.70	11.03	0.06	36.67	7.35	3.55	0.03	10.87	25.80	18.34
Computers	20.96	14.46	0.01	35.41	10.36	7.86	0.01	18.21	17.20	10.60
Building	0.15	-	-	0.15	0.01	0.00	-	0.01	0.14	0.14
Motor cars	0.56	0.05	-	0.61	0.28	0.12	-	0.40	0.21	0.28
Sub-total (a)	82.24	49.24	0.13	131.35	31.24	18.90	0.08	50.06	81.29	51.00
Intangible assets										
Software and System development	5.30	1.14	-	6.43	3.90	0.99	-	4.89	1.54	1.40
Sub-total (b)	5.30	1.14	-	6.43	3.90	0.99	-	4.89	1.54	1.40
Total (a+b)	87.54	50.38	0.13	137.78	35.14	19.89	0.08	54.94	82.83	52.40
Previous Year ended Mar 31 2015	61.15	26.85	0.46	87.54	21.74	13.85	0.45	35.14	52.40	39.41

(₹ in crores)

Description of Assets	Gross Block			Accumulated Depreciation				Net Block		
	Balance as at April 1, 2014	Additions during the period	Disposal during the period	Balance as at Mar 31, 2015	Balance as at April 1, 2014	Depreciation charge for the period	On disposals	Balance as at Mar 31, 2015	Balance as at Mar 31, 2015	Balance as at March 31, 2014
Tangible Assets										
Office equipment	10.40	2.87	0.05	13.22	3.19	2.81	0.05	5.95	7.27	7.21
Furniture and fixtures	15.02	6.64	0.01	21.65	4.67	2.63	0.01	7.29	14.36	10.35
Improvement to leasehold improvements	19.67	6.42	0.39	25.70	4.84	2.89	0.38	7.35	18.35	14.83
Computers	11.03	9.94	0.01	20.96	5.71	4.66	0.01	10.36	10.60	5.32
Building	0.15	0.00	-	0.15	0.01	0.00	-	0.01	0.14	0.14
Motor cars	0.51	0.05	-	0.56	0.17	0.11	-	0.28	0.28	0.34
Sub-total (a)	56.78	25.92	0.46	82.24	18.59	13.10	0.45	31.24	51.00	38.19
Intangible assets										
Software and System development	4.37	0.93	-	5.30	3.15	0.75	-	3.90	1.40	1.22
Sub-total (b)	4.37	0.93	-	5.30	3.15	0.75	-	3.90	1.40	1.22
Total (a+b)	61.15	26.85	0.46	87.54	21.74	13.85	0.45	35.14	52.40	39.41
Previous Year ended Mar 31 2014	34.33	26.88	0.06	61.15	14.18	7.59	0.04	21.74	39.41	20.15

12 Non current investment

(₹ in crores)

Particulars	March 31, 2016	March 31, 2015
Non trade investment (valued at cost unless stated otherwise)		
Pass through certificates for securitisation of loan assets (Face value ₹ 47.12 crores, previous year ₹ 6.44 crores) (A)	47.12	6.44
Unquoted Equity shares of Vayana Private Limited 6,87,614 shares of ₹ 10 each fully paid up (previous year 10,44,776 shares of ₹ 10 each fully paid up)	2.30	3.50
Less - Provision for diminution in the value of investments in Vayana Private Limited	1.00	1.51
Net investment value in Vayana Private Limited (B)	1.30	1.99
Total (A+B)	48.42	8.43

	Cost	Market Value*	Cost	Market Value*
Aggregate value of unquoted investments	49.42	-	9.94	-
Aggregate provision for diminution of unquoted investments	1.00	-	1.51	-

* Investments being unquoted so market value of the same is not available

13 Deferred tax asset (net) (₹ in crores)

Particulars	March 31, 2016	March 31, 2015
<u>Deferred Tax Asset</u>		
Depreciation and amortisation	1.00	0.58
Provision for compensated absences	1.15	0.67
Provision on standard asset	25.03	16.12
General provision	40.33	39.60
Provision on non performing asset	42.62	23.76
Provision for diminution of investment	0.35	0.51
Gross deferred tax assets (A)	110.48	81.24
Deferred tax liability	-	-
Gross deferred tax liability (B)	-	-
Total (A+B)	110.48	81.24
Movement in Net deferred tax asset during the year	29.24	22.28

14 Receivables under financing activity (₹ in crores)

Particulars	Non Current		Current	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Secured (Refer note 14.1,14.2)	16,361.27	13,359.04	4,017.81	3,439.34
Unsecured	2,381.14	1,145.08	1,349.69	885.63
Doubtful (Refer note 14.3)		-	299.69	160.04
Total	18,742.41	14,504.12	5,667.19	4,485.01

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

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

(14.3) Refer to note 25 for the provisions made on doubtful assets.

