
















From the trusted family of HDFC Bank

# 10<sup>th</sup> Annual Report 2016-2017

815 Cities  
1151 Branches  
65,906 Employees

-  Personal Loan
-  Doctor's Loan
-  Business Loan
-  Auto Loan
-  Gold Loan
-  Loan Against Property
-  Enterprise Business Loan
-  Loan Against Shares
-  Consumer Durables Loan
-  Commercial Vehicle Loan
-  Construction Equipment Loan
-  Loan Against Securities
-  Tractor Loan

## Financial Highlights

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Total revenue	963.19	1,688.27	2,527.26	3,302.02	5,714.54
Profit before tax	150.13	318.07	530.28	817.81	1,058.59
Profit after tax	102.45	209.24	349.45	534.41	698.77
Assets under Management	8,251	13,560	19,290	25,906	34,277
Shareholders' funds	873.53	1,628.50	3,125.13	3,561.80	5,362.90
Borrowings	7,153.51	11,075.00	15,277.97	19,612.15	25,287.05
Earnings per share (₹)	2.49	4.32	6.63	7.64	9.64
Book value per share (₹)	21.27	31.70	44.68	50.87	68.73

### Board of Directors

**Mr. Aditya Puri** - Chairman & Non Executive Director  
**Mr. Bhavesh Zaveri** - Non Executive Director  
**Mr. Jimmy Tata** - Non Executive Director  
**Ms. Smita Affinwalla** - Independent Director  
**Mr. Venkatraman Srinivasan** - Independent Director  
**Mr. Ramesh G.** - Managing Director & Chief Executive Officer

### Statutory Auditors

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

### Secretarial Auditors

Kaushal Dalal & Associates, Company Secretaries

### Registered Office

Radhika, 2<sup>nd</sup> 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

2<sup>nd</sup> 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 \* Canara Bank \* Corporation Bank \* Federal Bank \* HDFC Bank \* HSBC Bank \* Indian Bank \* Jammu & Kashmir Bank \* ICICI Bank \* Punjab & Sind Bank \* Punjab National Bank \* State Bank of Bikaner & Jaipur \* State Bank of India \* United Bank of India \* Vijaya Bank \*

### Key Managerial Personnel

Mr. Ramesh G., Managing Director & Chief Executive Officer  
 Mr. Haren Parekh, Chief Financial Officer  
 Ms. Dipti Khandelwal, Company Secretary & Compliance Officer

### 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 101, 247 Park, L.B.S. Marg, Vikhroli (West), Mumbai - 400 083

### Debenture Trustees

M/s IDBI Trusteeship Services Limited  
 Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai - 400 001  
 Tel.: +91 22 40807001, Fax: +91 22 66311776, Email: ajit.guruji@idbitrustee.com

## 10<sup>th</sup> Annual General Meeting

Date	: June 23, 2017
Day	: Friday
Time	: 12 pm
Place	: HDFC Bank House, Final Plot No. 287, Ellis Bridge Township Scheme No. 3, Navrangpura, Ahmedabad, Gujarat - 380 009
Record Date for determining eligibility of dividend	: June 16, 2017 (both physical and electronic)

## Contents

---

Directors' Report	1-31
Auditors' Report	32-37
Balance Sheet	38
Statement of Profit and Loss	39
Cash Flow Statement	40-41
Notes to Accounts	42-74
RBI Disclosure	74, 75, 76

# Directors' Report



The Members,  
HDB Financial Services Limited

Your Directors have pleasure in presenting the Tenth Annual Report on the business and operations of your Company together with the audited accounts for the Financial Year ended March 31, 2017.

## Financial Performance

(₹ in crore)

Particulars	2016-17	2015-16
Total Income	5,714.54	3,302.02
Total Expenditure	4,617.33	2,464.32
Profit / (Loss) before Depreciation & Tax	1,097.21	837.70
Less: Depreciation	38.62	19.89
Profit before Tax	1,058.59	817.81
Tax Paid	374.38	283.40
Profit for the year before impact of the scheme of Amalgamation relating to FY 2014 - 15 and 2015 - 16	684.21	534.41
Profit after tax of erstwhile Atlas Documentary Facilitators Company Pvt Ltd & HBL Global Pvt Ltd, the amalgamating company's for financial year 2014 - 15 and 2015 - 16	14.56	-
Profit / (Loss) after Tax	698.77	534.41
Amount transferred pursuant to Amalgamation	59.85	
Appropriations:		
Transfer to Reserve Fund under Section 45-IC of the RBI Act, 1934	139.75	106.88
Interim Dividend Paid (Including dividend distribution tax)	76.84	50.56
Proposed dividend	-	42.01
Dividend Tax thereon	-	8.55
Balance carried forward to Balance Sheet	542.03	326.40

Your Company posted total income and net profit of ₹ 5,714.54 crore and ₹ 698.77 crore, respectively, for the financial year ended March 31, 2017, as against ₹ 3,302.02 crore and ₹ 534.41 crore, respectively, in the previous year.

## Dividend

Your Company has achieved robust growth during the preceding years and particularly in the financial year 2016-17. Keeping this in mind, your Directors had declared an 'interim dividend' of ₹ 0.90 (Paise Ninety only) per Equity Share i.e. 9% (Nine percent) on each Equity Share of ₹ 10/- (Rupees Ten only), entailing a payout of ₹ 76.84 crore, 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. Friday, February 17, 2017.

Further your directors are pleased to recommend a final dividend of ₹ 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 ₹ 56.35 crore, including dividend distribution tax. The dividend would be paid to all the shareholders, whose names appear on the Register of Members / Beneficial Holders on Record Date. The Company has formulated its dividend distribution policy and the policy is available on the Company's website.

# Directors' Report



## Capital

During the year, your Company issued:

No. of fully paid up equity shares	Purpose
15,79,440	Shares were issued to its employees under the Employees Stock Option Scheme
75,60,985	Shares were issued pursuant to the amalgamation of HBL Global Private Limited and Atlas Documentary Facilitators Company Private Limited
7,09,31,445	Shares were issued pursuant to Rights Issue in ratio of 1 share for every 10 shares held

Post allotment of Equity Shares as aforesaid, the issued, subscribed and paid-up Share Capital of your Company stands increased to ₹ 7,80,24,42,960 (Rupees Seven Hundred Eighty Crore Twenty Four Lakh Forty Two Thousand Nine Hundred Sixty only) comprising of 78,02,44,296 (Seventy Eight Crore Two Lac Forty Four Thousand Two Hundred and Ninety Six) Equity Shares of ₹ 10 each as on March 31, 2017.

## Capital Adequacy

Your Company is well capitalized and has a capital adequacy ratio of 20.79 % as at March 31, 2017 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 crore
Bank facilities	AAA	AAA/Stable	16,500
Short term debt program	A1+	A1+	4,000
Non-convertible debentures	AAA	AAA/Stable	20,000
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 ₹ 8,570 crore through term loans from Banks. No interest payment or principal repayment of the Term Loans was due and unpaid as on March 31, 2017. 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 ₹ 7,004 crore 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, 2017. 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, between the end of the financial year March 31, 2017 to which the financial statements relate and the date of the report.

## Amalgamation

The Scheme of Amalgamation u/s 391 to 394 of the Companies Act 1956, for amalgamation of erstwhile HBL Global Private Limited (eHBL / Transferor Company 1) and erstwhile Atlas Documentary Facilitators Company Private Limited (eADFC/Transferor Company 2) with the Company was sanctioned by the Hon'ble High Court of Bombay

and Hon'ble High Court of Gujarat. On December 1, 2016 (effective date) all the assets, liabilities, reserves and surplus of Transferor Companies were transferred to and vested in the Company, on a going concern basis with effect from 1st April 2014, (appointed date). eHBL was in the business of providing specialised services relating to marketing and promotion of the various financial products which includes various retail asset products of the HDFC Bank. eADFC was into the BPO business and provides back office operations and processing support to HDFC Bank. eHBL, eADFC and the Company's collection BPO business caters to the same customer i.e. HDFC Bank on different service fronts. The scheme has accordingly been given effect to in these financial statements.

## Corporate Social Responsibility

The 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 that CSR is a way of creating shared value and contributing to social and environmental good. Company's strategy has been 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 Skills Training & Livelihood Enhancement, Healthcare and Education. These projects are in accordance with Schedule VII of the Companies Act, 2013.

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

## Directors

Mr. G Subramanian had 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 expired on April 30, 2016. Mr. G Subramanian had 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, has accepted his request to step down from the Board of the Company effective May 01, 2016. Consequent to his resignation, he ceased 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, which has helped your Company to achieve growth and enhance its brand value.

Mr. Kaizad Bharucha had been associated with the Company as a Non Executive Director since January, 2009. Mr. Kaizad Bharucha had 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, has accepted his request to step down from the Board of the Company effective May 01, 2016. Consequent to his resignation, he ceased 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 Non-Executive Director of the Company with effect from May 01, 2016 liable to retire by rotation. 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 Non-Executive Directors of the Company with effect from May 01, 2016. The Shareholders at the Annual General Meeting held on June 28, 2016 have approved their appointment as Non - Executive Directors of the company, liable to retire by rotation.

Further, 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.

# Directors' Report



In terms of Section 152 of the Companies Act 2013 and the articles of association of the Company, Mr. Jimmy Tata retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

## Independent Directors

The Independent Directors hold office for a fixed period of five years from the date of their appointment at the Annual General Meeting on June 18, 2015 and are not liable to retire by rotation. The Company has received necessary declaration from each Independent Director of the Company under Section 149 (7) of the Companies Act, 2013 that the Independent Directors of the Company meet with the criteria of their Independence laid down in Section 149 (6).

## Key Managerial Personnel

Mr. Ramesh G. was appointed as the Managing Director of the Company in July 2012 for a term of 5 (five) years. His term would expire on June 30, 2017. The Board of Directors in their meeting held on April 18, 2017 has recommended his appointment as Managing Director of the Company for a further term of 5 (five) years from July 1, 2017 subject to approval of members at the ensuing Annual General Meeting.

During the year, Mr. Harsh Bajpai resigned as the Company Secretary. The Board of Directors, at the meeting held on January 18, 2017, accepted his resignation with immediate effect. The Board of Directors, at its meeting held on January 18, 2017, in terms of Section 203 of the Companies Act, 2013 appointed Ms. Dipti Khandelwal as the Company Secretary of the Company with immediate effect.

## 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, 2017, 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, 2017 & 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

As per the provisions of Section 177(9) of the Companies Act, 2013 the Company is required to establish an effective vigil mechanism for Directors and employees to report genuine concerns. 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, the Company received one complaint and the same was investigated and addressed as per the policy. 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 and Rules framed thereunder and Internal Complaints Committee has also been set up to redress complaints received regarding sexual harassment. The said policy is uploaded on the website of the Company.

During the year under review, the Company received six complaints of harassment. Three were investigated and addressed as per the policy and balance three are under investigation.

## 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.

M/s. B S R & Co. LLP, Chartered Accountants, Statutory Auditors of the Company, are eligible for re-appointment and they have consented to the same. They 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 2017 - 18, to the members at the ensuing Annual General Meeting.

## Secretarial Auditors

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rule 2014, the Board of Directors at its meeting held on October 18, 2016 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 2016 - 17. 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 ₹ 1,02,00,000/- per annum or ₹ 8,50,000/- 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 Non Banking Financial 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 Deposit taking 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 2016-17 saw rapid technological innovation, macroeconomic changes, fast changing business conditions, evolving consumer preferences and increasingly disruptive market environment that drove corporations to significantly rethink the manner in which they operate. India continued to witness steady economic growth despite a volatile internal and weak external environment. Decline in commodity prices, low fiscal deficit, depreciation of the rupee vis-a-vis the dollar and the demonetization exercise all resulted in disruption in the rural as well urban market conditions.

The Wholesale Price Index inflation inched up to 6.55% for the month ending February, on the back of the quick surge in economy in the remonetisation phase. 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. Revenue deficit and fiscal deficit targets for the next fiscal have been reduced to 2.1% and 3.2% of the GDP respectively, outlining the Government's intent to spend well within its means. The Government took steps to develop functional autonomy for the Railways by stopping the British era practice of announcing a separate Rail budget. The merger of Railways Budget with General Budget brings focus on a multi-modal approach for development of railways, highways and inland water transport.

Current account deficit (CAD) declined from 1% to 0.3% in the first half of the last fiscal. Foreign exchange reserves increased to \$361 billion in January, and are now large enough to cover 12-month's needs. However, the uncertainty around commodity prices especially oil is likely to have an impact of Government's finances in case of a rapid spike in oil prices.

The focus on incoming FDI and landmark policies like labour reforms, GST, Aadhaar based targeted subsidy is likely to fuel inclusive growth. The recent demonetization exercise resulting in brief but nationwide lull in the trading and business environment up till the middle of January. This led to a spurt in non-cash business transactions involving banks, credit & debit cards and payment wallets, amongst others. However, following the remonetisation, business has picked up faster than expected. The spurt in non-cash transactions, both business and retail, resulted in higher tax collections for both direct & indirect taxes benefiting the Government's fiscal agenda of containing the annual fiscal deficit defined within the budget.

The vision of the Central Government is likely to fuel inclusive growth. The same is apparent from industry wide appreciation for GST, which is on track to be rolled out from July 1, this year, and is being touted at the single biggest economic reform in the history of independent India. While, the initial taxation hiccups are likely in terms of compliance laws, business education and technological system upgradation, the mid to long term growth is likely to outdo any short term negative effects. The initial tax slabs are likely to be on the lower side, thereby containing the tax shock that has been feared to lead to a higher inflation on account of GST.

On account of the recent budget, the move to advance the budget date to early February was appreciated by the industry and public alike. The latest budget was a good mix of policies, with a larger focus on the rural populace by shifting the direction towards agricultural spending and rural industry. The income tax cut is also likely to augur well to lift the spending power of the middle class, which is likely to work well to help the economy bounce back from the demonetization phase. Along with an increased allocation for rural, agri and allied sectors by 24%, the thrust to agriculture, infrastructure, manufacturing, GST, black money, rural incomes and rural entrepreneurship, micro irrigation, and Government plans like the Antodya Scheme, MNREGA, mini labs in Krishi Vigyan Kendras, agricultural credit, Pradhan Mantri Gram Sadak Yojana, dairy processing fund, PM Kaushal Kendras shall directly boost the socio-economic environment.

*(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.

RBI has amended its KYC regulations to allow NBFCs, to open new accounts using one time pins (OTP), based on Aadhaar authentication on mobile to complete KYC procedure electronically.

Some of the key budget proposals are:

- Consideration in the form of interest and discounts to be included as exempt services for computation of CENVAT credit liable for reversal in case of banks, financial institutions and NBFCs.
- Systemically important NBFCs RBI regulated and above a certain net worth, to be categorised as QIBs and can participate in IPOs with specifically earmarked allocations.

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

## Opportunities

Structural changes in the financial services sector have created new opportunities for NBFCs. The success of NBFCs can be clearly attributed to their better product lines, lower cost, wider and effective reach, strong risk management capabilities to check and control bad debts, and better understanding of their customer segments. Not only have they shown success in their traditional bastions (passenger and commercial vehicle finance) but they have also managed to build substantial assets under management (AUM) in the personal loan and housing finance sector. Going forward, the latent credit demand of an emerging India will allow NBFCs to fill the gap, especially where traditional banks have been wary to serve. Improving macroeconomic conditions, higher credit penetration, increased consumption and disruptive digital trends will allow NBFC's credit to grow at a healthy rate of 7–10% (real growth rate) over the next three to five years.

## 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 ₹ 19,171 crore, as against ₹ 14,809 crore in the previous year. The Assets under Management (AUM) of the Company as at March 31, 2017 increased to ₹ 34,277 crore from ₹ 25,906 crore in the previous year.

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

# Directors' Report



The current product portfolio consists of:

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

- **Unsecured loans** - The Company offers unsecured loans in the range of ₹1,00,000/- (Rupees One Lakh) to ₹ 30,00,000/- (Rupees Thirty Lakhs). These loans are offered as term loans with a maximum tenure of upto 60 (Sixty) months.
- **Secured loans** - Secured 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/- (Rupees One Lakh) to ₹ 12,00,00,000 (Rupees Twelve Crore). These loans are offered as term loans with a maximum tenure of upto 180 (One Hundred and Eighty) months. The loans are offered as fixed rate or floating rate depending on the collateral, structure and tenure of the loan proposed.

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

- Residential / commercial property;
- Shares, mutual fund units;
- Marketable securities such as bonds; and
- Gold jewellery

**Asset Finance** - The Company offers loans for purchase of new & used vehicles and equipment that generate income for the borrowers.

- **Commercial Vehicle Loans** - The Company provides loans for purchase of new and used commercial vehicles. The Company also offers refinancing for vehicles.
- **Construction Equipment Loans** - The Company provides loans for purchase of new and used construction equipment.
- **Tractor Loans** - The Company provides loans for purchase of new and used tractors.

