CONNECTING INDIA

ANNUAL REPORT 2018-2019

#REIMAGININGOPPORTUNITIES

HDB FINANCIAL SERVICES

HDB FINANCIAL SERVICES

REIMAGINING OPPORTUNITIES

FINANCIAL HIGHLIGHTS

(₹ in crore)

PARTICULARS	I-GAAP			Under Ind AS	
	2014-15	2015-16	2016-17	2017-18	2018-19
TOTAL REVENUE	2,527.26	3,302.02	5,714.54	7,027.12	8,724.81
PROFIT BEFORE TAX	530.28	817.81	1,058.59	1,436.11	1,724.06
PROFIT AFTER TAX	349.45	534.41	698.77	933.02	1,153.24
ASSETS UNDER MANAGEMENT	19,290	25,906	34,277	44,268.31	55,425.16
SHAREHOLDERS' FUNDS	3,125.13	3,561.80	5,362.90	6,040.35	7,178.48
BORROWINGS	15,277.97	19,612.15	25,587.05	35,753.21	45,105.10
EARNINGS PER SHARE (₹)	6.63	7.64	9.64	11.94	14.71
BOOK VALUE PER SHARE (₹)	44.68	50.87	68.73	77.15	91.36

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Our CSR programs aim to empower the communities around us by enabling them with sustainable livelihoods; promoting education and good health; and ensuring water security for drinking and other purposes.

To contribute towards these developmental areas, our Company has adopted a series of positive socio-environmental initiatives in collaboration with credible organizations.

Promoting Education

Building learning skills and strong character has been the motto for our education initiatives. Our programs strive to spark curiosity among children and teachers through experiential learning and team work.

The program adequately builds capacities of teachers and provides them with effective tools to aid the teaching and learning process. Key outcomes include:

- 40,000 children have access to healthy learning environment
- 11,000 children received meals daily in 181 schools
- 450 teachers trained to use effective teaching techniques
- 375 schools were equipped with necessary learning tools

Preventive & Curative Healthcare

Our healthcare initiatives extend wide array of diagnostic and curative support to patients for free or at nominal costs. These include eye care; kidney care; primary healthcare; awareness on sexual & reproductive health; family planning methods; maternal health and child nutrition.

- 15,000 patients in remote villages availed primary healthcare support through mobile health clinic on a fortnightly basis
- 10,000+ HHs sensitized on reproductive & maternal health
- 4,000+ dialysis sessions were offered at subsidized cost
- 2,136 elderly patients treated for cataract

Water, Sanitation and Hygiene (WASH)

Our WASH interventions aim to build resilient communities by promoting good hygiene practices among children and adolescents; providing access to sanitation facilities and affordable clean drinking water.

- 12,500 HHs have access to affordable clean drinking water
- 7500 children have access to clean sanitation facilities including hand washing stations in 27 schools
- 50 under-served villages have access to adequate water for domestic purposes

Enhancing Livelihoods

Livelihoods is a way of making a living that serves as an enabler to fight poverty at the grassroots - our livelihood programs are built on this dictum, and strives to bring families out of the poverty cycle and financial miseries.

Our Youth Training & Employability Program imparts placement-linked training to unemployed youth on skill trades relevant to Beauty & Wellness, Textiles, BFSI, ITeS, Retail, Healthcare and other sectors.

To enhance income levels for small and marginal farmers, our initiatives have revolved around disseminating information on sowing techniques, crop pattern, soil conservation practices and to ensure adequate access to raw material such as seeds, fertilizers and water for irrigation purposes.

- 3,500 youth were trained on foundation and technical skills
- 2,200 youth were linked to employers in the organized sector
- 500+ farmers have access to adequate water for irrigation purposes, thus ensuring better crop and enhanced yield

Environmental Sustainability

Water crisis has been a global issue, with India being no exception to this crisis - natural water reservoirs are drying up and ground water tables are depleting faster than ever before.

To address these issues at micro-level, our Company supports water conservation initiatives designed to revive natural water bodies; recharge ground water table; prevent soil erosion; and maintaining biodiversity.