15 Loans and advances (₹ in crores)

Particulars	Non Current		Current	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
a. Capital advances	1.39	0.51	-	-
b. Security deposits (Unsecured, considered good)	13.75	8.13	-	-
c. Advances recoverable in cash or in kind (Unsecured, considered good)	-	-	4.60	10.99
d. Advance tax and tax deducted at source (Net of provision for tax ₹ 337.13 crores PY: ₹ 403.57 crores)	23.94	21.02	-	-
Total	39.08	29.66	4.60	10.99

16 Current Investments

(₹ in crores)

Particulars	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Non trade quoted investment	No of Units		Book Value	
Birla Cash plus - Growth-Regular (NAV ₹242.54 p.u.)	20,61,515.63	-	50.00	-
DSP Liquidity fund- Institutional Plan- Growth (NAV ₹2160.12 p.u.)	2,31,469.11	-	50.00	-
ICICI Liquid fund- Growth Plan (NAV ₹223.66 p.u.)	22,35,537.08	-	50.00	-
Reliance Liquid fund - Growth (NAV ₹ 2275.70 p.u.)	2,19,712.25	-	50.00	-
SBI Liquid fund - Regular - Growth (NAV ₹2372.95 p.u., previous year ₹ 2195.72 p.u.)	2,10,708.29	3,87,308.33	50.00	85.00
TATA Money Market fund - Regular-Growth (NAV ₹2378.41 p.u.)	2,10,224.44	-	50.00	-
DWS Cash plus fund - Growth (NAV ₹181.26 p.u.)	-	46,89,458.54	-	85.00
ICICI Prudential Money Market fund - Growth (NAV ₹193.17 p.u.)	-	44,00,312.47	-	85.00
Kotak Liquid scheme plan A - Growth (NAV ₹2834.35 p.u.)	-	2,99,892.76	-	85.00
Reliance Liquid fund - Treasury Plan - Growth (NAV ₹3403.815 p.u.)	-	2,49,719.97	-	85.00
Total	51,69,166.80	1,00,26,692.07	300.00	425.00

	Cost	Market Value	Cost	Market Value
Aggregate value of quoted investments	300.00	300.29	425.00	425.24

17 Trade receivables

(₹ in crores)

Particulars	March 31, 2016	March 31, 2015
Trade receivable (refer note 17.1)	23.50	14.46
(Unsecured, considered good)	23.50	14.46

(17.1) Nothing in trade receivable is above six months in current and previous year.

18 Cash and bank balances

(₹ in crores)

Particulars	March 31, 2016	March 31, 2015
Balances with banks	40.18	65.33
Demand drafts on hand	2.33	8.75
Cash on hand	18.28	11.83
Cash and cash equivalents	(A) Total	85.91
Other bank balances		
Deposits with bank (Refer note 18.1, 18.2, 18.3)	(B) 74.25	37.36
Total (A + B)	135.04	123.27

(18.1) Includes deposits of ₹ 74.25 crores (previous year ₹ 37.36 crores) is earmarked for assignment/securitisation transaction.

(18.2) Include deposits of ₹ 74.25 crores (previous year ₹ 37.36 crores) maturing in less than one year.

(18.3) Of the above balance, cash and cash equivalent after excluding deposits with bank of ₹ 74.25 crores (previous year ₹ 37.36 crores) amounts to ₹ 60.79 crores (previous year ₹ 85.91 crores).

19 Other current assets (₹ in crores)

Particulars	March 31, 2016	March 31, 2015
a. Interest accrued but not due on fixed deposits	2.30	0.64
b. Unamortised discount on commercial paper	33.22	6.91
Total	35.52	7.55

20 Revenue from operations (₹ in crores)

Particulars	March 31, 2016	March 31, 2015
Interest income	3,015.99	2,276.12
Other financial charges/income	201.92	171.21
BPO services income	79.86	74.30
Total	3,297.77	2,521.63

21 Other income (₹ in crores)

Particulars	March 31, 2016	March 31, 2015
Gain on sale of current investment (net)	2.06	5.62
Gain on sale of non current investment	1.26	-
Dividend on non trade investments	0.93	0.01
Total	4.25	5.63

22 Employee benefits expense (₹ in crores)

Particulars	March 31, 2016	March 31, 2015
Salaries and wages (including bonus)	460.13	287.80
Contribution to provident and other funds	26.36	18.49
Staff welfare expenses	7.27	5.93
Total	493.76	312.22

23 Finance costs (₹ in crores)

Particulars	March 31, 2016	March 31, 2015
Interest expense	1,440.07	1,287.43
Discount on commercial paper	126.97	53.01
Other borrowing costs	4.49	6.84
Total	1,571.53	1,347.28

24 Other expenses (₹ in crores)

Particulars	March 31, 2016	March 31, 2015
Rent (net of sub lease rent received ₹ 0.08 crore) (Previous year ₹ 0.01 crore)	26.91	17.18
Rates and taxes	(1.46)	1.98
Telephone	8.62	6.98
Power and fuel	10.75	7.27
Repairs and maintenance- premises	1.15	0.33
Repairs and maintenance-others	0.73	0.46
Credit report charges	27.07	18.92
Auditor's remuneration (Refer note 27)	0.24	0.20
Insurance	0.13	0.22
Commission and brokerage	67.37	60.54
Loss on sale of asset	0.05	0.00
Expenses towards Corporate Social Responsibility Initiative (Refer note 67)	1.55	0.20
Others administrative expenses	61.68	37.70
Total	204.79	151.98