**Sales Finance** - The Company provides loans for purchase of white goods such as washing machines and refrigerators and brown goods such as televisions, audio equipment and similar household appliances.

## Fee based products:

- **Insurance services** - The Company is a registered Corporate Insurance Agent having license 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

- a. The Company has a contract with HDFC Bank to run collection call centres and collect overdues from borrowers. The Company has set up 13 call centres across the country with a capacity of over 3500 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.
- b. Post merger of HBL and ADFC with the Company, the Company provides sales support services, back office, operations and processing support to HDFC Bank.

## 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. 37.

## Infrastructure

The Company has 1151 branches in 815 cities in India as on March 31, 2017 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.

## 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 2017-18.

## 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 April 18, 2017 had reviewed the Risk Management Policy towards 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, 2017 stood at 1.45% and 0.84% 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. The focus during the year was to develop an omni channel customer interaction system. Customers can now reach the Company through its extensive branch network, phone, web, mail and the mobile App. To ensure prompt redressal of customer grievances, the Company has enhanced the interaction and touch points and a clearly defined escalation matrix. 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.

The mobile App (ON THE GO), saw healthy adoption by the customers. Based on customer feedback, new features are regularly added to the App so that customers can interact with the Company or find information on their accounts at their convenience.

As part of your Company's endeavour to digitize its service offerings and process flows, 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. This enables quick response to customer queries that can be addressed while our personnel are on the field.

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 2016 - 17, 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

# Directors' Report



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.

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 the Internal Auditors 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 an Internal Audit Department which is staffed with experienced personnel. The Head of Internal Audit reports to the Audit committee. The Internal Audit department conducts audits of all areas of operations including branches as per an audit calendar approved by the Committee. The reports are reviewed by 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.

## 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, 2017, your Company had 65,906 employees including the eADFC and eHBL employees post merger as compared to 16,508 as on March 31, 2016.

## 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**

**Aditya Puri**  
Chairman

Mumbai  
April 18, 2017

### Disclosure on Corporate Social Responsibility (CSR) Policy and Activities

- 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:** <https://www.hdbfs.com/policies>

- The Composition of the CSR Committee as on March 31, 2017**

- Ms. Smita Affinwalla, Chairperson from May 1, 2016
- Mr. Bhavesh Zaveri, Member
- Mr. Ramesh G, Member

*\* Note. Mr. G Subramanian and Mr. Kaizad Bharucha ceased to be a member of the CSR Committee with effect from May 1, 2016. Mr. Bhavesh Zaveri was inducted as the member of the CSR Committee with effect from May 1, 2016.*

- Average net profit of the company for last three financial years of the Company:** ₹567.42 crore
- Prescribed CSR Expenditure (two percent (2%) of the amount as in item 3 above):** ₹11.35 crore
- Details of CSR spend for the financial year:**

- Total amount spend for the financial year: ₹4.09 crore and committed ₹ 1.99 crore
- Amount unspent, if any: ₹7.26 crore
- Manner in which the amounts spend during the financial year is detailed below:

(₹ in crore)

S. No	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.	Maternal and child health	Healthcare	Mumbai	0.34	0.34	0.34	0.34
2.	Infrastructure support	Healthcare	Chennai	0.06	0.06	0.06	0.06
3.	One-year pre-service teacher training	Skills Training	Mumbai	0.12	0.12	0.12	0.12
4.	Infrastructure support	Education	Chennai	0.48	0.24	0.48	0.24
5.	Skills training to lesser privileged youth	Skills Training	Nagpur	0.13	0.13	0.13	0.13
6.	Promote education - Enrol, Retain, Enhance learning outcomes	Education	Ajmer - Rajasthan	0.85	0.85	0.85	0.85
7.	Preventive Healthcare	Healthcare	Barmer - Rajasthan	0.60	0.24	0.24	0.24
8.	Skills training to lesser privileged youth	Skills Training	Mumbai, Kolkata, Jaipur and Hyderabad	0.35	0.14	0.14	0.14
9.	Skills training to lesser privileged youth	Skills Training	Ahmedabad, Bangalore, Chennai, Delhi	0.30	0.21	0.21	0.21
10.	Skills training to specially abled youth	Skills Training	Pondicherry	0.10	0.06	0.06	0.06
11.	Infrastructure support	Education	Dharmapuri, Nagercoil, Tuticorin - Tamil Nadu	0.50	0.50	0.50	0.50
12.	Preventive Healthcare	Healthcare	Ahmedabad	0.52	0.21	0.21	0.21

13.	Skills training to specially abled youth	Skills Training	Delhi	0.23	0.09	0.09	0.09
14.	Skills training to lesser privileged youth	Skills Training	Jaipur	1.00	0.50	0.50	0.50
15.	Medical Centre Support	Healthcare	Mumbai	0.05	0.05	0.05	0.05
16.	Infrastructure support	Skills Training	Lonavala - Maharashtra	0.15	0.06	0.15	0.06
17.	Infrastructure support	Promoting Education	Lonavala - Maharashtra	0.07	0.07	0.07	0.07
18.	Healthcare Support to lesser privileged individuals	Promoting Healthcare	Mumbai	0.23	0.23	0.23	0.23
	<b>Total</b>			<b>6.08</b>	<b>4.09</b>	<b>4.43</b>	<b>4.09</b>

\* Details of the Implementing Agency:

1. Society for Nutrition Education and Health Action (SNEHA), Mumbai.
2. SIP Memorial Trust, Chennai
3. Paragon Charitable Trust (Muktangan), Mumbai
4. Bala Vihar (Guild of Service), Chennai
5. Udyogini (EduBridge), Delhi
6. Foundation to Educate Girls, Mumbai
7. Mamta - Health Institute for Mother and Child, Delhi
8. Don Bosco Tech Society, Delhi
9. SGBS Unnati Foundation, Bengaluru
10. Youth4Jobs Foundation, Hyderabad
11. Isha Education, Coimbatore
12. Centre for Health Education, Training and Nutrition Awareness (CHETNA), Ahmedabad
13. Sarthak Educational Trust, Delhi
14. Society for Development Alternatives, Delhi
15. Shanmukhananda Fine Arts & Sangeetha Sabha, Mumbai
16. India Sponsorship Committee, Mumbai
17. India Sponsorship Committee, Mumbai
18. Nana Palkar Smruti Samiti, Mumbai

**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 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 gradually increased the quantum and scope of interventions in the current financial year, with adequate circumspection in partnering the agencies concerned. The endeavour in the current financial year has also been to build relationships with credible implementing agencies and effective implementation of projects initiated.

The Company believes it is well positioned to build on the foundations put in place to further 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.**

***Smita Affinwalla***  
**Chairperson, CSR Committee**

***Ramesh G.***  
**Managing Director & CEO**



**Form No. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED 2016-2017**

*[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**

I have conducted the secretarial audit of all applicable statutory provisions **for the financial year 2016 - 2017** of **M/s HDB Financial Services Limited** (hereinafter called "the Company"), incorporated on 4th June, 2007 having **CIN:U65993GJ2007PLC051028** and Registered office at **Radhika, 2nd Floor, Law Garden Road, Navrangapura, Ahmedabad - 380 009, Gujarat.**

Based on my 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, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on **March 31, 2017** 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:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by **the Company** for the financial year ended on **March 31, 2017** according to the applicable provisions of:

- (i) The Companies Act, 2013 ("the Act") and the rules made thereunder;
- (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 following 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
- (ii) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 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.
- c. Majority decision is carried through the unanimous consent of all the Board of Directors 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. The members of the company vide postal ballot have approved the following resolutions vide Special resolutions the results of which was declared on June 25, 2016:
  - Increase the borrowings limits of the Company from ₹ 28,000 Crore (Rupees Twenty Eight Thousand Crore) to ₹ 40,000 Crore (Rupees Forty Thousand Crore) pursuant to the provisions of Section 180(1)(c) of the Act;
  - Increase in limits for creation of charge on the assets of the Company upto an amount of ₹ 40,000 Crore (Rupees Forty Thousand Crore) to secure its borrowings
- e. The members of the Company in its Annual General Meeting held June 28, 2016 vide special resolution have approved the followings resolutions pursuant to the provisions of Section 71 read with Section 42 of the Act and rules made thereunder:
  - Issuance of Secured Redeemable Non-convertible Debentures upto the limit of ₹ 2,814 Crore (Two Thousand Eight Hundred Fourteen Crore only);
  - Issuance of Unsecured Redeemable Non-convertible Subordinated Bonds upto the limit of ₹ 670 Crore (Rupees Six Hundred and Seventy Crore only);
- f. The members of the Company in its Extra Ordinary General Meeting held August 26, 2016 vide special resolution have approved the followings:
  - Issuance of Secured Redeemable Non-convertible Debentures upto the limit of ₹ 7,000 Crore (Seven Thousand Crore) pursuant to the provisions of Section 71 read with Section 42 of the Act and rules made thereunder;
  - Amendments to Employees Stock option Scheme-2014 ('ESOS-2014') pursuant to the provisions of Section 62(1)(b) of the Act and rules made thereunder;
- g. The Company has received the approval of the Scheme of Amalgamation of HBL Global Private Limited and Atlas Documentary Facilitators Company Private Limited with the Company from Hon'ble High Court of Gujarat on September 15, 2016 and Hon'ble High Court of Bombay on September 29, 2016;
- h. The Board of Directors in its meeting held on December 16, 2016 have issued and allotted 20,470 (Twenty Thousand Four Hundred and Seventy) Equity shares of ₹ 10/- to HBL Global Private Limited and 75,40,515 (Seventy Five Lakhs Forty Thousand Five Hundred and Fifteen) Equity shares to Atlas Documentary Facilitators Company Private Limited pursuant to the scheme of amalgamation of the above said companies with the Company;
- i. The Board of Directors have redeemed 20,272 (Twenty Thousand Two Hundred and Seventy Two) Secured Redeemable Non-Convertible Debentures in various tranches during the year.

# Directors' Report



- j. The Board of Directors have issued and allotted 70,040 (Seventy Thousand Forty ) of Secured Redeemable Non-convertible Debentures of ₹ 10 Lakh (Rupees ten Lakh) in various tranches through offer or invitations for subscription of securities on private placement pursuant to the provisions of Section 71 read with Section 42 of the Act and rules made thereunder during the year and these securities were listed with the BSE Limited;
- k. The Board of Directors under various Employee Stock Option Scheme have issued and allotted to employees of the company pursuant to the provisions of the Section 62(1)(b) of the Act and the rules made thereunder;
- 9,07,900 (Nine Lac Seven Thousand Nine Hundred) Equity shares of ₹ 10/-
  - 3,52,900 (Three Lac Fifty Two Thousand Nine Hundred) Equity Shares of ₹ 10/-
  - 3,18,640 (Three Lac Eighteen Thousand Six Hundred Forty) Equity Shares of ₹ 10/-
- l. The Board of Directors have allotted 3,900 (Three Thousand Nine Hundred) Unsecured Redeemable Non-convertible Subordinated Bonds of ₹ 10 Lakh (Rupees ten Lakh) in various tranches during the year on private placement pursuant to the provisions of Section 71 read with Section 42 of the Act and rules made thereunder;
- m. The Board of Directors of the Company vide Circular resolution dated February 16, 2017 had declared an interim dividend at the rate of Re. 0.90/- (Ninety Paise Only) per share (i.e. 9% on the face value of the equity shares) out of the current year's profits to the Existing Equity shareholders of the Company.
- n. The Board of Directors of the Company have issued and allotted 7,09,31,445 (Seven Crore Nine Lac Thirty One Thousand Four Hundred and Forty Five) Equity Shares of ₹ 10/- (Rupees Ten only) at the premium of ₹ 145/- (Rupees One Hundred Forty Five only) each on Rights basis pursuant to the provisions of the Section 62(1)(a) of the Companies Act, 2013.

**For Kaushal Dalal & Associates  
Company Secretaries**

**Kaushal Dalal  
Proprietor**

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

**Date: April 18, 2017  
Place: Mumbai**

## Annexure I

Sr. No	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**

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

**Date: April 18, 2017  
Place: Mumbai**

# Directors' Report



To,  
The Members,  
**HDB Financial Services Limited**

Our report of even date is to read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provided a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Book of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulation, standards is the responsibility of management. Our examination was limited to the verification of procedures on the test basis.
6. The Secretarial audit report is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For Kaushal Dalal & Associates**  
***Company Secretaries***

**Date: April 18, 2017**  
**Place: Mumbai**

**Kaushal Dalal**  
**Proprietor**  
**M. No: 7141 CP No: 7512**

## 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, 2017**

Details	ESOS - 5	ESOS - 6	ESOS - 7	ESOP - 8	ESOS - 9
Options granted during the year	0	0	0	0	31,17,500
Options vested	0	0	0	13,28,800	0
Options exercised	4,000	66,300	3,74,400	11,34,740	0
Total number of shares arising as a result of exercise of option	4,000	66,300	3,74,400	11,34,740	0
Options lapsed	0	3,150	83,200	3,02,000	1,14,000
Exercise price (in ₹)	25	31	56	88	137
Money realized by exercise of options (in ₹)	1,00,000	1,95,300	1,69,40,000	9,98,57,120	0
Total number of options in force as at March 31, 2017	0	1,200	1,02,700	27,71,260	30,03,500

## Annexure D

**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, 2017**

*[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	<b>CIN</b>	U65993GJ2007PLC051028
ii	<b>Registration Date</b>	June 04, 2007
iii	<b>Name of the Company</b>	HDB Financial Services Limited
iv	<b>Category / Sub-Category of the Company</b>	Non-Banking Financial Company
v	<b>Address of the Registered office and contact details</b>	Radhika, 2 <sup>nd</sup> Floor, Law Garden Road, Navrangpura, Ahmedabad - 380 009. Tel: +91 79 3048 2717
vi	<b>Whether listed company Yes / No</b>	Equity Shares not listed, however, Debentures and Subordinated Bonds listed on Bombay Stock Exchange
vii	<b>Name, Address and Contact details of Registrar and Transfer Agent, if any</b>	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 101, 247 Park, L B S Marg, Vikhroli (West), Mumbai - 400 083

### 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	76.65%

# Directors' Report



## 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 HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai - 400013	L65920MH1994PLC080618	Holding	96.20%	Section 2(46) of Companies Act, 2013

## 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	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters:</b>									
<b>1. Indian</b>									
a) Individual/HUF	0	0	0	0	0	0	0	0	0
b) Central Government	0	0	0	0	0	0	0	0	0
c) State Government(s)	0	0	0	0	0	0	0	0	0
d) Bodies Corporate	0	0	0	0	0	0	0	0	0
e) Banks/Financial Institution	68,00,00,000	0	68,00,00,000	96.9459	75,05,96,670	0	75,05,96,670	96.2002	-0.7456
f) Any Other	0	0	0	0	0	0	0	0	0
<b>Sub Total (A)(1)</b>	<b>68,00,00,000</b>	<b>0</b>	<b>68,00,00,000</b>	<b>96.9459</b>	<b>75,05,96,670</b>	<b>0</b>	<b>75,05,96,670</b>	<b>96.2002</b>	<b>-0.7456</b>
<b>2. Foreign</b>									
a) NRIs - Individuals	0	0	0	0	0	0	0	0	0
b) Other - Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corporate	0	0	0	0	0	0	0	0	0
d) Banks / FI	0	0	0	0	0	0	0	0	0
e) Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
f) Any Other (specify)	0	0	0	0	0	0	0	0	0
<b>Sub Total (A)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)</b>	<b>68,00,00,000</b>	<b>0</b>	<b>68,00,00,000</b>	<b>96.9459</b>	<b>75,05,96,670</b>	<b>0</b>	<b>75,05,96,670</b>	<b>96.2002</b>	<b>-0.7456</b>
<b>B. Public shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks / FI	0	0	0	0	0	0	0	0	0
c) Central Government	0	0	0	0	0	0	0	0	0
d) State Government(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
j) Other (specify)	0	0	0	0	0	0	0	0	0
<b>Sub Total (B)(1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2. Non-institutions</b>									
a) Bodies Corporate	0	0	0	0	0	0	0	0	0
i. Indian	7,252	0	7,252	0.0010	28,901	0	28,901	0.0037	0.0027
ii. Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i. Individuals - shareholders holding nominal share capital up to ₹ 1 Lakh	13,06,480	0	13,06,480	0.1863	21,24,334	0	21,24,334	0.2723	0.0860
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	1,82,27,304	0	1,82,27,304	2.5986	2,26,29,297	1,05,525	2,27,34,822	2.9138	0.3152