25. Provisions and write offs

(₹ in crores)

Particulars	March 31, 2016	March 31, 2015
General provision on standard asset	-	32.20
Provisions recognised for non performing assets (Refer note 41A)	53.32	18.21
Write offs [net of recovery ₹ 51.74 crores (Previous year ₹ 32.92 crores)]	116.55	107.14
Provision for diminution of investment	(0.52)	-
Contingent provision against standard assets	24.89	14.10
Total	194.24	171.65

26 Earning per share

Particulars	March 31, 2016	March 31, 2015
Net Profit (₹ in crores)	534.41	349.45
Weighted average number of equity shares		
Basic	69,97,41,185	52,71,33,028
Diluted	69,97,41,185	52,71,33,028
Earnings per share (₹)		
Basic	7.64	6.63
Diluted	7.64	6.63
Face value per share (₹)	10.00	10.00

27 Auditor's remuneration

(₹ in crores)

Particulars	March 31, 2016	March 31, 2015
As Auditor		
Statutory audit	0.20	0.15
Tax audit	0.01	0.01
Others		
For certificates	0.02	0.02
Sub Total	0.23	0.18
Service Tax	0.01	0.02
Total	0.24	0.20

28A Disclosure pursuant to Reserve bank of India notification DNBS. PD. No. 301/3.10.01/2012-13 dated August 21, 2012 and DNBR (PD) CC. No.0029/03.10.001/ 2014-15 dated April 10, 2015

(₹ in crores)

Sr. No.	Particulars	As at March 31, 2016	As at March 31, 2015
1	No. of SPVs sponsored by the NBFC for securitisation transactions	5	3
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	1,496.88	298.38
3	Total amount of exposures retained by the NBFC to comply with MRR		
	a) Off-balance sheet exposures		
	* First loss	86.11	-
	* Others		
	b) On-balance sheet exposures		
	* First loss	121.37	39.25
	* Others	-	-

Sr. No.	Particulars	As at March 31, 2016	As at March 31, 2015
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	-	-

28 B Disclosure pursuant to Reserve bank of India notification DBOD. No.BP. 1502/21.04.048/ 2004-05 dated February 1, 2006 (₹ in crores)

Sr. No.	Particulars	As at March 31, 2016	As at March 31, 2015
i)	Total number of contracts for loan assets securitised during the year	31,701	3,736
ii)	Book value of loan assets securitised during the year	1,800.25	210.36
iii)	Sale consideration received for securitised assets during the year	1,800.25	210.36
iv)	Gain/ Loss (if any) on sale on securitised loan assets	Nil	Nil
v)	Quantum (outstanding value) of service provided: Credit enhancement (FD & CG)	128.61	14.73

28 C Disclosure pursuant to Reserve bank of India notification DNBR (PD) CC. No.0029/03.10.001/ 2014-15 dated April 10, 2015.

a) Details of Financial assets sold to securitization / Reconstruction Company for Asset Reconstruction

Sr. No.	Particulars	As at March 31, 2016	As at March 31, 2015
i)	Number of accounts		
ii)	Aggregate value (net of provisions) of account sold to SC / RC		
iii)	Aggregate consideration		
iv)	Additional consideration realized in respect of accounts transferred in earlier years		
v)	Aggregate gain / loss over net book value		

Nil

b) Details of Assignment Transactions

Sr. No.	Particulars	As at March 31 2016	As at March 31 2015
i)	Number of accounts		
ii)	Aggregate value (net of provisions) of accounts sold		
iii)	Aggregate consideration		
iv)	Additional consideration realized in respect of Accounts transferred in earlier years		
v)	Aggregate gain / loss over net book value		

Nil

29 Capital Adequacy Ratio

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

Particulars	As at March 31, 2016	As at March 31, 2015
CRAR%	19.23%	23.05%
CRAR-Tier I Capital %	13.44%	15.49%
CRAR-Tier II Capital %	5.79%	7.56%
Amount of subordinated debt raised as tier-II capital	1330	1330
Amount raised by the issue of perpetual debt instruments	Nil	Nil

30 Exposure to real estate sector *

(₹ in crores)

Categories	As at March 31, 2016	As at March 31, 2015
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)	10,667.98	9,488.51
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)	3,971.55	2,998.35
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).		

* Previous year figures are of Funded Exposure

31 Maturity pattern of certain items of assets and liabilities

(₹ in crores)

Particulars	Deposits	Advances (**)	Investments(*)	Borrowings	Foreign Currency Assets / Foreign Currency Liabilities
1 day to 30/31 days	- (6.81)	417.32 (359.81)	302.16 (425.00)	207.81 (169.06)	- (-)
Over one month to 2 months	- (-)	439.60 (367.24)	2.16 (-)	206.78 (586.62)	- (-)
Over 2 months upto 3 months	20.00 (-)	451.89 (365.55)	2.16 (-)	1,037.97 (345.56)	- (-)
Over 3 months to 6 months	0.53 (14.73)	1,369.44 (1,094.30)	6.40 (-)	1,658.41 (1,181.71)	- (-)

Particulars	Deposits	Advances (**)	Investments (*)	Borrowings	Foreign Currency Assets / Foreign Currency Liabilities
Over 6 months to 1 year	53.72	2,689.26	11.77	3,030.72	-
	(15.82)	(2,138.01)	(-)	(2,494.46)	(-)
Over 1 year to 3 years	-	8,794.76	21.84	11,451.23	-
	(1.30)	(6,450.36)	(6.40)	(8,130.75)	(-)
Over 3 years to 5 years	-	4,667.58	0.63	689.23	-
	(1.37)	(3,590.98)	(0.05)	(1,039.80)	(-)
Over 5 years	-	5,579.75	2.30	1,330.00	-
	(5.46)	(4,622.89)	(3.50)	(1,330.00)	(-)
Total	74.25	24,409.60	349.42	19,612.15	-
	(45.49)	(18,989.14)	(434.95)	(15,277.96)	(-)

* Long-Term Investment in Vayana Private Limited are shown at book value in "over 5 year"

** The figure includes ₹ 299.69 crores of doubtful assets in "over 5 year"

32 Segment reporting

Summary of segments of the Company is given below:

(₹ in crores)

Particulars	March 31, 2016	March 31, 2015
i. Segment Revenue		
Lending business	3,217.91	2,447.34
BPO services	79.85	74.30
Unallocated	4.26	5.62
Total	3,302.02	2,527.26
Less: Inter segment revenue	-	-
Income from operations	3,302.02	2,527.26
ii. Segment results		
Lending business	852.06	538.57
BPO services	10.42	9.69
Unallocated	(44.67)	(17.98)
Total profit before tax	817.81	530.28
Income tax expenses		
Current tax	(311.46)	(202.63)
Deferred tax asset	29.24	22.28
Income tax for earlier year	(1.18)	(0.48)
Net Profit	534.41	349.45
iii. Capital employed		
Segment assets		
Lending business	24,716.78	19,187.08
BPO services	36.44	25.53
Unallocated	435.85	529.53
Total assets	25,189.07	19,742.14
Segment liabilities		
Lending business	21,464.10	16,516.30
BPO services	11.29	11.26
Unallocated	151.88	89.44
Total liabilities	21,627.27	16,617.00
Net segment assets / (liabilities)	3,561.80	3,125.14

32 Segment reporting

(₹ in crores)

Summary of segments of the Company is given below:

Particulars		March 31, 2016	March 31, 2015
iv.	Capital Expenditure (including net CWIP)		
	Lending business	44.14	21.79
	BPO services	6.09	5.04
	Unallocated	0.14	0.02
	Total	50.37	26.85
v.	Depreciation		
	Lending business	14.92	9.10
	BPO services	4.83	4.51
	Unallocated	0.14	0.23
	Total	19.89	13.84
vi	Other non cash expenditure		
	Lending business	194.24	171.65
	BPO services	-	-
	Unallocated	-	-
	Total	194.24	171.65

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.

33 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 Note 22 'Employee benefits expense' under 'Contribution to provident and other funds' in Statement of Profit and Loss. The detail is as follows: (₹ in crores)

Particulars	March 31, 2016	March 31, 2015
Provident Fund	15.28	10.16
Employee State Insurance Corporation (ESIC)	7.13	5.24

B) Defined benefit plan (gratuity)

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, 2016 :

(₹ in crores)

Particulars	March 31, 2016	March 31, 2015
Benefit obligation as at beginning of the year	4.29	2.63
Current service cost	1.99	1.33
Past service cost	-	-
Interest cost	0.32	0.20
Actuarial losses / (gains)	0.31	0.31
Benefits paid	(0.26)	(0.18)
Benefit obligation as at end of the year	6.65	4.29
Fair value of plan assets as at beginning of the year	2.45	1.44
Expected returns on plan assets	0.27	0.16
Employer's contribution	1.84	1.20
Benefits paid	(0.26)	(0.18)
Actuarial gains/ (losses)	0.11	(0.16)
Fair value of plan assets as at end of the year	4.41	2.45
Balance sheet recognition		
Present value of obligation	6.65	4.29
Fair value of planned asset	(4.41)	(2.45)
Liability / (Asset)	2.23	1.84
Unrecognised past service cost	-	-
Liability / (Asset) to be recognised in the balance sheet	2.23	1.84
Profit and loss (expenses)		
Current service cost	1.99	1.33
Past service cost	-	-
Interest on obligation	0.32	0.20
Expected return on plan assets	(0.27)	(0.16)
Net actuarial losses / (gains) recognised in the year	0.20	0.47
Expenses to be recognised in the statement of profit and loss	2.23	1.84
Actual return on planned assets		
Expected return on planned assets	0.27	0.16
Actuarial gain / (loss) plan assets	0.11	(0.16)
Actual return on plan assets	0.38	-
Movement in the net liability recognised in the balance sheet		
Opening net liability	1.84	1.19
Expenses	2.23	1.84
Contribution	(1.84)	(1.20)
Closing net liability	2.23	1.84
Assumptions		
Discount rate	7.75%	7.77%
Future salary increase (%)		
General staff	6.00%	5.00%
Others	6.00%	5.00%
Expected rate of return on plan assets	8.00%	8.00%