# Directors' Report



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	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c) Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
d) Other (specify)	0	0	0	0	0	0	0	0	0
i. NRI Rep	0	0	0	0	0	0	0	0	0
ii. NRI Non -Rept	6,31,390	0	6,31,390	0.0900	2,18,808	0	2,18,808	0.0280	-0.0620
iii. Foreign Bodies	0	0	0	0	0	0	0	0	0
iv. Foreign National	0	0	0	0	0	0	0	0	0
a) Trust	12,50,010	0	12,50,010	0.1782	26,18,699	19,22,062	45,40,761	0.5820	0.4038
<b>Sub Total (B)(2)</b>	<b>2,14,22,436</b>	<b>0</b>	<b>2,14,22,436</b>	<b>3.0541</b>	<b>2,76,20,039</b>	<b>20,27,587</b>	<b>2,96,47,626</b>	<b>3.7998</b>	<b>0.7456</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>2,14,22,436</b>	<b>0</b>	<b>2,14,22,436</b>	<b>3.0541</b>	<b>2,76,20,039</b>	<b>20,27,587</b>	<b>2,96,47,626</b>	<b>3.7998</b>	<b>0.7456</b>
<b>Total (A+B)</b>	<b>70,14,22,436</b>	<b>0</b>	<b>70,14,22,436</b>	<b>100.00</b>	<b>77,82,16,709</b>	<b>20,27,587</b>	<b>78,02,44,296</b>	<b>100.00</b>	<b>0.0000</b>
Custodians for GDRs and ADRs	0	0	0	0	0	0	0	0	0
<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>70,14,22,436</b>	<b>0</b>	<b>70,14,22,436</b>	<b>100.00</b>	<b>77,82,16,709</b>	<b>20,27,587</b>	<b>78,02,44,296</b>	<b>100.00</b>	<b>0.0000</b>

## 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	97.1189	75,05,96,670	96.2002	(0.9187)
	<b>TOTAL</b>	<b>68,00,00,000</b>	<b>97.1189</b>	<b>75,05,96,670</b>	<b>96.2002</b>	<b>(0.9187)</b>

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

## iii. Change in Promoters' Shareholding

Name	Remarks	Date	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 LTD	At the beginning of the Year	31-MAR-2016	68,00,00,000	97.119	68,00,00,000	97.119
	Increase	30-DEC-2016	21,85,875	0.308	68,21,85,875	96.219
	Increase	24-MAR-2017	6,84,10,795	8.768	75,05,96,670	96.200
	At the END of the Year	31-MAR-2017	0	0.000	75,05,96,670	96.200

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

Sr. No.	Name	Remarks	Date	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
1	HDB Employees Welfare Trust	At the beginning of the Year	31-MAR-2016	12,50,010	0.179	12,50,010	0.179
		Increase	30-DEC-2016	11,30,625	0.159	23,80,635	0.336
		Increase	24-MAR-2017	2,38,064	0.031	26,18,699	0.336
		At the END of the Year	31-MAR-2017	0	0.000	26,18,699	0.336
2	ADFC Employees Welfare Trust	At the beginning of the Year	31-MAR-2016	0	0.000	0	0.000
		Increase	30-DEC-2016	19,22,062	0.271	19,22,062	0.271
		At the END of the Year	31-MAR-2017	0	0.000	19,22,062	0.246
3	Amrita Puri	At the beginning of the Year	31-MAR-2016	5,60,462	0.080	5,60,462	0.080
		Increase	24-JUN-2016	5,60,463	0.080	11,20,925	0.160
		Increase	30-DEC-2016	2,18,587	0.031	13,39,512	0.189
		Increase	24-MAR-2017	1,41,772	0.018	14,81,284	0.190
		At the END of the Year	31-MAR-2017	0	0.000	14,81,284	0.190
4	Vinod G Yennemadi	At the beginning of the Year	31-MAR-2016	6,00,000	0.086	6,00,000	0.086
		Increase	30-DEC-2016	2,07,717	0.029	8,07,717	0.114
		Increase	24-MAR-2017	85,481	0.011	8,93,198	0.114
		At the END of the Year	31-MAR-2017	0	0.000	8,93,198	0.114

# Directors' Report



Sr. No.	Name	Remarks	Date	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
5	Harish H Engineer	At the beginning of the Year	31-MAR-2016	4,85,212	0.069	4,85,212	0.069
		Increase	30-DEC-2016	1,05,525	0.015	5,90,737	0.083
		Increase	24-MAR-2017	62,519	0.008	6,53,256	0.084
		At the END of the Year	31-MAR-2017	0	0.000	6,53,256	0.084
6	Abhay Aima	At the beginning of the Year	31-MAR-2016	3,06,000	0.044	3,06,000	0.044
		Increase	30-DEC-2016	1,05,525	0.015	4,11,525	0.058
		Increase	24-MAR-2017	43,551	0.006	4,55,076	0.058
		At the END of the Year	31-MAR-2017	0	0.000	4,55,076	0.058
7	Ankita Paresh Sukthankar	At the beginning of the Year	31-MAR-2016	3,95,000	0.056	3,95,000	0.056
		Increase	24-MAR-2017	40,000	0.005	4,35,000	0.056
		At the END of the Year	31-MAR-2017	0	0.000	4,35,000	0.056
8	Mr Ashish Parthasarthy	At the beginning of the Year	31-MAR-2016	2,72,000	0.039	2,72,000	0.039
		Increase	30-DEC-2016	1,05,525	0.015	3,77,525	0.053
		Increase	24-MAR-2017	37,753	0.005	4,15,278	0.053
		At the END of the Year	31-MAR-2017	0	0.000	4,15,278	0.053
9	Pralay Mondal	At the beginning of the Year	31-MAR-2016	3,58,559	0.051	3,58,559	0.051
		Increase	24-MAR-2017	35,856	0.005	3,94,415	0.051
		At the END of the Year	31-MAR-2017	0	0.000	3,94,415	0.051
10	Huzaan Kaizad Bharucha	At the beginning of the Year	31-MAR-2016	0	0.000	0	0.000
		Increase	10-MAR-2017	3,90,000	0.055	3,90,000	0.055
		At the END of the Year	31-MAR-2017	0	0.000	3,90,000	0.050

## v. Shareholding of Directors and Key Managerial Personnel:

Sr. No.	Name	Remarks	Date	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
1	Kaizad Maneck Bharucha	At the beginning of the Year	31-MAR-2016	2,99,555	0.043	2,99,555	0.043
		Increase	30-DEC-2016	90,450	0.013	3,90,005	0.055
		Decrease	10-MAR-2017	3,90,000	0.055	5	0.000
		Increase	24-MAR-2017	41,274	0.005	41,279	0.005
		At the END of the Year	31-MAR-2017	0	0.000	41,279	0.005
2	G Subramanian	At the beginning of the Year	31-MAR-2016	2,13,000	0.030	2,13,000	0.030
		Increase	30-DEC-2016	1,05,525	0.015	3,18,525	0.045
		Increase	24-MAR-2017	33,168	0.004	3,51,693	0.045
		At the END of the Year	31-MAR-2017	0	0.000	3,51,693	0.045
3	Bhavesh Zaveri	At the beginning of the Year	31-MAR-2016	2,62,421	0.037	2,62,421	0.037
		Increase	24-MAR-2017	27,772	0.004	2,90,193	0.037
		At the END of the Year	31-MAR-2017	0	0.000	2,90,193	0.037
4	Haren Parekh	At the beginning of the Year	31-MAR-2016	1,95,586	0.028	1,95,586	0.028
		Increase	24-MAR-2017	20,700	0.003	2,16,286	0.028
		At the END of the Year	31-MAR-2017	0	0.000	2,16,286	0.028
5	Jimmy M Tata	At the beginning of the Year	31-MAR-2016	2,90,299	0.041	2,90,299	0.041
		Increase	24-MAR-2017	30,722	0.004	3,21,021	0.041
		At the END of the Year	31-MAR-2017	0	0.000	3,21,021	0.041
6	Ramesh G	At the beginning of the Year	31-MAR-2016	3,81,500	0.054	3,81,500	0.054
		Increase	07-OCT-2016	72,000	0.010	4,53,500	0.065
		Increase	30-DEC-2016	2	0.000	4,53,502	0.064
		Decrease	27-JAN-2017	2	0.000	4,53,500	0.064
		Increase	24-MAR-2017	21,000	0.003	4,74,500	0.061
		At the END of the Year	31-MAR-2017	0	0.000	4,74,500	0.061

\* Mr. G Subramanian and Mr. Kaizad Bharucha ceased to be a Director of the Company with effect from May 01, 2016.

\* Mr. Jimmy Tata and Mr. Bhavesh Zaveri were appointed as Non - Executive Directors of the Company effective May 01, 2016



## V. INDEBTEDNESS

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

(₹ in crore)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
a) Principal Amount	17,372	2,240	0	19,612
b) Interest due but not paid	0	0	0	0
c) Interest accrued but not due	445	54	0	499
<b>Total (a+b+c)</b>	<b>17,817</b>	<b>2,294</b>	<b>0</b>	<b>20,111</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	15,800	8,388	0	24,188
Reduction	11,159	6,810	0	17,969
<b>Net Change</b>	<b>4,641</b>	<b>1,578</b>	<b>0</b>	<b>6,219</b>
<b>Indebtedness at the end of the financial year</b>				
a) Principal Amount	21,787	3,800	0	25,587
b) Interest due but not paid	0	0	0	0
c) Interest accrued but not due	671	72	0	743
<b>Total (a+b+c)</b>	<b>22,458</b>	<b>3,872</b>	<b>0</b>	<b>26,330</b>

## 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. Ramesh G.	
1.	<b>Gross salary</b>		
	a) Salary as per provisions of section 17(1) of the Income-tax Act, 1961		2,03,55,492
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961		13,948
	c) Profits in lieu of salary u/s 17(3) Income-tax Act, 1961		-
2.	<b>Stock Options</b>		55,44,000
3.	<b>Sweat Equity</b>		-
4.	<b>Commission</b>		-
5.	<b>Company Car</b>		28,800
	<b>Total (A)</b>		<b>2,59,42,240</b>

### 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	5,00,000	5,50,000	10,50,000
2	Commission	0	0	0
3	Others, please specify	0	0	0
	<b>Total (1)</b>	<b>5,00,000</b>	<b>5,50,000</b>	<b>10,50,000</b>

#	Remuneration to the Non Executive Directors other than Independent Directors					
	Particulars	Mr. G Subramanian *	Mr. Kaizad Bharucha*	Mr. Bhavesh Zaveri*	Mr. Jimmy Tata*	Total Amount (in ₹)
1	Fees for attending Board/ Committee Meetings	2,50,000	2,25,000	3,00,000	4,25,000	12,00,000
2	Commission	0	0	0	0	0
3	Others	2,00,000	0		0	2,00,000
	<b>Total (2)</b>	<b>4,50,000</b>	<b>2,25,000</b>	<b>3,00,000</b>	<b>4,25,000</b>	<b>14,00,000</b>
	<b>Total (B)=(1+2)</b>					<b>24,50,000</b>
	<b>Total Remuneration to Directors (A+B)</b>					<b>2,83,92,240</b>

\* Mr. G Subramanian and Mr. Kaizad Bharucha ceased to be a director of the Company w.e.f. May 1, 2016.

\* Mr. Jimmy Tata and Mr. Bhavesh Zaveri were appointed as Non - Executive Directors of the Company effective May 01, 2016.

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

#	Particulars of Remuneration	Key Managerial Personnel		
		CFO	CS	Total Amount (in ₹)
1.	<b>Gross salary</b>			
	a) Salary as per provisions of section 17(1) of the Income-tax Act, 1961	99,82,951	14,52,431	<b>1,14,35,382</b>
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	13,948	13,948	<b>27,896</b>
	c) Profits in lieu of salary u/s 17(3) Income-tax Act, 1961	-	-	-
2.	<b>Stock Options</b>	2,42,916	-	<b>2,42,916</b>
3.	<b>Sweat Equity</b>	-	-	-
4.	<b>Commission</b>	-	-	-
5.	<b>Company Car</b>	28,800	-	<b>28,800</b>
<b>Total</b>		<b>1,02,68,615</b>	<b>14,66,379</b>	<b>1,17,34,994</b>

## 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)
<b>A) Company</b>					
Penalty			NIL		
Punishment					
Compounding					
<b>B) Director</b>					
Penalty			NIL		
Punishment					
Compounding					
<b>C) Other Officers in Default</b>					
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 ₹ 1,02,00,000/- per annum or ₹ 8,50,000/- 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	1,19,03,342	01-Dec-08	47	24	MBA	Centurion Bank of Punjab
2	Mr. Deep Jaggi	Business Head	1,03,64,952	28-Oct-10	47	23	MBA	Cholamandalam DBS Finance
3	Mr. Ramesh G	Managing Director	2,65,00,565	03-Sep-07	47	25	MBA	Enam AMC Pvt. Ltd.
4	Mr. Haren Parekh	Chief Financial Officer	1,05,72,325	10-Oct-07	55	32	A.C.A.	CIBIL
5	Mr. Rohit Patwardhan	Head - Risk	1,36,75,948	10-Dec-07	42	20	MBA	Citi Bank
6	Mr. Sarabjeet Singh	Business Head	1,43,42,425	22-Feb-08	44	21	MBA	GE Money
7	Mr. Sathya Ramanan	Business Head	1,16,12,948	24-Jan-08	42	20	MBA	Prime Financial
8	Mr. Venkata Swamy	Business Head	1,08,34,350	01-Aug-08	43	21	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.

## 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 1:94.
2. During the year under review there was 19% increase in remuneration to director, Chief Financial Officer, Chief Executive Officer, Company Secretary in the financial year.
3. During the year under review there was 0% increase in the median remuneration of the employees of your Company.
4. As on March 31, 2017 there were 65,906 employees on the rolls of your Company.
5. It is hereby affirmed that the remuneration paid during the year is as per the Remuneration policy of the Company.
6. Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year was 12.23% whereas the increase in the managerial remuneration was 21%.

## 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 (Holding Company) 2 HDFC Securities Limited (Enterprise under Common Control of the Holding company)
(b)	Nature of contracts / arrangements / transactions	Banking & Other normal Business Transactions (Mentioned in the Notes forming part of the financial statements at Note No. 37)
(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. 37
(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.*

**Aditya Puri**  
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, as may be 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 / Managing 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 ₹ 1,00,000 (Rupees one lakh) 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 2016 - 17 were held on April 14, 2016, July 19, 2016, September 26, 2016, October 18, 2016 and January 18, 2017.

Composition of the Board of Directors of the Company as on March 31, 2017:

Non-Executive Directors: Mr. Aditya Puri, Mr. Bhavesh Zaveri, Mr. Jimmy Tata

Independent Directors: Ms Smita Affinwalla, Mr. Venkatraman Srinivasan

Executive Director: Mr. Ramesh G. (Managing Director and Chief Executive Officer)

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, 2017, including the details of their other directorship and their shareholding are given below:

Name of the Director	Executive/Non-Executive / Chairman/ Independent /	No. of other Directorships	No. of shares held in the Company
Mr. Aditya Puri	Chairman, Non-Executive Director	3	Nil
Mr. Bhavesh Zaveri	Non-Executive Director	4	2,90,193
Mr. Jimmy Tata	Non-Executive Director	1	3,21,021
Mr. Ramesh G.	Managing Director & Chief Executive Officer	Nil	4,74,500
Ms. Smita Affinwalla	Independent Director	2	Nil
Mr. Venkatraman Srinivasan	Independent Director	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 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: <https://www.hdbfs.com/policies>

All related party transactions are placed before the Audit Committee and 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, 2017 is as under:

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

*Note: Mr. G Subramanian ceased to be member of the Audit Committee effective May 1, 2016*

Mr. Bhavesh Zaveri was inducted to the Audit Committee effective May 1, 2016.

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, half yearly 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**

Pursuant to the provisions of the Section 178 of the Companies Act, 2013, the Composition of the Nomination and Remuneration Committee of the Company as on March 31, 2017 is as under:

- i. Ms. Smita Affinwalla, Chairperson (Independent Director)
- ii. Mr. Venkatraman Srinivasan, Member (Independent Director)
- iii. Mr. Jimmy Tata, Member (Non Executive Director)

- iv. Mr. Bhavesh Zaveri, Member (Non Executive Director)

*Note: Mr. Jimmy Tata and Mr. Bhavesh Zaveri were inducted to the Nomination & Remuneration Committee effective May 1, 2016. Mr. G Subramanian and Mr. Kaizad Bharucha ceased to be member of the Nomination & Remuneration Committee effective May 1, 2016.*

*The Company does an annual review of the Nomination & Remuneration Policy in terms of Section 178 of the Companies Act, 2013. The remuneration paid by the Company to the employees and directors is as per the Nomination & Remuneration Policy.*

## **o 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 as on March 31, 2017:

- i. Mr. Jimmy Tata, Chairman (Non - Executive Director)
- ii. Mr. Ramesh G, Member (Managing Director & Chief Executive Officer)
- iii. Mr. Rohit Patwardhan, Member (Head Risk)

*Note: Mr. Jimmy Tata and Mr. Rohit Patwardhan were inducted to the Risk Committee effective May 1, 2016. Mr. G Subramanian and Mr. Kaizad Bharucha ceased to be member of the Risk Committee effective May 1, 2016.*

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 as on March 31, 2017:

- i. Mr. Jimmy Tata, Chairman (Non Executive Director)
- ii. Mr. Ramesh G, Member (Managing Director & Chief Executive Officer)
- iii. Mr. Haren Parekh, Member (Chief Financial Officer)

*Note: Mr. Jimmy Tata and Mr. Haren Parekh were inducted to the Asset Liability Committee effective May 1, 2016. Mr. G Subramanian and Mr. Kaizad Bharucha ceased to be member of the Asset Liability*



*Committee effective May 1, 2016.*

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**

Pursuant to the provisions of Section 135 of the Companies Act, the Composition of Corporate Social Responsibility ('CSR') Committee of the Company as on March 31, 2017 is as under:

- i. Mr. Smita Affinwalla, Chairperson (Independent Director)
- ii. Mr. Bhavesh Zaveri, Member (Non Executive Director)
- iii. Mr. Ramesh G, Member (Managing Director & Chief Executive Officer)

*Note: Mr. Bhavesh Zaveri was inducted to the Corporate Social Responsibility Committee effective May 1, 2016. Mr. G Subramanian and Mr. Kaizad Bharucha ceased to be member of the Corporate Social Responsibility Committee effective May 1, 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.

**o Human Resource (HR) Committee**

During the year under review the Board of Directors constituted Human Resource (HR) Committee to effectively manage human resource function of the Company consisting of the following members:

- i. Mr. Smita Affinwalla, Chairperson (Independent Director)
- ii. Mr. Bhavesh Zaveri, Member (Non Executive Director)
- iii. Mr. Ramesh G, Member (Managing Director & Chief Executive Officer)
- iv. Mr. Ashish Ghatnekar, Member (Head Human Resource and Operations)

The key responsibilities of the HR Committee are:

- i. Reviews, monitors and makes recommendations on Human Resources strategy and policies that pertain to staffing, attrition, benefits and related issues that directly affect ability to recruit, develop and retain employees.
- ii. Review and monitor Employee Development Programs including training and talent management programs.
- iii. Oversight on Key Compensation and Benefits policies to ensure that employee compensation is properly benchmarked to similar sized organisations.

## 5. Attendance of the Board and its Committees

Type of meeting	No. of meetings held	Mr. G Subramanian *	Mr. Kaizad Bharucha *	Mr. Aditya Puri *	Mr. Jimmy Tata *	Mr. Bhavesh Zaveri *	Mr. Ramesh G.	Mr. Venkatraman Srinivasan	Ms. Smita Affinwalla
Board of Directors	5	1	1	4	4	3	5	5	4
Audit Committee	4	1	NA	NA	NA	2	NA	4	4
Asset-Liability Committee	4	1	1	NA	3	NA	4	NA	NA
Risk Committee	4	1	1	NA	3	NA	4	NA	NA
Nomination and Remuneration Committee	4	1	1	NA	3	3	NA	3	4
Corporate Social Responsibility Committee	3	1	1	NA	NA	1	3	NA	3
Debenture Allotment Committee	26	1	1	NA	24	23	22	NA	NA
Share Allotment Committee	5	NA	NA	NA	4	5	5	NA	NA
Bond Allotment Committee	2	NA	NA	NA	2	2	2	NA	NA
Human Resource Committee	3	NA	NA	NA	NA	2	3	NA	3
Annual General Meeting	1	NA	NA	No	No	No	Yes	Yes	No
Extra Ordinary General Meeting	1	NA	NA	No	No	Yes	Yes	No	No

\* Mr. G Subramanian and Mr. Kaizad Bharucha ceased to be a Non-Executive Directors of the Company effective May 01, 2016. Mr. Aditya Puri, Mr. Jimmy Tata and Mr. Bhavesh Zaveri were appointed as Non-Executive Directors of the Company effective May 01, 2016.

Sitting fees of ₹ 50,000/- per meeting was paid to all the Non Executive Directors of the Company (Other than Mr. Aditya Puri) for attending the meetings of Board of Directors and ₹ 25,000/- for attending the meetings of Audit Committee, Risk Committee, Asset Liability Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee of the Company. Company had formed Human Resource Committee during the FY 2016 - 2017 and approved sitting fees with retrospective effect from the date of constitution of the Committee. Company had also approved payment of sitting fees of ₹ 25,000/- per meeting for attending for separate meeting of the Independent Directors and Stakeholders Relationship Committee.

## 6. Annual evaluation of Board, Committees and Individual Directors

Considering the Performance Evaluation Guidelines which was formulated by the Nomination and Remuneration Committee (NRC), the Board and NRC approved the framework for evaluating the performance, on an annual basis, of the Board, its Committees and each director including the Chairman of the Board of Directors.

Pursuant to the provisions of the Companies Act and the Performance Evaluation Guidelines of the Company, the Board of Directors / Independent Directors / NRC (as applicable) has undertaken an evaluation of its own performance, the performance of its Committees and of all Individual Directors including Independent Directors and the Chairman of the Board of Directors based on various parameters relating to attendance, roles responsibilities and obligations of the Board, effectiveness of its functioning, contribution of Directors at meetings and the functioning of its Committees. The results of such evaluation are presented to the NRC, Independent Directors and the Board of Directors (as applicable).

# Directors' Report



## 7. General Body meetings (FY 2016-17)

Meeting	Date and Time	Venue	Resolutions passed
Postal Ballot	June 25, 2016		<ol style="list-style-type: none"> <li>Increase in borrowing limits of the Company from ₹ 28,000 crore to ₹ 40,000 crore</li> <li>Increase in limits for creation of charge on the assets of the Company upto an amount of ₹ 40,000 crore to secure its borrowings.</li> </ol>
AGM	12 noon June 28, 2016	HDFC Bank House, Final Plot No. 287, Ellis Bridge Township Scheme No. 3, Navrangpura, Ahmedabad, Gujarat - 380 009	<ol style="list-style-type: none"> <li>Approval of Audited Statement of Profit &amp; Loss, Balance Sheet and Cash Flow for the year ended March 31, 2016 and Report of the Directors and Auditors thereon.</li> <li>Declaration of dividend @ 6% on equity shares for the year ended March 31, 2016.</li> <li>Ratification of appointment of M/s B S R &amp; Co., LLP, Chartered Accountants as the Statutory Auditors.</li> <li>Appointment of Mr. Aditya Puri as a Non-Executive Director of the Company, liable to retire by rotation</li> <li>Appointment of Mr. Jimmy Tata as a Non-Executive Director of the Company, liable to retire by rotation.</li> <li>Appointment of Mr. Bhavesh Zaveri as a Non-Executive Director of the Company, liable to retire by rotation.</li> <li>Approval for Issuance of Secured Redeemable Non-Convertible Debentures (NCDs).</li> <li>Approval for Issuance of Unsecured Redeemable Non-Convertible Subordinated Bonds (Subordinated Bonds).</li> </ol>
EGM	12 noon August 26, 2016	Board Room, Process House, 2 <sup>nd</sup> Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013	<ol style="list-style-type: none"> <li>Approval of Issuance of Secured Redeemable Non-Convertible Debentures.</li> <li>Approval for the amendments to the Employees Stock Option Scheme - 2014 ('ESOS - 2014')</li> </ol>

## 8. Shareholding pattern as at March 31, 2017

Name of Shareholder	No. of equity shares held	%
HDFC Bank Ltd.	75,05,96,670	96.20
Others	2,96,47,626	3.80
<b>Total (Issued &amp; Paid-up Shares)</b>	<b>78,02,44,296</b>	<b>100.00</b>

# Independent Auditors' Report



To the members of HDB Financial Services Limited

## Report on the Financial Statements

We have audited the accompanying financial statements of **HDB Financial Services Limited** ("the Company"), which comprise the balance sheet as at March 31, 2017, 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 and the audit evidence obtained by the other auditors of erstwhile Atlas Documentary Facilitators Company Private Limited ('ADFC') and erstwhile HBL Global Private Limited ('HBL') (combined ADFC and HBL is called as 'Amalgamating Companies') in terms of their report referred in the 'Other Matter' section below 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, and based on the consideration of the report of the other auditors on the financial information of the Amalgamating Companies referred in the 'Other Matters' section below, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2017 and its profit and its cash flows for the year ended on that date.

### Other Matter

The financial statements include the financial information of ADFC and HBL consequent to its amalgamation into the Company which has been effected on December 1, 2016, with the appointed date of April 1, 2014 (Refer Note 3 to the financial statements). We did not audit the financial information of ADFC and HBL, included in the financial statements of the Company, whose financial information reflect total assets of ₹ 192.62 crore as at March 31, 2016, total revenue of ₹ 2,029.48 crore and net cash inflow of ₹ 7.04 crore for the two years ended on March 31, 2016, as considered in the financial statements. This financial information of ADFC and HBL for the financial year March 31, 2015 and March 31, 2016 has been audited by other auditors whose report has been furnished to us.

# Independent Auditors' Report



Our opinion on the financial statements is not modified in respect of the above matter with respect to our reliance on the work done and the report of the other auditors.

## 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.

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

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) The 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, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 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 30 and 31 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 59 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.
  - iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. However, we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management - Refer Note 38 to the financial statements.

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

*Chartered Accountants*

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

**Manoj Kumar Vijai**

*Partner*

Membership No: 046882

Mumbai,  
April 18, 2017

## Annexure A to the Independent Auditor's Report of even date on financial statements of HDB Financial Services Limited



- (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 and explanations given to us the Company has not granted any loans, made investments or provided guarantees under section 185 and 186 of the Act. Accordingly, paragraph 3 (iv) of the Order is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 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, cess and other material statutory dues have generally been regularly deposited by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of sales tax, duty of customs, value added tax and duty of excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, service tax, cess and other material statutory dues were in arrears as at March 31, 2017 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 provident fund, employees' state insurance, cess and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute. However, according to information and explanations given to us, the following dues of income tax and service tax have not been deposited by the Company on account of disputes:

Name of Statue	Nature of dues	Amount (in ₹ crore)	Period to which the amount relates	Forum where dispute is pending
Income tax Act, 1961	Disallowance of expense	4.85	AY 2009-10	High Court of Bombay
Service Tax	Disallowance of CENVAT credit.	0.65	AY 2005-06 to AY 2009-10	Additional Commis- sioner
Service Tax	Service tax on print services	0.15	AY 2004-05	CESTAT

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



- (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, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) According to the information and 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

**Manoj Kumar Vijai**  
*Partner*

Membership No: 046882

Mumbai,  
April 18, 2017

## **Annexure B to the Independent Auditor’s 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, 2017 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, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditor’s 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 auditor’s 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 control system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017 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

**Manoj Kumar Vijai**

Partner

Membership No: 046882

Mumbai  
April 18, 2017

# Balance Sheet



(₹ in crore)

Particulars	Note	As at March 31, 2017	As at March 31, 2016
<b>EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
(a) Share capital	4	780.24	700.17
(b) Reserves and surplus	5	4,582.66	2,861.63
		<b>5,362.90</b>	<b>3,561.80</b>
<b>2 Non-current liabilities</b>			
(a) Long-term borrowings	6	18,760.22	13,470.45
(b) Other long term liabilities	7	159.74	113.35
(c) Long-term provisions	8	189.03	150.15
		<b>19,108.99</b>	<b>13,733.95</b>
<b>3 Current liabilities</b>			
(a) Short-term borrowings	9	2,080.00	910.38
(b) Trade payables	10		
i) total outstanding dues to micro and small enterprises		-	-
ii) total outstanding dues of creditors other than micro and small enterprises		283.27	204.59
(c) Other current liabilities	11	6,092.29	6,410.26
(d) Short-term provisions	8	528.64	369.09
		<b>8,984.20</b>	<b>7,894.32</b>
<b>TOTAL</b>		<b>33,456.09</b>	<b>25,190.07</b>
<b>ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Fixed assets	12		
(i) Tangible assets		125.79	81.29
(ii) Intangible assets		5.18	1.54
(iii) Capital work-in-progress		0.24	-
(b) Non-current investments	13	65.06	49.42
(c) Deferred tax assets (net)	14	138.45	110.48
(d) Long - term loans and advance :			
- Receivables under financing activity	15	23,967.35	18,742.41
- Other loans and advances	16	50.28	39.08
		<b>24,352.35</b>	<b>19,024.22</b>
<b>2 Current assets</b>			
(a) Current investments	17	400.00	300.00
(b) Trade receivables	18	115.42	23.50
(c) Cash and bank balances	19	188.70	135.04
(d) Short-term loans and advances			
- Receivables under financing activity	15	8,324.45	5,667.19
- Other loans and advances	16	14.14	4.60
(e) Other current assets	20	61.03	35.52
		<b>9,103.74</b>	<b>6,165.85</b>
<b>TOTAL</b>		<b>33,456.09</b>	<b>25,190.07</b>
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 attached

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

Chartered Accountants

Firms' Registration No: 101248W/W-100022

**Manoj Kumar Vijai**

Partner

Membership No. 046882

For and on behalf of the Board

**Aditya Puri**

Chairman

**Jimmy Tata**

Director

**Venkatraman Srinivasan**

Director

**Smita Affinwalla**

Director

**G Ramesh**

Managing Director

**Bhavesh Zaveri**

Director

**Dipti Khandelwal**

Company Secretary

**Haren Parekh**

Chief Financial Officer

Mumbai

April 18, 2017

# Statement of Profit and Loss



(₹ in crore)

Particulars	Note	For the year ended March 31, 2017	For the year ended March 31, 2016
Revenue from operations	21	5,711.35	3,297.77
Other income	22	3.19	4.25
<b>Total revenue</b>		<b>5,714.54</b>	<b>3,302.02</b>
<b>Expenses</b>			
Employee benefits expense	23	1,896.65	493.76
Finance costs	24	2,049.92	1,571.53
Depreciation and amortization	12	38.62	19.89
Other expenses	25	331.17	204.79
Provisions and write offs	26	339.59	194.24
<b>Total expenses</b>		<b>4,655.95</b>	<b>2,484.21</b>
<b>Profit before tax</b>		<b>1,058.59</b>	<b>817.81</b>
<b>Tax expense:</b>			
a. Current tax		389.28	311.46
b. Deferred tax (credit)		(17.36)	(29.24)
c. Income tax for earlier year		2.46	1.18
<b>Total tax expense</b>		<b>374.38</b>	<b>283.40</b>
<b>Profit for the year before impact of the scheme of Amalgamation relating to FY 2014-15 and 2015-16</b>		<b>684.21</b>	<b>534.41</b>
<b>Impact of the scheme of Amalgamation relating to financial year 2014-15 and 2015-16</b>	3		
Profit after tax of erstwhile Atlas Documentary Facilitators Company Pvt Ltd & HBL Global Pvt Ltd, the amalgamating companies		14.56	-
<b>Profit for the year</b>		<b>698.77</b>	<b>534.41</b>
Basic and diluted earnings per equity share (Face value ₹ 10 each)	27	9.64	7.64
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

**Manoj Kumar Vijai**

Partner

Membership No. 046882

For and on behalf of the Board

**Aditya Puri**

Chairman

**Jimmy Tata**

Director

**Venkatraman Srinivasan**

Director

**Smita Affinwalla**

Director

**G Ramesh**

Managing Director

**Bhavesh Zaveri**

Director

**Dipti Khandelwal**

Company Secretary

**Haren Parekh**

Chief Financial Officer

Mumbai

April 18, 2017

# Cash flow statement



(₹ in crore)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
<b>A Cash flow from operating activities</b>		
Profit before tax	1,058.59	817.81
<b>Adjustments for</b>		
(Profit)/loss on sale of asset	0.14	0.05
Discount on commercial paper	219.76	126.97
Provision and write offs	339.59	194.24
Provision for compensated absence and gratuity	14.87	1.75
Depreciation and amortisation	38.62	19.89
<b>Operating cash flow before working capital changes</b>	<b>1,671.57</b>	<b>1,160.71</b>
<b>Adjustments for working capital changes:</b>		
(Increase)/ decrease in trade receivables	(52.28)	(9.03)
(Increase)/decrease in advances	(77.44)	(39.92)
(Increase)/decrease in other current assets	(244.72)	(154.95)
Increase/(decrease) in other liabilities and provisions	(622.87)	219.26
Increase/(decrease) in trade payables	80.24	152.63
(Increase)/Decrease in Receivables under financing activity (Net)	(7,882.21)	(5,420.47)
Increase/(Decrease) in Borrowings (Net)	5,974.90	4,334.19
Cash generated from operations	(1,152.81)	242.42
Direct taxes paid (net of refunds)	287.23	(255.00)
<b>Net cash flow generated from/(used in) operating activities (A)</b>	<b>(865.58)</b>	<b>(12.58)</b>

# Cash flow statement



(₹ in crore)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
<b>B Cash flow from investing activities</b>		
Purchase of fixed assets	(74.29)	(50.38)
Proceeds from sale of fixed assets	0.29	0.00
Purchase of long term investments	(15.64)	(40.68)
Sale of long term investments	-	0.69
Purchase of short term investments	(1,350.00)	(2,185.00)
Sale of short term investments	1,250.00	2,310.00
<b>Net cash generated from/(used in) investing activities (B)</b>	<b>(189.64)</b>	<b>34.63</b>
<b>C Cash flow from financing activities</b>		
Proceeds from issue of shares and security premium	1,111.73	3.39
Interim dividend and dividend distribution tax	(76.83)	(50.57)
<b>Net cash generated from/(used in) financing activities (C)</b>	<b>1,034.90</b>	<b>(47.18)</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>(20.32)</b>	<b>(25.13)</b>
Add : Cash and cash equivalents as at the beginning of the year	60.79	85.91
Add : Cash and cash equivalents acquired pursuant to Scheme of Amalgamation (Refer Note 3)	29.56	-
Cash and cash equivalents as at the end of the year*	70.03	60.79
*Components of cash and cash equivalents		
Balances with banks	41.66	40.18
Demand drafts on hand	14.70	2.33
Cash on hand	13.67	18.28
	<b>70.03</b>	<b>60.79</b>

As per our report of even date

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

Chartered Accountants

Firms' Registration No: 101248W/W-100022

For and on behalf of the Board

**Aditya Puri**  
Chairman

**Jimmy Tata**  
Director

**Venkatraman Srinivasan**  
Director

**Manoj Kumar Vijai**  
Partner

Membership No: 046882

**Smita Affinwalla**  
Director

**G Ramesh**  
Managing Director

**Bhavesh Zaveri**  
Director

**Dipti Khandelwal**  
Company Secretary

**Haren Parekh**  
Chief Financial Officer

Mumbai  
April 18, 2017

## 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. The Company also carries a Business Process Outsourcing (“BPO”) business and provides back-office processing services and is also engaged in the business of marketing and promotion of the various financial products.