Actuarial (gain) loss on Obligation	Mar-16	Mar-15	Mar-14	Mar-13	Mar-12
Experience adjustment	0.23	0.15	0.35	(0.17)	(0.01)
Assumption change	0.08	0.17	(0.08)	0.13	(0.00)
Total	0.31	0.32	0.27	(0.04)	(0.02)
Actuarial (gain) / loss on plan assets					
Experience adjustment	0.11	(0.16)	0.01	0.00	(0.01)
Assumption change	-	-	-	-	-
Total	0.11	(0.16)	0.01	0.00	(0.01)
Estimated contribution next year	2.67	3.32	1.20	0.44	0.32

Category of Plan asset	% of Fair value to total planned assets (as at March 31, 2016)
Government securities	52.04
Debenture and Bonds	39.55
Others debt instruments	8.41
Total	100.00

34 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 Private Limited**Key Management Person:** G Ramesh (Managing Director and CEO)**Details of Related Party Transactions for the Year:**

(₹ in crores)

Related party	Nature of relationship	Nature of transaction	March 31, 2016	March 31, 2015
HDFC Bank Limited	Holding company	Tele collection charges/field collection charges received / recoverable for collection services rendered	79.85	74.30
		Term loan availed during the year	1,126.82	520.00
		Term loan paid during the year	543.18	430.91
		Interest paid on term loan and OD account	100.06	117.17
		Interest received on fixed deposits	4.52	1.99
		Rent paid for premises taken on sub-lease	1.93	1.27
		Fixed deposits placed	42.50	14.73
		Investment banking fees paid	0.46	1.59
		IPA charges	-	0.02
		Locker rent	-	-
		Bank charges	0.71	0.44
		Dividend paid	88.40	25.00
		Non convertible debentures issued	322.00	485.00
		Assignment transaction / securitisation	1,800.25	210.36
		HBL Global Private Limited	Entities under common control	Rent received/receivable for premises given on sub-lease
Equipment hire charges paid	0.09			0.10
Deposit received	0.10			-
Electricity charges paid	0.29			0.35
Rent paid	0.58			0.52
		Other office expenses	0.02	-

Related party	Nature of relationship	Nature of transaction	March 31, 2016	March 31, 2015
HDFC Securities Limited	Entities under common control	Rent paid/payable	0.01	-
		Expenses payable	-	0.02
		Rent received/receivable from HDFC securities for premises given on sub-lease	0.06	0.01
G Ramesh	Key Management Person	Salary and allowances	1.69	1.56
Balance as on March 31, 2016				
HDFC Bank Limited	Holding Company	Term loan outstanding	1,590.00	1,006.36
		Fixed deposit	74.25	37.36
		Security deposit	9.75	9.75
		Balance in current accounts	56.95	84.54
		Balance receivable	21.57	12.58
		Assignment transaction / securitisation	1,496.88	301.08
HBL Global Private Limited	Entities under common control	Balance receivable	0.11	-
		Deposit	(0.10)	0.10
HDFC Securities Limited	Entities under common control	Balance receivable	0.06	0.01

35 Operating leases

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

Period	As at March 31, 2016	As at March 31, 2015
Not later than one year	32.82	20.59
Later than one year, but less than three years	63.23	39.61
More than three years, but less than five years	58.57	35.86
More than five years	75.15	41.01

- ii. Lease payments recognized in the Statement of Profit and Loss ₹ 26.91 crores (Previous year ₹ 17.18 crores)
- iii. Future sub lease income receivable is ₹ 0.30 crore (Previous year ₹ 0.22 crore)
- 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 giving notice in writing.

36 Accounting for employee share based payments

In accordance with resolution approved by the shareholders, the Company has reserved shares, for issue to employees through ESOP Scheme. On the approval of Nomination and Remuneration Committee (NRC), each ESOP scheme is issued. The NRC has approved stock option schemes ESOS-4 in October, 2010 and ESOS-5 on July 27, 2011 and ESOS-6 on June 11, 2012, ESOS-7 on July 19, 2013 and ESOP-8 on July 14, 2015. Under the term 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.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed/approved by the NRC. Such options are exercisable for a period following vesting at the discretion of the NRC, 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, 2016

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	14,37,250	50.62
Granted during the year	44,13,000	88.00
Exercised during the year	702,550	48.25
Forfeited / lapsed during the year	304,750	76.22
Options outstanding, end of year	48,42,950	88.41

Activity in the options outstanding under the Employees Stock Option Scheme as at March 31, 2015

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	21,51,700	49.17
Granted during the year	-	-
Exercised during the year	5,65,800	46.42
Forfeited / lapsed during the year	148,650	45.54
Options outstanding, end of year	14,37,250	50.62

Following summarizes the information about stock options outstanding as at March 31, 2016

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life (in years)	Weighted average exercise Price (₹)
ESOS - 5	25.00	4,000	0.50	25.00
ESOS - 6	31.00	70,650	1.30	31.00
ESOS - 7	56.00	560,300	1.35	56.00
ESOS - 8	88.00	42,08,000	1.40	88.00

Following summarizes the information about stock options outstanding as at March 31, 2015

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	6,400	0.50	17.50
ESOS - 5	25.00	7,000	1.07	25.00
ESOS - 6	31.00	290,650	2.16	31.00
ESOS - 7	56.00	11,33,200	2.28	56.00

Fair Value methodology

The fair value of options used to compute pro forma 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, 2016 are:

Particulars	March 31, 2016	March 31, 2015 *
Dividend yield	0.80%	-
Expected volatility	-	-
Risk- free interest rate	7.70%	-
Expected life of the option	2.21 years	-

*Note - Since the Company has not given any ESOP grants during the year, the above information is not applicable for this year to the Company

Impact of fair value method on net profit and EPS

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	March 31, 2016	March 31, 2015
Net Profit/(Loss) (as reported)	534.41	349.45
Stock based compensation expense determined under fair value based method: (pro forma)	4.87	1.45
Net Profit/(Loss) (pro forma)	529.54	348.00
Basic earnings per share (as reported)	7.64	6.63
Basic earnings per share (pro forma)	7.57	6.60
Diluted earnings per share (as reported)	7.64	6.63
Diluted earnings per share (pro forma)	7.57	6.60

37 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	March 31, 2016	March 31, 2015
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	-	-

Note - The above is based on the information available with the Company which has been relied upon by the auditors.

38 Contingent Liabilities and commitments

(₹ in crores)

Particulars	March 31, 2016	March 31, 2015
1. Claims against the Company not acknowledged as debt	1.09	1.02
2. Estimated amount of contracts remaining to be executed on capital account and not provided for; (Net of Advances amounting to ₹1.39 crore, previous year ₹ 0.51 crore)	16.98	7.42
3. Undrawn committed sanctions to borrowers	65.41	76.74

39 Loan against gold portfolio to Total assets is 0.75% (Previous year 0.59%)

40 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 **
238	0.94	2.43

* there is no sister concern participation in any of the above auctions.

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

Additional Disclosure pursuant to Reserve bank of India notification DNBR (PD) CC. No.0029/03.10.001/2014-15 dated April 10, 2015

41 A Movement of Non-Performing Assets (NPA's)

(₹ in crores)

	Particulars	March 31, 2016	March 31, 2015
(i)	Net NPAs to Net Advances (%)	0.73%	0.48%
(ii)	Movement of NPAs (Gross)		
	a) Opening balance	160.04	107.97
	b) Additions during the year	573.29	150.12
	c) Reductions during the year	433.64	98.05
	d) Closing balance	299.69	160.04
(iii)	Movement of Net NPAs		
	a) Opening balance	90.21	56.35
	b) Additions during the year	307.10	82.64
	c) Reductions during the year	220.76	48.78
	d) Closing balance	176.55	90.21
iv)	Movement of provisions for NPA's (excluding provision on standard assets)		
	a) Opening balance	69.83	51.62
	b) Provisions made during the year	266.19	67.48
	c) Write-off / write-back of excess provisions	212.87	49.27
	d) Closing balance	123.15	69.83

41 B Movement of Contingent and general Provision

(₹ in crores)

	Particulars	March 31, 2016	March 31, 2015
(i)	Movement of contingent provision against standard assets		
	a) Opening balance	47.44	33.33
	b) Additions during the year	24.89	14.11
	c) Reductions during the year	-	-
	d) Closing balance	72.33	47.44
(ii)	Movement of general provisions		
	a) Opening balance	116.54	84.35
	b) Additions during the year	-	32.19
	c) Reductions during the year	-	-
	d) Closing balance	116.54	116.54

42 Concentration of Advances, Exposures & NPA's

a) Concentration of Advances

(₹ in crores)

	March 31, 2016	March 31, 2015
Total advances to twenty largest borrowers	207.07	181.01
Percentage of advances to twenty largest borrowers to Total advances	0.85%	0.95%

b) Concentration of Exposures

(₹ in crores)

	March 31, 2016	March 31, 2015
Total exposure to twenty largest borrowers	207.07	181.01
Percentage of exposures to twenty largest borrowers to Total exposures	0.85%	0.95%

c) Concentration of NPA's

(₹ in crores)

	March 31, 2016	March 31, 2015
Total exposure of top four NPA accounts	21.31	13.85

d) Sector-wise distribution of NPA's*

Sr. No.	Sector	Percentage of NPA's to Total Advances in that sector	
		March 31, 2016	March 31, 2015
1	Agriculture & allied activities	1.24%	0.30%
2	MSME	0.00%	0.00%
3	Corporate borrowers	2.07%	1.15%
4	Services	1.22%	0.02%
5	Unsecured personal loans	0.36%	0.44%
6	Auto loans	0.00%	0.00%
7	Other personal loans	0.00%	0.00%
8	Others	1.27%	0.86%