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

#### c) Compensated absences

The Company does not have a policy of encashment of unavailed leaves for its employees 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 after giving impact of dilutive potential equity shares 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 / securitized, 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 for more than 90 days. 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 0.35% 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 Amalgamation of Atlas Documentary Facilitators Private Limited and HBL Global Private Limited with the Company**

Pursuant to the Scheme of Amalgamation (Scheme) under section 391 to 394 of the Companies Act 1956 for amalgamation of erstwhile HBL Global Private Limited (eHBL / Transferor Company 1) and erstwhile Atlas Documentary Facilitators Company Private Limited (eADFC / Transferor Company 2) with the Company as sanctioned by the Honourable High Court of Bombay and Honourable High Court of Gujarat & filed with the Registrar of Companies, the entire business with all the assets, liabilities, reserves and surplus of Transferor Companies were transferred to and vested in the Company, on a going concern basis with effect from appointed date of April 1, 2014, while the Scheme has become effective from December 1, 2016. Since the Scheme received all the requisite approvals after the financial statements for the years ending March 31, 2015 and March 31, 2016 were authorised by the shareholders, the impact of amalgamation has been given in the current financial year with effect from the appointed date.

The Amalgamation has been accounted as per "Pooling of Interest" method as prescribed by the Accounting Standard 14 "Accounting for Amalgamations". Accordingly, the accounting treatment has been given as under:-

- 1) The assets and liabilities as at April 1, 2014 of eHBL & eADFC were incorporated in the financial statement of the Company at its book value.

- 2) Pursuant to the Scheme, the Company
- a) Issued 102.35 equity share of ₹ 10 each to the shareholders of eHBL for every 1 share of ₹ 10 each held by them in share capital of eHBL after cancellation of 10,000 shares held by eADFC in share capital of eHBL.
- b) Issued 16.75 equity share of ₹ 10 each of the Company to the shareholders of eADFC for every 1 share of ₹ 10 each held by them in the share capital of eADFC as detailed below

Particulars	eHBL shareholders (HDB : eHBL)	eADFC shareholders (HDB : eADFC)
Share Exchange Ratio	102.35 : 1	16.75 : 1
Share capital of the Transferor Company	10,200	4,50,180
No. of shares cancelled as per Clause 7.5 of the Scheme (Inter Company holdings)	10,000 (Shares held by eADFC)	-
Number of New Equity Shares issued	20,470	75,40,515

- 3) In terms of the Scheme, assets acquired and liabilities discharged are as under:

(₹ in crore)

Particulars	eADFC	eHBL	Total
Appointed date of Amalgamation (April 01, 2014)			
<b>Assets</b>			
Tangible assets (net of depreciation provision)	1.24	13.62	14.86
Capital work-in-progress	-	1.13	1.13
Deferred tax assets	5.59	4.13	9.72
Other loans and advances	0.46	4.84	5.29
Trade receivables	33.51	2.23	35.74
Cash & Bank balance	66.92	13.21	80.13
Short-term loans and advances	0.02	0.66	0.68
Other current asset	38.50	15.14	53.65
<b>Total Assets</b>	<b>146.24</b>	<b>54.96</b>	<b>201.20</b>
<b>Liabilities</b>			
Other long term liabilities	-	19.45	19.45
Long-term provisions	-	6.63	6.63
Trade payables	0.04	-	0.04
Other current liabilities	47.96	4.75	52.71
Short-term provisions	39.33	15.45	54.78
<b>Total Liabilities</b>	<b>87.33</b>	<b>46.28</b>	<b>133.61</b>
<b>Net Book Value of assets acquired pursuant to the Scheme</b>	<b>58.92</b>	<b>8.68</b>	<b>67.59</b>
Less - 75,60,985 shares issued at face value by the Company to shareholder of eHBL and eADFC pursuant to the Scheme	7.54	0.02	7.56
Less - Transfer of share premium of eADFC	0.03	-	0.03
Less - Transfer of surplus of statement of profit and loss	58.45	8.67	67.12
<b>Adjustment to Statement of profit and loss</b>	<b>(7.10)</b>	<b>(0.01)</b>	<b>(7.11)</b>

- 4) Operations of eADFC & eHBL from April 1, 2014 to March 31, 2016, as detailed below, have been accounted for in the current year's statement of profit and loss, after the profit for the year before impact of the scheme of amalgamation

(₹ in crore)

Particulars	eADFC	eHBL	Total
<b>Revenues</b>			
Revenue from operations	835.77	1,174.51	2,010.28
Other income	10.02	9.19	19.20
<b>Total revenues</b>	<b>845.79</b>	<b>1,183.69</b>	<b>2,029.48</b>
<b>Expenses</b>			
Employee benefits expense	816.70	1,094.42	1,911.11
Depreciation and amortization expense*	0.89	8.33	9.22
Other expenses	16.31	70.75	87.06
<b>Total expenses</b>	<b>833.89</b>	<b>1,173.49</b>	<b>2,007.39</b>
<b>Profit before tax</b>	<b>11.90</b>	<b>10.20</b>	<b>22.10</b>
<b>Tax expense</b>			
Current tax	3.27	5.35	8.62
Deferred tax	1.22	(2.11)	(0.89)
Tax adjustments of prior years (net)	-	(0.19)	(0.19)
<b>Profit for the year</b>	<b>7.41</b>	<b>7.15</b>	<b>14.56</b>

\*The depreciation of tangible assets includes adjustment on account of alignment of accounting policy arising from the amalgamation for the period April 1, 2014 to March 31, 2016, aggregating to ₹ 0.57 crore.

## 4 Share capital

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
<b>Authorised</b>		
1,00,15,50,000 (1,00,00,00,000) equity shares of ₹10 each	1,001.55	1,000.00
<b>Issued, Subscribed &amp; Paid up</b>		
78,02,44,296 (700,172,426) equity shares of ₹10 each fully paid	780.24	700.17
<b>Total</b>	<b>780.24</b>	<b>700.17</b>

## 4.1 Reconciliation of the number of shares

(₹ in crore)

Particulars	March 31, 2017		March 31, 2016	
	Number	Amount	Number	Amount
Equity shares of ₹10 fully paid up				
Shares outstanding at the beginning of the year	70,01,72,426	700.17	69,94,69,876	699.47
Shares issued-exercised for ESOP scheme	15,79,440	1.58	7,02,550	0.70
Shares issued - right issue	<b>7,09,31,445</b>	<b>70.93</b>	-	-
Shares issued pursuant to the Scheme of Amalgamation (Refer Note 3 and 4.5)	75,60,985	7.56	-	-
Shares outstanding at the end of the year	<b>78,02,44,296</b>	<b>780.24</b>	<b>70,01,72,426</b>	<b>700.17</b>

## 4.2 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.

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

Particulars	March 31, 2017		March 31, 2016	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
<b>Equity shares of ₹ 10 fully paid up</b>				
HDFC Bank Limited (Holding Company)	75,05,96,670	96.20	68,00,00,000	97.22

## 4.4 Number of shares reserved for ESOS

Particulars	March 31, 2017	March 31, 2016
<b>Equity shares of ₹ 10 fully paid up</b>		
Number of Shares reserved for ESOS (Refer note 36)	58,78,660	48,42,950

- 4.5 Pursuant to the Scheme of Amalgamation of erstwhile Atlas Documentary Facilitators Company Pvt Ltd & HBL Global Pvt Ltd, 75,60,985 shares of face value ₹10 each were issued during the year to the shareholders of erstwhile Atlas Documentary Facilitators Company Pvt Ltd & HBL Global Pvt Ltd for consideration other than cash.

**5 Reserves and surplus**

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
<b>Securities premium account</b>		
Opening balance	1,792.26	1,789.57
Add : Pursuant to implementation of Scheme of Amalgamation (Refer Note 3)	0.03	-
Add : Additions during the year on account of issue of shares	1,039.22	2.69
Closing balance	<b>2,831.51</b>	<b>1,792.26</b>
<b>Statutory Reserve u/s 45 IC(1) of Reserve Bank of India Act, 1934</b>		
Opening balance	254.68	147.80
Add : Additions during the year	139.75	106.88
Closing balance	<b>394.43</b>	<b>254.68</b>
<b>Surplus in statement of profit and loss</b>		
Opening balance	814.69	488.29
Add : Profit for the year	698.77	534.41
Add: Amount transferred pursuant to the Scheme of Amalgamation (Refer Note 3)	67.12	-
Less : Adjustment pursuant to the Scheme of Amalgamation (Refer Note 3)	7.11	-
Less : Dividend & Dividend Distribution Tax from FY 14-15 & FY 15-16 eADFC pursuant to Scheme of Amalgamation (Refer Note 3)	0.16	-
Less : Transfer to Statutory Reserve u/s 45 IC (1) of RBI Act, 1934	139.75	106.88
Less : Interim Dividend	63.84	42.01
Less : Dividend Distribution Tax	13.00	8.56
Less : Proposed dividend (Refer Note 33)	-	42.01
Less : Provision for dividend tax on dividend (Refer Note 33)	-	8.55
Closing balance	1,356.71	814.69
	<b>4,582.66</b>	<b>2,861.63</b>

## 6 Long term borrowings

(₹ in crore)

Particulars	Non Current		Current	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
<b>Secured</b>				
(a) Privately placed redeemable non convertible debenture (Refer note 6.3) Secured by pari passu charge by mortgage of Company's Office no.130, 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and receivables under financing activity. Less : Shown under other current liabilities. (Refer note 11)	11,240.80 - <b>11,240.80</b>	6,199.80  <b>6,199.80</b>	1,963.00 1,963.00 -	2,100.20 2,100.20 -
(b)Term loans from banks against hypothecation of Receivables under financing activity (Refer note 6.2, 6.4)	5,299.42	5,940.65	2,783.83	3,131.12
(c)Term loan from NBFC against hypothecation of Receivables under financing activity(Refer note 6.4.1)	500.00			
Less : Shown under other current liabilities. (Refer note 11)	-		<b>2,783.83</b>	3,131.12
	<b>5,799.42</b>	<b>5,940.65</b>	-	-
<b>Unsecured</b>				
Privately placed subordinated (Tier II) redeemable bonds (Refer note 6.5)	1,720.00	1,330.00	-	-
	<b>1,720.00</b>	<b>1,330.00</b>	-	-
	<b>18,760.22</b>	<b>13,470.45</b>	-	-

6.1 No term loans, non convertible debentures, subordinate debts, commercial paper and any other borrowing is guaranteed by directors and / or others.

6.2 Non current portion of term loans availed from related parties is ₹ 581.83 crore (Previous year: ₹ 978.20 crore).

6.3 Terms of repayment of privately placed redeemable non convertible debenture. (Non Current portion)

Previous year figures are in (brackets)

Rate of interest (%)	1-3 years	3-5 years	>5 years	Total
7.5-8.5	<b>5,897.00</b>	-	-	<b>5,897.00</b>
	-	-	-	-
8.5-9.5	<b>4,854.00</b>	-	-	<b>4,854.00</b>
	(4,623.00)	(189.00)	-	(4,812.00)
9.5-10.5	<b>489.80</b>	-	-	<b>489.80</b>
	(1,237.80)	(150.00)	-	(1,387.80)
	<b>11,240.80</b>	-	-	<b>11,240.80</b>
	(5,860.80)	(339.00)	-	

6.3.1 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 68)

## 6.4 Terms of repayment of Term loans from bank. (Non current portion)

Current year figures

Marginal Cost of Funds Based Lending Rate (MCLR)	1-3 years	3-5 years	Total
3 Month MCLR + (0.00% to 0.75%)	2,483.28	-	2,483.28
6 Month MCLR + (0.00% to 0.25%)	581.62	-	581.62
1 Year MCLR + (0.00% to 0.25%)	2,201.19	33.33	2,234.52
	5,266.09	33.33	5,299.42

Previous year figures

Rate of interest	1-3 years	3-5 years	>5 years	Total
Base Rate	3,484.12	277.50	-	3,761.62
Base rate + (0.00% to 0.25%)	1,976.30	72.73	-	2,049.03
Base rate + (0.26% to 1.15%)	130.00	-	-	130.00
	5,590.42	350.23	-	5,940.65

## 6.4.1 Terms of repayment of Term loans from NBFC. (Non current portion)

Current year figures

Overnight Indexed Swap (OIS)	1-3 years	3-5 years	Total
3 Month OIS (0.00% to 2.50%)	500.00	-	500.00
	500.00	-	500.00

6.4.2 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 68)

## 6.5 Terms of repayment of Privately placed unsecured subordinated (Tier II) redeemable bonds.

Previous year figures are in (brackets)

Rate of interest	<10 year	>10 years	Total
8.0-10.5	1,720.00	-	1,720.00
	(1330.00)	-	(1330.00)

## 7 Other long term liabilities

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Deposits (not as defined in Section 2(31) of Companies Act, 2013)	9.85	9.75
Interest accrued but not due on borrowings	141.34	98.04
Other payables	8.55	5.56
<b>Total</b>	<b>159.74</b>	<b>113.35</b>

## 8 Long term and short term provisions

(₹ in crore)

Particulars	Non Current		Current	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
<b>(a) Provision for employee benefits</b>				
- Gratuity (funded)	-	-	19.98	2.26
- Compensated absence (unfunded)	17.37	3.32	-	-
- Salary, bonus and reimbursements	-	-	139.78	58.69
- Contribution to provident fund	-	-	8.50	3.23

Particulars	Non Current		Current	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
<b>(b) Others</b>				
- Provision for doubtful debts (Refer Note 44A)	-	-	198.87	123.15
- Provisions for tax (Net of advance tax ₹ 285 crore, previous year ₹ 255 crore)	-	-	48.87	34.79
- Provision for expenses	-	-	55.37	53.36
- Contingent provision against standard assets (refer note 44B)	83.89	56.23	27.50	16.10
- General provisions (Refer Note 44B)	87.77	90.60	28.77	25.95
- Provision for dimunition in the value of investments in Vayana Private Limited	-	-	1.00	1.00
- Provision for dividend	-	-	-	42.01
- Provision for dividend distribution tax	-	-	-	8.55
- Other Provisions	-	-	-	-
<b>Total</b>	<b>189.03</b>	<b>150.15</b>	<b>528.64</b>	<b>369.09</b>

**9 Short term borrowings** (₹ in crore)

Particulars	March 31, 2017	March 31, 2016
<u>Unsecured (Refer Note 6.1)</u>		
Commercial paper	2,080.00	910.00
Loans repayable on demand from banks (overdraft)	-	0.38
<b>Total</b>	<b>2,080.00</b>	<b>910.38</b>

**10 Trade payables** (₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Trade payables (Refer note 10.1)	283.27	204.59
<b>Total</b>	<b>283.27</b>	<b>204.59</b>