43 Customer Complaints

	Particulars	March 31, 2016	March 31, 2015
a)	No. of complaints pending at the beginning of the year	0	1
b)	No. of complaints received during the year	144	96
c)	No. of complaints redressed during the year	139	97
d)	No. of complaints pending at the end of the year	5	0

Note :- The above figure are based on complaints received from customer for identified service deficiency

44 Investments

(₹ in crores)

	Particulars	March 31, 2016	March 31, 2015
1	Value of Investments		
i)	Gross value of investments		
a)	In India	349.42	434.94
b)	Outside India		
ii)	Provision for depreciation		
a)	In India	1.00	1.51
b)	Outside India		
iii)	Net value of investments		
a)	In India	348.42	433.43
b)	Outside India		
2	Movement of provisions held towards depreciation on investments		
i)	Opening Balance	1.51	1.51
ii)	Add : Provisions made during the year	-	-
iii)	Less : Write-off / write-back of excess provisions during the year	0.51	-
iv)	Closing Balance	1.00	1.51

45 Details of non- performing financial assets purchases / sold

The company has neither purchased nor sold any non- performing financial assets during the previous year.

46 Exposure to Capital Market

(₹ in crores)

Sr. No.	Particulars	March 31, 2016	March 31, 2015
i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity- oriented mutual funds the corpus of which is not exclusively invested in corporate debt	2.30	3.50
ii)	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPO's / ESOP's), convertible bonds, convertible debentures and units of equity oriented mutual funds	132.14	42.61

Sr. No.	Particulars	March 31, 2016	March 31, 2015
iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers ;	0.20	0.37
vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii)	Bridge loans to companies against expected equity flows / issues;	-	-
viii)	All exposures to Venture capital funds (both registered and unregistered)	-	-
	Total Exposure to Capital Market	134.65	46.48

47 Derivatives

The company has not entered into derivatives of any form during the year.

48 Registration under Other Regulators

The Company is not registered under any other regulator other than Reserve Bank of India and Insurance Regulatory & Development Authority of India (IRDAI)

49 Penalties imposed by RBI and Other Regulators

No penalties have been imposed by RBI and Other Regulators during the financial year 2015-16 (FY 2014-15 - NIL)

50 Details of Financing of Parent Company Products

There is no financing during the current year.

51 Details of Single Borrower Limits (SBL) / Group Borrower Limits (GBL) exceeded

The Company has not exceeded the single borrower limit as set as Reserve Bank of India.

52 Advances against Intangible Securities

Company has not given any loans against intangible securities.

53 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	Doubtful	Loss	Standard	Doubtful	Loss	Standard	Doubtful	Loss	Standard	Doubtful	Loss		
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	Downgradations 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)

54 Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)

There are no overseas asset owned by the Company.

55 Draw Down from Reserves

The Company has made no drawdown from existing reserves.

56 Off-balance Sheet SPVs sponsored

There are no SPVs which are required to be consolidated as per accounting norms.

57 Summary of total borrowings, receivables and provisions**Total borrowings**

(₹ in crores)

Term-wise breakup	As at March 31, 2016	As at March 31, 2015
Long term borrowings	13,470.45	10,500.06
Short term borrowings	910.38	350.28
Current maturities of long term borrowings	5,231.32	4,427.63
Total borrowings	19,612.15	15,277.97
Category-wise breakup		
Secured		
Term loans from bank	9,071.77	8,202.69
Non Convertible Debentures	8,300.00	5,395.00
Overdraft	0.38	0.28
Unsecured		
Subordinate debts	1,330.00	1,330.00
Commercial papers	910.00	350.00
	19,612.15	15,277.97

Total receivable under financing activity

(₹ in crores)

Term-wise Breakup		
Long term receivables	18,742.41	14,504.12
Current maturities of loan term receivables	5,667.19	4,485.01
Total receivables	24,409.60	18,989.13
Less: Substandard and Doubtful assets	299.69	160.04
Net loan book	24,109.91	18,829.09
Category-wise Breakup		
Secured	20,665.23	16,949.42
Unsecured	3,744.37	2,039.71
Total receivables	24,409.60	18,989.13
Less: Substandard and Doubtful assets	299.69	160.04
Net loan book	24,109.91	18,829.09

Total asset provisions

(₹ in crores)

Category-wise Breakup		
Provision for doubtful debts	123.15	69.83
Contingent provision against standard assets	72.33	47.44
General provisions	116.54	116.54
Provision for diminution in the value of investments	1.00	1.51
	313.02	235.32

58 Disclosure pursuant to Reserve Bank of India notification DNBR (PD) CC. No.043 / 03.10.119 / 2015-16 dated July 01, 2015. (₹ in crores)

Sr. No	Particulars	As at March 31, 2016	As at March 31, 2015
	Liabilities side:		
1	Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:		
	(a) Debentures		
	- Secured	8,744.92	5,705.85
	- Unsecured (other than falling within the meaning of public deposits)	1,384.01	1,383.89
	(b) Deferred Credits	-	-
	(c) Term Loans	9,071.77	8,212.67
	(d) Inter-Corporate Loans and Borrowings	-	-
	(e) Other Loans (Represents Working Capital Demand Loans and Cash Credit from Banks)	910.38	350.28
	Assets side:		
2	Break-up of Loans and Advances including Bills Receivables [other than those included in (4) below]:		
	(a) Secured	15,564.97	12,746.12
	(b) Unsecured	3,744.37	2,039.71
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	4.58	9.92
	b) Loans other than (a) above	5,095.67	4,193.39
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	300.00	425.00
	iv. Government Securities	-	-
	v. Others (please specify)	-	-