**10.1** 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 54)

**11 Other current liabilities** (₹ in crore)

Particulars	March 31, 2017	March 31, 2016
(a) Current maturities of term loans from banks and non convertible debentures (Refer Note 6.1)	4,746.83	5,231.32
(b) Other payables		
Overdrawn balances in current account with banks	713.84	756.04
Statutory liabilities	16.40	3.77
Interest accrued but not due on borrowings	601.22	400.89
Creditors for other expenses (Refer note 11.1)	14.00	18.24
<b>Total</b>	<b>6,092.29</b>	<b>6,410.26</b>

**11.1** 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 54).



## 12 Fixed assets

(₹ in crore)

Description of Assets	Gross Block				Accumulated Depreciation				Net Block			
	Balance as at April 1, 2016	Transfer pursuant to implementation of Scheme of Amalgamation (Refer Note 3)	Additions from April 1, 2014 to March 31, 2016	Disposals during the period	Balance as at March 31, 2017	Balance as at April 1, 2016	Transfer pursuant to implementation of Scheme of Amalgamation (Refer Note 3)	Charge from April 1, 2014 to March 31, 2016	Depreciation charge for the period	Disposals during the period	Balance as at March 31, 2017	Balance as at March 31, 2016
<b>Tangible assets</b>												
Office equipment	19.86	6.86	0.43	11.90	0.08	2.40	2.66	6.35	0.05	20.61	18.36	10.61
Furniture and fixtures	38.65	20.20	2.43	15.38	0.65	11.83	1.06	9.70	0.36	33.55	42.46	27.33
Leasehold improvements	36.67	0.69	-	15.84	0.38	0.38	0.15	5.62	0.30	16.72	36.10	25.80
Computers	35.41	6.49	0.25	25.07	0.30	4.94	0.95	14.72	0.26	38.56	28.35	17.19
Building	0.15	-	-	0.00	-	0.01	-	0.00	-	0.01	0.14	0.14
Motor cars	0.61	0.34	0.08	0.25	0.06	0.16	0.05	0.26	0.04	0.83	0.38	0.21
<b>Sub-total (a)</b>	<b>131.35</b>	<b>34.58</b>	<b>3.19</b>	<b>68.44</b>	<b>1.47</b>	<b>19.71</b>	<b>4.87</b>	<b>36.65</b>	<b>1.01</b>	<b>110.29</b>	<b>125.79</b>	<b>81.29</b>
<b>Intangible assets</b>												
Software and System development	6.43	-	-	5.61	-	4.89	-	1.97	-	6.86	5.18	1.54
<b>Sub-total (b)</b>	<b>6.43</b>	<b>-</b>	<b>-</b>	<b>5.61</b>	<b>-</b>	<b>4.89</b>	<b>-</b>	<b>1.97</b>	<b>-</b>	<b>6.86</b>	<b>5.18</b>	<b>1.54</b>
<b>Total (a+b)</b>	<b>137.78</b>	<b>34.58</b>	<b>3.19</b>	<b>74.05</b>	<b>1.47</b>	<b>19.71</b>	<b>4.87</b>	<b>38.62</b>	<b>1.01</b>	<b>117.15</b>	<b>130.97</b>	<b>82.83</b>
<b>Previous Year ended 31 Mar 2016</b>	<b>87.54</b>	<b>-</b>	<b>-</b>	<b>50.38</b>	<b>0.13</b>	<b>137.78</b>	<b>35.14</b>	<b>-</b>	<b>0.08</b>	<b>54.95</b>	<b>82.83</b>	<b>52.40</b>

### Capital work in progress

Capital work in progress beginning of the year  
 Transfer Pursuant to Scheme of Amalgamation (Refer Note 3)  
 Capitalised from April 1, 2014 to March 31, 2016 pursuant to implementation of Scheme of Amalgamation (net)  
 Addition during the year  
 Capital work in progress at end of the year

	Mar 31, 2017	Mar 31, 2016
	-	-
	1.13	-
	1.13	-
	0.24	-
	0.24	-

Description of Assets	Gross Block				Accumulated Depreciation				Net Block	
	Balance as at April 1, 2015	Additions during the period	Disposals during the period	Balance as at March 31, 2016	Balance as at April 1, 2015	Depreciation charge for the period	On disposals	Balance as at March 31, 2016	Balance as at March 31, 2016	Balance as at March 31, 2015
<b>Tangible assets</b>										
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
<b>Sub-total (a)</b>	<b>82.24</b>	<b>49.24</b>	<b>0.13</b>	<b>131.35</b>	<b>31.24</b>	<b>18.90</b>	<b>0.08</b>	<b>50.06</b>	<b>81.29</b>	<b>51.00</b>
<b>Intangible assets</b>										
Software and System development	5.30	1.14	-	6.43	3.90	0.99	-	4.89	1.54	1.40
<b>Sub-total (b)</b>	<b>5.30</b>	<b>1.14</b>	<b>-</b>	<b>6.43</b>	<b>3.90</b>	<b>0.99</b>	<b>-</b>	<b>4.89</b>	<b>1.54</b>	<b>1.40</b>
<b>Capital work in progress</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (a+b)</b>	<b>87.54</b>	<b>50.38</b>	<b>0.13</b>	<b>137.78</b>	<b>35.14</b>	<b>19.89</b>	<b>0.08</b>	<b>54.94</b>	<b>82.83</b>	<b>52.40</b>
<b>Previous Year ended 31 Mar 2015</b>	<b>61.15</b>	<b>26.85</b>	<b>0.46</b>	<b>87.54</b>	<b>21.74</b>	<b>13.85</b>	<b>0.45</b>	<b>35.14</b>	<b>52.40</b>	<b>39.41</b>

**13 Non current investment**

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Non trade unquoted investment (valued at cost unless stated otherwise)		
Pass through certificates for securitisation of loan assets (A) (Face value ₹ 62.76 crore, previous year ₹47.12 crore)	62.76	47.12
Equity shares of Vayana Private Limited 6,87,614 shares of ₹ 10 each fully paid up (previous year 6,87,614 shares of ₹ 10 each fully paid up)	2.30	2.30
	<b>65.06</b>	<b>49.42</b>

Particulars	March 31, 2017		March 31, 2016	
	Cost	Market Value*	Cost	Market Value*
Aggregate value of unquoted investments	65.06	-	49.42	-
Aggregate provision for diminution of unquoted investments	1.00	-	1.00	-

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

**14 Deferred tax asset (net)**

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
<u>Deferred Tax Asset</u>		
Depreciation and amortisation	4.88	1.00
Provision for Compensated Absences	6.01	1.15
Provision on standard asset	38.55	25.03
General provision	40.33	40.33
Provision on Non performing asset	48.33	42.62
Provision for diminution of investment	0.35	0.35
Deferred tax assets	<b>138.45</b>	<b>110.48</b>

**15 Receivables under financing activity**

(₹ in crore)

Particulars	Non Current		Current	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Secured (Refer note 15.1,15.2)	19,700.91	16,361.27	5,560.25	4,017.81
Unsecured	4,266.44	2,381.14	2,295.48	1,349.69
Doubtful (Refer note 15.3)		-	468.72	299.69
<b>Total</b>	<b>23,967.35</b>	<b>18,742.41</b>	<b>8,324.45</b>	<b>5,667.19</b>

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

**15.2** 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.

**15.3** Refer to note 26 for the provisions made on doubtful assets.

## 16 Loans and advances

(₹ in crore)

Particulars	Non Current		Current	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
a. Capital advances	2.41	1.39	-	-
b. Security deposits (Unsecured, considered good)	23.46	13.75	-	-
c. Advances recoverable in cash or in kind (Unsecured, considered good)	-	-	14.14	4.60
d. Advance tax and tax deducted at source (Net of provision for tax ₹ 389.28 crore PY: ₹ 337.13 crore)	24.41	23.94	-	-
<b>Total</b>	<b>50.28</b>	<b>39.08</b>	<b>14.14</b>	<b>4.60</b>

## 17 Current Investments

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	No of Units		Book Value	
Non trade quoted investment				
Investments in Mutual Funds				
Reliance Liquid fund - Treasury Plan - Growth (NAV ₹3953.9770 p.u.)	2,02,388.30	-	80.00	-
ICICI Prudential Liquid Plan - Growth (NAV ₹ 240.1565 p.u.)	33,32,155.97	-	80.00	-
DSP Liquidity Fund - Institutional Plan - Growth (NAV ₹ 2,318.1136 p.u.)	3,45,197.14	-	80.00	-
Kotak Floater - Short Term - Growth (NAV ₹ 2,663.8050 p.u.)	3,00,405.97	-	80.00	-
Invesco Liquid fund - Growth Plan (NAV ₹ 2,231.8269 p.u.)	3,58,450.74	-	80.00	-
ICICI Liquid Fund- Growth Plan (NAV ₹223.66 p.u.)	-	22,35,537.08	-	50.00
Reliance Liquid fund - Growth (NAV ₹2,275.70 p.u.)	-	2,19,712.25	-	50.00
SBI Liquid Fund - Regular - Growth (NAV ₹2,372.95 p.u., previous year ₹2,195.72 p.u.)	-	2,10,708.29	-	50.00
TATA Money Market Fund - Regular- Growth (NAV ₹2,378.41 p.u.)	-	2,10,224.44	-	50.00
Birla Cash plus - Growth - Regular (NAV ₹242.54 p.u.)	-	20,61,515.63	-	50.00
DSP Liquidity Fund- Institutional Plan- Growth (NAV ₹2,160.12 p.u.)	-	231,469.11	-	50.00
	<b>45,38,598.13</b>	<b>51,69,166.80</b>	<b>400.00</b>	<b>300.00</b>

Particulars	March 31, 2017	March 31, 2017	March 31, 2016	March 31, 2016
	Cost	Market Value	Cost	Market Value
<b>Aggregate value of quoted investments</b>	400.00	400.09	300.00	300.29

**18 Trade receivables** (₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Trade receivable (refer note 18.1)	115.42	23.50
(Unsecured, considered good)	<b>115.42</b>	<b>23.50</b>

18.1 Nothing in trade receivable is above six months in current and previous year.

**19 Cash and bank balances** (₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Cash and Cash Equivalent		
Balances with banks	41.65	40.18
Demand drafts on hand	14.70	2.33
Cash on hand	13.67	18.28
	<b>70.03</b>	<b>60.79</b>
Other Bank balances		
Deposits with bank (Refer note 19.1, 19.2, 19.3)	118.67	74.25
	<b>188.70</b>	<b>135.04</b>

19.1 Includes deposits of ₹110.27 crore (previous year ₹ 74.25 crore) is earmarked for assignment / securitisation transaction.

19.2 Include deposits of ₹ 118.67 crore (previous year ₹ 74.25 crore) maturing in less than one year.

19.3 Of the above balance, cash and cash equivalent after excluding deposits with bank of ₹ 118.67 crore (previous year ₹74.25 crore) amounts to ₹ 70.03 crore (previous year 60.79 crore).

**20 Other current assets** (₹ in crore)

Particulars	March 31, 2017	March 31, 2016
a. Interest accrued but not due on fixed deposits	2.07	2.30
b. Unamortised discount on commercial paper	58.96	33.22
<b>Total</b>	<b>61.03</b>	<b>35.52</b>

**21 Revenue from operations** (₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Interest income	4,087.08	3,015.99
Other financial charges / income	295.15	201.92
BPO services income	1,329.12	79.86
<b>Total</b>	<b>5,711.35</b>	<b>3,297.77</b>

**22 Other income** (₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Gain on sale of current investment (net)	1.24	2.06
Gain on sale of non current investment	-	1.26
Dividend on non trade investments	1.95	0.93
<b>Total</b>	<b>3.19</b>	<b>4.25</b>

**23 Employee benefits expense** (₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Salaries and wages (including bonus)	1,747.03	460.13
Contribution to provident and other funds	135.32	26.36
Staff welfare expenses	14.30	7.27
<b>Total</b>	<b>1,896.65</b>	<b>493.76</b>

**24 Finance costs** (₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Interest expense	1,821.45	1,440.07
Discount on commercial paper	219.76	126.97
Other borrowing costs	8.71	4.49
<b>Total</b>	<b>2,049.92</b>	<b>1,571.53</b>

**25 Other expenses** (₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Rent (net of sub lease rent received ₹0.07 crore) (previous year ₹ 0.08 crore)	53.54	26.91
Rates and taxes	0.49	(1.46)
Telephone	20.05	8.62
Power and fuel	20.19	10.75
Repairs and maintenance- premises	0.77	1.15
Repairs and maintenance-others	0.91	0.73
Credit report charges	52.20	27.07
Auditor's remuneration (Refer Note 28)	0.43	0.24
Insurance	0.47	0.13
Commission and brokerage	69.67	67.37
Loss on sale of asset	0.14	0.05
Expenses towards Corporate Social Responsibility Initiative (Refer Note 58)	4.09	1.55
Others administrative expenses	108.23	61.68
<b>Total</b>	<b>331.17</b>	<b>204.79</b>

**26. Provisions and write offs** (₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Provisions recognised for non performing assets (Refer Note 44A)	75.73	53.32
Write offs (net of recovery ₹ 75.28 crore (previous year ₹ 51.74 crore))	224.81	116.55
Provision for diminition of investment	-	(0.52)
Contingent provision against standard assets	39.05	24.89
<b>Total</b>	<b>339.59</b>	<b>194.24</b>

**27 Earning per share**

Particulars	March 31, 2017	March 31, 2016
Net Profit (₹ in crore)	684.21	534.41
Weighted average number of equity shares		
Basic	71,00,06,413	69,97,41,185
Diluted	71,00,06,413	69,97,41,185
Earnings per share (₹)		
Basic	9.64	7.64
Diluted	9.64	7.64
Face value per share (₹)	<b>10.00</b>	<b>10.00</b>

**28 Auditor's remuneration**

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
<b>As Auditor</b>		
Statutory audit	0.33	0.20
Tax audit	0.02	0.01
<b>Others</b>		
For certificates	0.05	0.02
<b>Sub Total</b>	0.40	0.23
Service Tax	0.03	0.01
<b>Total</b>	<b>0.43</b>	<b>0.24</b>

**29 Operating leases**

## i. Future Lease Rental payments

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Not later than one year	57.92	32.82
Later than one year, but less than three years	108.62	63.23
More than three years, but less than five years	91.77	58.57
More than five years	104.50	75.15

- ii. Lease payments recognized in the Statement of Profit and Loss ₹ 53.54 crore (Previous year ₹ 26.91 crore)
- iii. Future sub lease income receivable is ₹ 14.80 crore (Previous year ₹ 0.30 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.

**30 Contingent liabilities**

(₹ in crore)

S.N.	Particulars	March 31, 2017	March 31, 2016
1.	Claims against the Company not acknowledged as debt (Refer Note 30.1)	92.41	1.09
2.	Estimated amount of contracts remaining to be executed on capital account and not provided for: (Net of Advances amounting to ₹ 2.41 crore, previous year ₹ 1.39 crore)	11.42	16.98
3.	Undrawn committed sanctions to borrowers	107.34	65.41

**30.1 Claims against the Company not acknowledged as debt**

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Suit filed by borrowers	1.43	1.09
Other contingent liabilities in respect of :		
1. Provident Fund matter - (see (a) below)	50.14	-
2. Payment of Bonus (Amendment) Act, 2015 - (see (b) below)	34.88	-
3. Income tax matter	4.85	-
4. Service tax demands	0.79	-
5. Payment of Labour Welfare Fund	0.32	-
<b>Total</b>	<b>92.41</b>	<b>1.09</b>

## a) Provident Fund matter

eADFC had received a notice from Provident Fund department demanding payment of ₹ 50.14 crore. eADFC had preferred an appeal challenging the Provident Fund Commissioner's order before Provident Fund Appellate Tribunal, wherein eADFC had received a favourable outcome. However, a sum of ₹ 1 crore is deposited with the PF Appellate Authority under dispute. This amount is shown under Long Term Loans and Advances in Note 16.

In respect of appeal filed by the Provident Fund department with the High Court, where the matter was settled in favour of the Company at the first appellate stage, the Company expects a favourable outcome based on the decisions of the apex courts, the interpretations of other relevant provisions and the legal advice. In the eventuality of any claim arising out of this case, the same will be billed to the customer in the year the claim is final and accordingly no provision has been made.

## b) Payment of Bonus (Amendment) Act, 2015

As a result of the amendment vide notification number DL-(N)04/70007/2003-16 issued on January 1, 2016 by Government of India, the Company would be required to pay the statutory bonus to all eligible employees as per the new amendment referred to as Payment of Bonus (Amendment) Act, 2015 with effect from April 1, 2014. However, various High Courts have granted a stay on retrospective effect of Payment of Bonus (Amendment) Act, 2015 from financial year 2014-15. It was later clarified that the amendment would take effect from financial year 2015-16 onwards, and not financial year 2014-15 as earlier stipulated. In light of the above, the Company had decided to reverse the provision pertaining to such bonus totaling to ₹ 21.38 crore, of which ₹ 9.5 crore relates to the Company and 11.88 crore relates to eADFC. Further, the Company has disclosed the said amounts alongwith ₹ 13.5 crore vis-a-vis eHBL in the contingent liabilities for financial year 2016-17.