58 Disclosure pursuant to Reserve Bank of India notification DNBR (PD) CC. No.043 / 03.10.119 / 2015-16 dated July 01, 2015. (contd.) (₹ in crores)

Sr. No	Particulars	As at March 31, 2016	As at March 31, 2015
	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	2.30	3.50
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (Please specify)	47.12	6.44
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	24,409.60	18,989.14
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	348.42	428.50
7	Other Information		
	(i) Gross Non-Performing Assets		
	a. Related party	-	-
	b. Other than related party	299.69	160.04
	(ii) Net Non-Performing Assets		
	(a) Related party	-	-
	(b) Other than related party	176.55	90.21
	(iii) Assets acquired in satisfaction of debt	-	-

59 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 Security Trustee on the Company's Office 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.

60 Disclosure under clause 28 of the Listing Agreement for Debt Securities

(₹ in crores)

Particulars	As at March 31, 2016	As at March 31, 2015
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 186 of Companies Act, 2013.	-	-
d) Loans and advances in the nature of loans to firms/ companies in which directors are interested	-	-

- 61** The Central Government in consultation with National Advisory Committee on Accounting Standards has amended Companies (Accounting Standards) Rules, 2006, vide notification issued by Ministry of Corporate Affairs dated March 30, 2016. According to the amended rules, the proposed final dividend mentioned above in note 4 will not be recorded as a liability as at March 31, 2016 pursuant to requirements of amended AS-4 - Contingencies and Events occurring after Balance Sheet date. The Company believes that the Companies (Accounting Standards) Rules, 2016 will apply for the accounting periods commencing on or after March 30, 2016. Therefore the Company has recorded ₹ 50.56 crores as liability for proposed dividends (including corporate dividend tax) as at March 31, 2016.
- 62** The Company's pending litigations comprise of claims against the Company by the customers and proceedings pending with Income Tax authorities. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in the financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial results. (Refer note 38)
- 63** The Company has a process whereby periodically all long term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts has been made in the books of account.
- 64** The Company had received approval of the Reserve Bank of India in October 2015 on the amalgamation of M/s. HBL Global Private Limited and M/s. Atlas Documentary Facilitators Company Private Limited into HDB Financial Services Limited. The Company subsequently filed applications for summons for direction before the High Court of Gujarat for which an order was received. In view of the said order, the Company conducted court convened meetings of Shareholders, Secured Creditors and Unsecured Creditor and the amalgamation was also unanimously approved by the Shareholders, Secured Creditors and Unsecured Creditors. The Company has made an application to the High Court of Gujarat for their requisite approval on the amalgamation. High Court has further issued notice to Regional Directors ROC, Ahmedabad and their response for filing is awaited. Final order is expected in FY 2016-2017.

- 65 The average profit before tax of the Company for the last three financial years was ₹ 332.8 crores, basis which the Company was required to spend ₹ 6.66 crores towards Corporate Social Responsibility (CSR) activities for the current financial year. The Company has spent ₹ 1.55 crores towards CSR and ₹ 5.11 crores remains unspent for the current financial year. (Refer note 24)

Amount spent during the year on:

(₹ in crores)

Particulars		March 31, 2016			March 31, 2015		
		Amount spent	Amount unpaid/provision	Total	Amount spent	Amount unpaid/provision	Total
(i)	Construction/acquisition of any asset	-	-	-	-	-	-
(ii)	On purpose other than (i) above	1.55	-	1.55	0.20	-	0.20

- 66 During the year, the Company has placed additional fixed deposits of ₹ 42.5 crores with HDFC Bank pursuant to fresh securitisation transaction entered during the year. Total fixed deposits stands at ₹ 74.25 crores (previous year ₹ 37.36 crores) on account of securitisation transaction outstanding till March 31, 2016.

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

As per our report of even date

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

Chartered Accountants

Firms' Registration No: 101248W/W-100022

Akeel Master

Partner

Membership No. 046768

For and on behalf of the Board

G Subramanian

Chairman

Harsh Bajpai

Company Secretary

G Ramesh

Managing Director

Haren Parekh

Chief Financial Officer

Kaizad Bharucha

Venkatraman Srinivasan

Smita Affinwalla

Directors

Mumbai

April 14, 2016

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.

Enterprise Business Loan

Loan against Property

Business Loan

Personal Loan

Loan against Gold Jewellery

Consumer Durable Loan

Loan against Securities

Loan against Shares

Loan for ESOP

Car Loan

Construction Equipment Loan

Commercial Vehicle Loan

BPO Services

Insurance

623 Cities

929 Branches

16,508 Employees



From the trusted family of HDFC Bank Ltd.