- 31** The Company's pending litigations comprise of claims against the Company by the customers and proceedings pending with other 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 30)
- 32** 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.
- 33** The Company has proposed a dividend of ₹0.60 per share amounting to ₹ 56.35 crore (including dividend distribution tax). The accounting treatment of the proposed dividend (including DDT) provided by the Company is in accordance with the notification issued by Ministry of Company Affairs dated March 30, 2016.

**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

**Key Management Person:** Mr. Ramesh G. (Managing Director and CEO)

## Details of Related Party Transactions for the Year:

(₹ in crore)

Related party	Nature of relationship	Nature of transaction	March 31, 2017	March 31, 2016
HDFC Bank Limited	Holding company	Assignment transaction / Securitisation	-	1,800.25
		Bank charges	2.19	0.71
		Charges for back office support services received / recoverable	563.67	-
		Charges for sales support services received / recoverable	786.11	-
		Commission on sourcing of credit cards received / recoverable	0.29	-
		Dividend paid	102.22	88.40
		Reimbursement of R & M charges Received / Receivable	1.24	-
		Fixed deposits placed	369.05	42.50
		Interest paid on term loan and OD account	139.21	100.06
		Interest received on fixed deposits	7.17	4.52
		Investment banking fees paid	0.61	0.46
		IPA charges	0.03	-
		Non convertible debentures issued	1,427.00	322.00
		Purchase of fixed assets	0.23	-
		Receipt of secondment charges	1.59	-
		Rent paid for premises taken on sub-lease	5.86	1.93
		Rent received / receivable for premises given on sub-lease	1.45	-
		Term loan availed during the year	200.00	1,126.82
		Term loan paid during the year	611.82	543.18
		HDFC Securities Limited	Entities under common control	Tele collection charges / field collection charges received / recoverable for collection services rendered
Rent paid / payable	-			0.01
HBL Global Pvt. Ltd. (Refer Note 3)	Entities under common control	Rent received / receivable for premises given on sub-lease	0.07	0.06
		Deposit received	-	0.10
Ramesh G.	Key Management Person	Electricity charges paid	-	0.29
		Equipment hire charges paid	-	0.09
		Other office expenses	-	0.02
		Rent	-	0.58
Balance as on March 31, 2017		Salary and allowances	2.59	1.69
HDFC Bank Limited	Holding Company	Assignment transaction / Securitisation	575.88	-
		Balance in current accounts	49.65	56.95
		Balance receivable	105.75	21.57
		Fixed deposit	68.67	74.25
		Security deposit paid	0.20	-
		Security deposit received	9.85	9.75
		Term loan outstanding	1,180.15	1,590.00
HBL Global Pvt. Ltd. (Refer Note 3)	Entities under common control	Balance receivable	-	0.11
		Deposit	-	(0.10)
HDFC Securities Limited	Entities under common control	Balance receivable	0.14	0.06



**35 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 23 'Employee benefits expense' under 'Contribution to provident and other funds' in Statement of Profit and Loss. The detail is as follows.

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Provident Fund	72.01	15.28
Employee State Insurance Corporation (ESIC)	41.75	7.13

**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, 2017 :**

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Benefit Obligation as at beginning of the year	6.65	4.29
Current Service Cost	11.27	1.99
Past service cost	-	-
Interest Cost	2.38	0.32
Actuarial Losses / (Gains)	5.73	0.31
Addition due to amalgamation	33.48	-
Benefits Paid	(6.54)	(0.26)
Benefit Obligation as at end of the year	52.96	6.65
Fair Value of Plan Assets as at beginning of the year	4.41	2.45
Expected Returns on Plan Assets	2.07	0.27
Employer's Contribution	10.46	1.84
Addition due to amalgamation	20.76	-
Benefits Paid	(6.54)	(0.26)
Actuarial Gains / (Losses)	(1.15)	0.11
Fair Value of Plan Assets as at end of the year	30.01	4.41
<b>Balance Sheet recognition</b>		
Present value of obligation	52.96	6.65
Fair value of planned asset	(30.01)	(4.41)
Liability / (Asset)	22.95	2.23
Unrecognised past service cost	-	-
Liability / (Asset) to be recognised in the balance sheet	22.95	2.23
<b>Profit and loss (expenses)</b>		
Current Service Cost	11.27	1.99
Past Service cost	-	-
Interest on Obligation	2.38	0.32
Expected Return on Plan Assets	(2.07)	(0.27)
Net Actuarial Losses / (Gains) Recognised in the Year	6.88	0.20
Expenses to be recognised in the Statement of Profit and Loss	18.46	2.23
<b>Actual return on planned assets</b>		
Expected return on planned assets	2.07	0.27
Actuarial Gain / (Loss) Plan Assets	(1.15)	0.11
Actual Return On Plan Assets	0.92	0.38

Particulars	March 31, 2017	March 31, 2016
<b>Movement in the net liability recognised in the balance sheet</b>		
Opening net Liability	2.23	1.84
Expenses	18.46	2.23
Contribution	(10.46)	(1.84)
Addition due to amalgamation	12.71	-
Closing Net Liability	22.95	2.23
<b>Assumptions</b>		
Discount Rate	6.42% - 6.54% p.a	7.75% p.a.
Future Salary Increase (%)		
General Staff	5% - 7.5% p.a.	6.00%
Others	5% - 7.5% p.a.	6.00%
Expected Rate of return on Plan Assets	7.50%	8.00%

(₹ in crore)

Actuarial (gain) loss on Obligation	Mar-17	Mar-16	Mar-15	Mar-14	Mar-13
Experience Adjustment	4.13	0.23	0.15	0.35	(0.17)
Assumption Change	1.60	0.08	0.17	(0.08)	0.13
<b>Total</b>	<b>5.73</b>	<b>0.31</b>	<b>0.32</b>	<b>0.27</b>	<b>(0.04)</b>
<b>Actuarial (Gain) / Loss on Plan Assets</b>					
Experience Adjustment	(1.29)	0.11	(0.16)	0.01	0.00
Assumption Change	0.14	-	-	-	-
<b>Total</b>	<b>(1.15)</b>	<b>0.11</b>	<b>(0.16)</b>	<b>0.01</b>	<b>0.00</b>
Estimated contribution next year	17.28	2.67	3.32	1.20	0.44

Category of Plan asset	% of Fair value to total planned assets (as at March 31, 2017)
Government securities and corporate bonds	55.64%
Money market instruments and public deposits	43.21%
Net current assets and other debt instruments	1.16%
<b>Total</b>	<b>100.00%</b>

### 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-5 on July 27, 2011, ESOS-6 on June 11, 2012, ESOS-7 on July 19, 2013, ESOP-8 on July 14, 2015 and ESOS-9 on October 18, 2016. 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 for ESOP-5, ESOP-6, ESOP-7 and ESOP-8 and maximum of four years from the date of vesting for ESOP-9.

*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.

**Movement in the options outstanding under the Employees Stock Option Plan as at March 31, 2017**

Particulars	Options	Weighted average exercise price (₹)
Options outstanding, beginning of year	48,42,950	88.41
Granted during the year	31,17,500	137.00
Exercised during the year	15,79,440	77.86
Forfeited / lapsed during the year	5,02,350	93.46
Options outstanding, end of year	58,78,660	112.46

**Movement in the options outstanding under the Employees Stock Options Plan 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	7,02,550	48.25
Forfeited / lapsed during the year	3,04,750	76.22
Options outstanding, end of year	48,42,950	88.41

**Following summarizes the information about stock options outstanding as at March 31, 2017**

Plan	Range of exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life (in years)	Weighted average exercise Price (₹)
ESOS - 6	31.00	1,200	0.50	31.00
ESOS - 7	56.00	1,02,700	0.50	56.00
ESOS - 8	88.00	27,71,260	2.74	88.00
ESOS - 9	137.00	30,03,500	5.49	137.00

**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	5,60,300	1.35	56.00
ESOS - 8	88.00	42,08,000	1.40	88.00

**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, 2017 are:

Particulars	March 31, 2017	March 31, 2016
Dividend yield	0.88%	0.80%
Expected volatility	Nil	Nil
Risk - free interest rate	6.54%	7.70%
Expected life of the option	3 years	2.21 years

**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 pro-forma amounts indicated below:

Particulars	March 31, 2017	March 31, 2016
Net Profit (as reported)	684.21	534.41
Stock based compensation expense determined under fair value based method: (pro forma)	8.36	4.87
Net Profit (pro forma)	675.85	529.54
Basic earnings per share (as reported)	9.64	7.64
Basic earnings per share (pro forma)	9.52	7.57
Diluted earnings per share (as reported)	9.64	7.64
Diluted earnings per share (pro forma)	9.52	7.57

**37 Segment reporting**

Summary of segments of the Company is given below:

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
<b>i. Segment Revenue</b>		
Lending business	4,378.89	3,217.91
BPO Services	1,334.41	79.85
Unallocated	1.24	4.26
<b>Total</b>	<b>5,714.54</b>	<b>3,302.02</b>
Less: Inter Segment Revenue	-	-
<b>Income from Operations</b>	<b>5,714.54</b>	<b>3,302.02</b>
<b>ii. Segment results</b>		
Lending business	1,064.83	852.06
BPO Services	17.73	10.42
Unallocated	(23.97)	(44.67)
<b>Total profit before tax</b>	<b>1,058.59</b>	<b>817.81</b>
<b>Income Tax expenses</b>		
Current tax	(389.28)	(311.46)
Deferred tax Asset	17.36	29.24
Income tax for earlier year	(2.46)	(1.18)
<b>Net Profit</b>	<b>684.21</b>	<b>534.41</b>
<b>iii. Capital employed</b>		
Segment assets		
Lending business	33,142.30	24,716.78
BPO Services	147.59	36.44
Unallocated	166.20	435.85
<b>Total Assets</b>	<b>33,456.09</b>	<b>25,189.07</b>
Segment liabilities		
Lending business	27,803.65	21,464.10
BPO Services	114.05	11.29
Unallocated	175.49	151.88
<b>Total Liabilities</b>	<b>28,093.19</b>	<b>21,627.27</b>
Net segment assets / (liabilities)	5,362.90	3,561.80
<b>iv. Capital Expenditure (including net CWIP)</b>		
Lending business	62.35	44.14
BPO Services	11.16	6.09
Unallocated	0.54	0.14
<b>Total</b>	<b>74.05</b>	<b>50.37</b>

Particulars		March 31, 2017	March 31, 2016
<b>v.</b>	<b>Depreciation</b>		
	Lending business	27.80	14.92
	BPO Services	10.67	4.83
	Unallocated	0.15	0.14
	<b>Total</b>	<b>38.62</b>	<b>19.89</b>
<b>vi</b>	<b>Other non cash expenditure</b>		
	Lending business	339.59	194.24
	BPO Services	-	-
	Unallocated	-	-
	<b>Total</b>	<b>339.59</b>	<b>194.24</b>

**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.

**38 Details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December 30, 2016**

(₹ in crore)

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	9.32	-	<b>9.32</b>
Add: Permitted receipts	14.53	49.23	<b>63.76</b>
Less: Permitted payments	-	-	-
Less: Amount deposited in banks	23.85	49.23	<b>73.08</b>
Closing cash in hand as on 30.12.2016	-	-	-

**39 Break up of 'Provisions and Contingencies' shown under the head Expenditure in Statement of profit and loss**

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Provisions recognised for non performing assets	75.73	53.32
Provision made towards Income tax	389.28	311.46
Provision for dimunition of investment	0.00	(0.52)
Provision for Standard Assets	39.05	24.89

**40 A 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.029/03.10.001/ 2014-15 dated April 10, 2015** (₹ in crore)

Sr. No	Particulars	March 31, 2017	March 31, 2016
1	No of SPVs sponsored by the NBFC for securitisation transactions	6.00	5.00
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	1,985.14	1,496.88
3	Total amount of exposures retained by the NBFC to comply with MRR		
	a) Off-balance sheet exposures		
	* First loss	137.14	86.11
	* Others		
	b) On-balance sheet exposures		
	* First loss	173.02	121.37
	* Others	-	-
	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures	-	-
4	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	-	-

**40 B Disclosure pursuant to Reserve Bank of India notification DBOD. No.BP. 1502/21.04.048/2004-05 dated February 1, 2006** (₹ in crore)

Sr. No	Particulars	March 31, 2017	March 31, 2016
i)	Total number of contracts for loan assets securtised during the year	17,697	31,701
ii)	Book value of Loan assets securtised during the year	1,441.40	1,800.25
iii)	Sale consideration received for securitised assets during the year	1,441.40	1,800.25
iv)	Gain/ Loss (if any) on sale on securtised loan assets	Nil	Nil
v)	Quantum (Outstanding value) of service provided: Credit Enhancement (FD & CG)	101.03	128.61

**40 C Disclosure pursuant to Reserve Bank of India notification DNBR (PD) CC. No.029/03.10.001/2014-15 dated April 10, 2015** (₹ in crore)

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

Sr. No	Particulars	March 31, 2017	March 31, 2016
i)	Number of Accounts	Nil	Nil
ii)	Aggregate value (net of provisions) of account sold to SC/RC	Nil	Nil
iii)	Aggregate consideration	Nil	Nil
iv)	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
v)	Aggregate gain / loss over net book value	Nil	Nil

b) Details of Assignment Transactions

Sr. No	Particulars	March 31, 2017	March 31, 2016
i)	Number of Accounts	Nil	Nil
ii)	Aggregate value (net of provisions) of account sold	Nil	Nil
iii)	Aggregate consideration	Nil	Nil
iv)	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
v)	Aggregate gain / loss over net book value	Nil	Nil

41 During the year, the Company has placed additional fixed deposits of ₹ 50.00 crore with IDFC Bank pursuant to fresh securitisation transaction entered during the year and ₹ 8.40 crore with HDFC Bank pursuant to surplus fund with the Company. Total fixed deposits stands at ₹110.27 crore (previous year ₹74.25 crore) on account of securitisation transaction outstanding till March 31, 2017.

42 Loan against gold portfolio to Total assets is 1.00 % (Previous year 0.75%)

43 **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\***

No of loan accounts	Outstanding loan amount	Sale Consideration of gold **
776	3.36	6.28

\* 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.029/03.10.001/2014-15 dated April 10, 2015**

**44 A Movement of Non-Performing Assets (NPA's)** (₹ in crore)

	Particulars	March 31, 2017	March 31, 2016
(i)	Net NPAs to Net Advances (%)	0.85%	0.73%
(ii)	Movement of Gross NPAs		
	a) Opening balance	299.69	160.04
	b) Additions during the year	852.18	573.29
	c) Reductions during the year	683.15	433.64
	d) Closing balance	468.72	299.69

	Particulars	March 31, 2017	March 31, 2016
(iii)	Movement of Net NPAs		
	a) Opening balance	176.55	90.21
	b) Additions during the year	434.76	307.10
	c) Reductions during the year	341.45	220.76
	d) Closing balance	269.86	176.55
(iv)	Movement of provisions for NPA's (excluding provision on standard assets)		
	a) Opening balance	123.15	69.83
	b) Provisions made during the year	417.42	266.19
	c) Write-off / write-back of excess provisions	341.70	212.87
	d) Closing balance	198.87	123.15

**44 B Movement of Contingent and general Provision**

(₹ in crore)

	Particulars	March 31, 2017	March 31, 2016
(i)	Movement of Contingent provision against standard assets		
	a) Opening balance	72.33	47.44
	b) Additions during the year	39.05	24.89
	c) Reductions during the year	-	-
	d) Closing balance	111.38	72.33
(ii)	Movement of General provisions		
	a) Opening balance	116.54	116.54
	b) Additions during the year	-	-
	c) Reductions during the year	-	-
	d) Closing balance	116.54	116.54

**45 Concentration of Advances, Exposures & NPA's****a) Concentration of Advances**

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Total Advances to Twenty Largest Borrowers	237.10	207.07
Percentage of advances to twenty largest borrowers to Total Advances	0.75%	0.85%

**b) Concentration of Exposures**

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Total Exposure to Twenty Largest Borrowers	237.10	207.07
Percentage of exposures to twenty largest borrowers to Total Exposures	0.75%	0.85%

**c) Concentration of NPA's**

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
Total Exposure of Top four NPA Accounts	29.06	21.31



## d) Sector-wise distribution of NPA's

Sr. No.	Sector	Percentage of NPA's to Total Advances in that sector	
		March 31, 2017	March 31, 2016
1	Agriculture & allied activities	2.09%	1.24%
2	MSME	0.00%	0.00%
3	Corporate borrowers	1.89%	2.07%
4	Services	0.17%	1.22%
5	Unsecured personal loans	0.48%	0.36%
6	Auto loans	0.00%	0.00%
7	Other personal loans	0.00%	0.00%
8	Others	1.59%	1.27%

## 46 Details of non-performing financial assets purchases / sold

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

## 47 Customer Complaints

	Particulars	March 31, 2017	March 31, 2016
a)	No. of Complaints Pending at the beginning of the year	5	-
b)	No. of Complaints received during the year	158	144
c)	No. of Complaints redressed during the year	162	139
d)	No. of Complaints Pending at the end of the year	1	5

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

## 48 Investments

(₹ in crore)

	Particulars	March 31, 2017	March 31, 2016
<b>1</b>	<b>Value of Investments</b>		
i)	Gross value of Investments		
a)	In India	465.06	349.42
b)	Outside India	-	-
ii)	Provision for Depreciation		
a)	In India	1.00	1.00
b)	Outside India	-	-
iii)	Net Value of Investments		
a)	In India	464.06	348.42
b)	Outside India	-	-
<b>2</b>	<b>Movement of provisions held towards depreciation on investments</b>		
i)	Opening Balance	1.00	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	1.00

## 49 Exposure to Capital Market

(₹ in crore)

Sr. No.	Particulars	March 31, 2017	March 31, 2016
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	2.30
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 ;	184.42	132.14
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
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).	-	-
	<b>Total Exposure to Capital Market</b>	<b>186.72</b>	<b>134.65</b>

## 50 Capital Adequacy Ratio

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

Particulars	March 31, 2017	March 31, 2016
CRAR%	20.79%	19.23%
CRAR –Tier I Capital %	15.26%	13.44%
CRAR-Tier II Capital %	5.53%	5.79%
Amount of Subordinated Debt raised as Tier-II capital	1720	1330
Amount Raised by the issue of Perpetual Debt Instruments	Nil	Nil

**51 Exposure to Real Estate Sector**

(₹ in crore)

Categories	March 31, 2017	March 31, 2016
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;	12,031.99	10,667.98
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)	4,155.55	3,971.55
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).	-	-

**52 Maturity pattern of certain items of assets and liabilities**

(₹ in crore)

Particulars	Deposits	Advances(**)	Investments(*)	Borrowings	Foreign Currency Assets / Foreign Currency Liabilities
1 day to 30/31 days	<b>14.01</b>	<b>604.10</b>	<b>402.90</b>	<b>420.38</b>	-
	-	(417.32)	(302.16)	(207.81)	-
Over one month to 2 months	-	<b>646.51</b>	<b>2.87</b>	<b>386.52</b>	-
	-	(439.60)	(2.16)	(206.78)	-
Over 2 months upto 3 months	<b>20.64</b>	<b>652.78</b>	<b>2.84</b>	<b>751.89</b>	-
	(20.00)	(451.89)	(2.16)	(1,037.97)	-
Over 3 months to 6 months	<b>6.00</b>	<b>1,970.30</b>	<b>8.23</b>	<b>2,008.46</b>	-
	(0.53)	(1,369.44)	(6.40)	(1,658.41)	-
Over 6 months to 1 year	<b>78.02</b>	<b>3,982.04</b>	<b>14.76</b>	<b>3,259.58</b>	-
	(53.72)	(2,689.26)	(11.77)	(3,030.72)	-
Over 1 year to 3 years	-	<b>12,336.64</b>	<b>29.98</b>	<b>17,006.89</b>	-
	-	(8,794.76)	(21.84)	(11,451.23)	-
Over 3 years to 5 years	-	<b>5,370.47</b>	<b>1.18</b>	<b>33.33</b>	-
	-	(4,667.58)	(0.63)	(689.23)	-
Over 5 years	-	<b>6,728.97</b>	<b>2.30</b>	<b>1,720.00</b>	-
	-	(5,579.75)	(2.30)	(1,330.00)	-
Total	<b>118.67</b>	<b>32,291.81</b>	<b>465.06</b>	<b>25,587.05</b>	-
	(74.25)	(24,409.60)	(349.42)	(19,612.15)	-

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

\*\* The figure includes ₹ 468.72 crore of doubtful assets in "over 5 year"

(₹ in crore)

Sl No	Type of Restructuring	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total						
		Standard	Sub Standard	Doubtful	Loss	Standard	Sub Standard	Doubtful	Loss	Standard	Sub Standard	Doubtful	Loss	Standard	Sub Standard	Doubtful	Loss	Total		
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17.00	17.00	
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(35.00)	(35.00)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6.49	6.49
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.67	0.67	
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.30)	(0.30)	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.00	5.00	
3	Upgradations to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10.00)	(10.00)	
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.00)	(1.00)	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.61	0.61	
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.00)	(1.00)	
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.09)	(0.09)	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.07	0.07	
5	Downgradations of restructures accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.00)	(1.00)	
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2.00)	(2.00)	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.08	0.08	
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7.00)	(7.00)	
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5.92)	(5.92)	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2.34)	(2.34)	
7	Restructured Accounts as on March 31 of the FY (closing figures)*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.00	4.00	
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(17.00)	(17.00)	
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.52	0.52	
																	0.04	0.04		

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

**54 Details of dues to Micro, Small and Medium Enterprises**

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

Particulars	March 31, 2017	March 31, 2016
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.

**55 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	March 31, 2017		March 31, 2016	
	CARE	CRISIL	CARE	CRISIL
Bank facilities	AAA	AAA/Stable	AAA	AAA/Stable
Short term debt program	A1+	A1+	A1+	A1+
Non-convertible debentures	AAA	AAA/Stable	AAA	AAA/Stable
Subordinated bond issue	AAA	AAA/Stable	AAA	AAA/Stable

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

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
<b>Term-wise breakup</b>		
Long term borrowings	18,760.22	13,470.45
Short term borrowings	2,080.00	910.38
Current maturities of long term borrowings	4,746.83	5,231.32
<b>Total borrowings</b>	<b>25,587.05</b>	<b>19,612.15</b>
<b>Category-wise breakup</b>		
<b>Secured</b>		
Term loans from bank	8,583.25	9,071.77
Non Convertible Debentures	13,203.80	8,300.00
Overdraft	-	0.38
<b>Unsecured</b>		
Subordinate debts	1,720.00	1,330.00
Commercial papers	2,080.00	910.00
	<b>25,587.05</b>	<b>19,612.15</b>

**Total receivable under financing activity**

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
<b>Term-wise Breakup</b>		
Long term receivables	23,967.36	18,742.41
Current maturities of loan term receivables	8,324.45	5,667.19
<b>Total receivables</b>	<b>32,291.81</b>	<b>24,409.60</b>
Less: Substandard and Doubtful assets	468.72	299.69
<b>Net loan book</b>	<b>31,823.09</b>	<b>24,109.91</b>
<b>Category-wise Breakup</b>		
Secured	25,698.15	20,665.23
Unsecured	6,593.66	3,744.37
<b>Total receivables</b>	<b>32,291.81</b>	<b>24,409.60</b>
Less: Substandard and Doubtful assets	468.72	299.69
<b>Net loan book</b>	<b>31,823.09</b>	<b>24,109.91</b>

## Total asset provisions

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
<b>Category-wise Breakup</b>		
Provision for doubtful debts	198.87	123.15
Contingent provision against standard assets	111.38	72.33
General provisions	116.54	116.54
Provision for diminution in the value of investments	1.00	1.00
	<b>427.79</b>	<b>313.02</b>

**57 Disclosure pursuant to Reserve Bank of India notification DNBR (PD) CC. No.043 / 03.10.119 / 2015-16 dated July 1, 2015**

(₹ in crore)

S.N.	Particulars	March 31, 2017	March 31, 2016
	<b>Liabilities side:</b>		
1	Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:		
	(a) Debentures		
	- Secured	13,874.86	8,744.92
	- Unsecured	1,791.50	1,384.01
	(other than falling within the meaning of public deposits)		
	(b) Deferred Credits	-	-
	(c) Term Loans	8,583.25	9,071.77
	(d) Inter-Corporate Loans and Borrowings	-	-
	(e) Other Loans	2,080.00	910.38
	(Represents Working Capital Demand Loans and Cash Credit from Banks)		
	<b>Assets side:</b>		
2	Break-up of Loans and Advances including Bills Receivables [other than those included in (4) below]:		
	(a) Secured	17,981.35	15,564.97
	(b) Unsecured	6,593.66	3,744.37
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	25.64	4.58
	b) Loans other than (a) above	7,691.16	5,095.67
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	400.00	300.00
	iv. Government Securities	-	-
	v. Others (please specify)	-	-

(₹ in crore)

S.N.	Particulars	March 31, 2017	March 31, 2016
	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	2.30
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (please specify)	62.76	47.12
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	32,291.81	24,409.60
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	464.06	348.42
7	Other Information		
	(i) Gross Non-Performing Assets		
	a. Related party	-	-
	b. Other than related party	468.72	299.69
	(ii) Net Non-Performing Assets		
	(a) Related party	-	-
	(b) Other than related party	269.85	176.55
	(iii) Assets Acquired in Satisfaction of Debt	-	-

- 58 The average profit before tax of the Company for the last three financial years was ₹ 567.42 crore, basis which the Company was required to spend ₹ 11.35 crore towards Corporate Social Responsibility (CSR) activities for the current financial year. The Company has spent ₹ 4.09 crore towards CSR and ₹ 7.26 crore remains unspent for the current financial year. (Refer Note 25)

Particulars	March 31, 2017			March 31, 2016		
	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	4.09	-	4.09	1.55	-	1.55

**59 Derivatives**

The Company has not entered into any derivatives contracts during the year.

**60 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).

**61 Penalties imposed by RBI and Other Regulators**

No penalties have been imposed by RBI and Other Regulators during the financial year 2016-17 (FY 2015-16 - NIL).

**62 Details of Financing of Parent Company Products**

There is no financing during the current year.

**63 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.

**64 Advances against Intangible Securities**

The Company has not given any loans against intangible securities.

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

There are no overseas asset owned by the Company.

**66 Draw Down from Reserves**

The Company has made no drawdown from existing reserves.

**67 Off-balance Sheet SPVs sponsored**

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

**68 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 319, 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.



**69 Disclosure under clause 28 of the Listing Agreement for Debt Securities**

(₹ in crore)

Particulars	March 31, 2017	March 31, 2016
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	-	-

**70** Previous year figures have been regrouped/ rearranged, where necessary. In view of the amalgamation as referred in Note 3, the figures for the current year are not comparable with the corresponding figures of the previous year.

As per our report of even date attached

**For and on behalf of the Board of Directors of  
HDB Financial Services Limited**

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

Firms' Registration No: 101248W/W-100022

**Manoj Kumar Vijai***Partner*

Membership No. 046882

**Aditya Puri***Chairman***Jimmy Tata***Director***Venkatraman Srinivasan***Director***Smita Affinwalla***Director***G Ramesh***Managing Director***Bhavesh Zaveri***Director***Dipti Khandelwal***Company Secretary***Haren Parekh***Chief Financial Officer*

Mumbai

April 18, 2017

*This page is intentionally left blank*



### HDB Financial Services Limited

CIN: U65993GJ2007PLC051028

Regd. Office: Radhika, 2<sup>nd</sup> Floor, Law Garden Road, Navrangpura, Ahmedabad - 380 009

### FORM NO. MGT - 11 PROXY FORM

[Form No. MGT-11 Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

<b>Name of the Member</b>	
<b>Registered Address</b>	
<b>Email ID</b>	
<b>Folio No./ Client ID</b>	
<b>DP ID</b>	

I/We, being the member (s) of \_\_\_\_\_ shares of the above named company, hereby appoint

- Name: \_\_\_\_\_, Email ID: \_\_\_\_\_  
Address: \_\_\_\_\_  
Signature: \_\_\_\_\_, or failing him
- Name: \_\_\_\_\_, Email ID: \_\_\_\_\_  
Address: \_\_\_\_\_  
Signature: \_\_\_\_\_, or failing him
- Name: \_\_\_\_\_, Email ID: \_\_\_\_\_  
Address: \_\_\_\_\_  
Signature: \_\_\_\_\_, or failing him

as my / our proxy, to attend and vote (on poll) for me / us and on my / our behalf at the 10th Annual General Meeting of the company, to be held on the 23<sup>rd</sup> day of June 2017 at 12.00 Noon at HDFC Bank House, Final Plot No. 287, Ellis Bridge Township Scheme No. 3, Navrangpura, Ahmedabad, Gujarat - 380 009, India and at any adjournment thereof in respect of such resolutions as are indicated below:

- To receive, consider and adopt the Audited financial statements of the Company for the year ended March 31, 2017, including the Audited Balance Sheet as at March 31, 2017, the Statement of Profit and Loss for the year ended on that date and the Cash Flow Statement for the year ended on that date together with the Reports of the Directors and Auditors thereon;
- To confirm the payment of Interim Dividend for the financial year 2016-17 and to declare final dividend on equity shares for the financial year ended on March 31, 2017;
- To appoint a Director in place of Mr. Jimmy Tata (DIN: 06888364), who retires by rotation and being eligible, offers himself for re-appointment;
- To ratify the appointment of Statutory Auditors and fix their remuneration;
- Re-appointment of Mr. Ramesh G. as a Managing Director of the Company;
- Approval for issue Secured Redeemable Non-Convertible Debentures;
  - For renewal of existing limit of ₹ 3,140 Crore;
  - For approval of new limit of ₹ 7,500 Crore;
- Authority to issue Unsecured Redeemable Non-Convertible Subordinated Bonds;
- Issue of Unsecured Redeemable Perpetual Debt Instruments ('PDIs');
- Approval for payment of profit related commission to independent directors;
- To approve Employees Stock Option Scheme - 2017;
- To approve securitisation transaction with the HDFC Bank Limited.

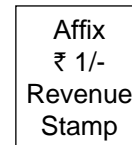
Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2017

Signature of Shareholder \_\_\_\_\_

Signature of Proxy holder(s) \_\_\_\_\_

**Notes:**

- The Proxy Form must be deposited at the Registered Office of the Company at Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad 380 009 at least 48 hours before the time for holding the meeting. The proxy need not be a member of the Company.
- All alterations made in the Proxy Form should be initialled.
- In case of multiple proxies, proxy later in time shall be valid and accepted.



*This page is intentionally left blank*



**HDB Financial Services Limited**

Regd. Office: Radhika, 2<sup>nd</sup> Floor, Law Garden Road, Navrangpura, Ahmedabad - 380 009

**ATTENDANCE SLIP**

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

I hereby record my presence at the 10th Annual General Meeting of the Company, convened on Friday, the 23rd day of June, 2017, at 12:00 Noon at HDFC Bank House, Final Plot No. 287, Ellis Bridge Township Scheme No. 3, Navrangpura, Ahmedabad, Gujarat - 380 009.

Reg. Folio No : \_\_\_\_\_ DP ID No. : \_\_\_\_\_

Client ID No : \_\_\_\_\_ No. of Shares : \_\_\_\_\_

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Signature of the Equity Shareholder / Proxy

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

*This page is intentionally left blank*

# HDB FINANCIAL SERVICES

From the trusted family of HDFC Bank

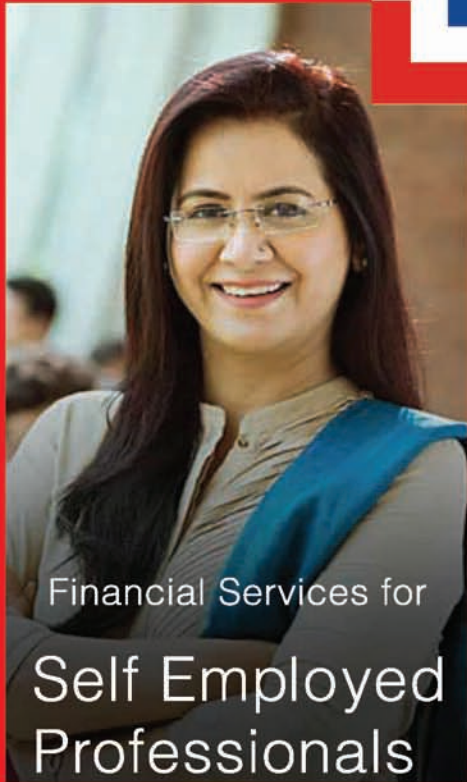
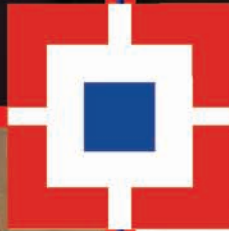




Financial Services for  
**Salaried**



Financial Services for  
**Self Employed**



Financial Services for  
**Self Employed  
Professionals**



Financial Services for  
**Business**

Servicing all Financial Needs  
[www.hdbfs.com](http://www.hdbfs.com)



From the trusted family of HDFC Bank