- 70,000 saplings were planted to support soil erosion efforts
- 55,000 m^3 of capacity created for conserving rainwater
- 9000 m^3 of water harvested on betta lands to conserve bio-diversity and naturally recharge surrounding wells
- 350 ponds were created to support 150+ acres of land for cultivation

GLIMPLSES FROM CSR INITIATIVES ROUND THE YEAR

Community Water Purification Plants were introduced in 33 villages in Telangana to provide access to affordable clean drinking water to over 10,000 rural households.

HDBFS sponsored mid-day meals for 10,000 children across 161 schools and supported procurement of meal distribution vehicle and equipments for their kitchen in Vrindavan, Uttar Pradesh

School WASH & Water Security for 500+ rural HHs in Sehore, Madhya Pradesh

HDBFS felicitates a batch of graduates of Yuth Training & Employability Program in Mumbai, Maharashtra

HDBFS introduces a Youth Traning & Employability Program in Hyderabad, Telangana

HDBFS at the inauguration of a charitable dispensary cum diagnostic facility in Kolkata, West Bengal

HDBFS team in Bangalore plants 800 trees to mark the World Environment Day in June 2018

HDBFS employees lends a helping hand in preparing relief kits for flood affected victims in Kerala

HDBFS team rejoicing childhood moments with students during Diwali celebration at a project school in Hubli, Karnataka

CORPORATE INFORMATION

Board of Directors

Mr. Aditya Puri	-	Chairman & Non Executive Director
Mr. Bhavesh Zaveri	-	Non Executive Director
Mr. Jimmy Tata	-	Non Executive Director
Dr. Amla Samanta	-	Independent Director (appointed effective May 01, 2019)
Ms. Smita Affinwalla	-	Independent Director
Mr. Venkatraman Srinivasan	-	Independent Director
Mr. G. Ramesh	-	Managing Director & Chief Executive Officer

Statutory Auditors

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

Secretarial Auditors

M/s. Kaushal Dalal & Associates, Company Secretaries

Registered Office	Corporate Office
Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad - 380 009 Tel No.: +91 79-30482717 Website: www.hdbfs.com Email: compliance@hdbfs.com CIN: U65993GJ2007PLC051028	Ground Floor, Zenith House, Keshavrao Khadye Marg, Mahalaxmi, Mumbai - 400 034 Tel No.: +91 22 49116300 Fax: +91 22 39586666

Bankers

* Axis Bank * Bank of Baroda * Canara Bank * Corporation Bank * Deutche Bank * Federal Bank * HDFC Bank * ICICI Bank * Indian Bank * IndusInd Bank * Jammu & Kashmir Bank * JP Morgan Chase Bank * Karnataka Bank * State Bank of India

Key Managerial Personnel

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

Registrar & Share Transfer Agents

For Equity Shares and Commercial Paper	*For Debentures and Subordinated Bonds:*
M/s. Datamatics Business Solutions Limited, Plot No. B 5, Part B Cross Lane, MIDC, Andheri (E), Mumbai - 400 093	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 4080 7011, Fax: +91 22 6631 1776, Email: sunny@idbitrustee.com	M/s. Axis Trustee Services Limited Ground Floor, Axis House, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai - 400 025. Tel.: +91 022 6230 0446, Fax: +91 022 6230 0700, Email: mangalagowri.bhat@axistrustee.com

12^{th} Annual General Meeting

Date	:	June 21, 2019
Day	:	Friday
Time	:	12 noon
Place	:	Ahmedabad Management Association (AMA), ATIRA Campus, Dr. Vikram Sarabhai Marg, Near Panjarapole Cross roads, Vastrapur, Ahmedabad - 380 015

Contents

HDB FINANCIAL SERVICES LIMITED

Corporate Identity Number: U65993GJ2007PLC051028
Registered Office: Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad - 380 009.
Corporate Office: Ground Floor, Zenith House, Keshavrao Khadye Marg, Mahalaxmi, Mumbai 400 034
Tel: +91 22 4911 6300; **Fax:** +91 22 3958 6666, **Website:** www.hdbfs.com, **Email:** compliance@hdbfs.com

NOTICE OF 12TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twelfth Annual General Meeting of HDB Financial Services Limited will be held at Ahmedabad Management Association (AMA), ATIRA Campus, Dr. Vikram Sarabhai Marg, Near Panjarapole Cross roads, Vastrapur, Ahmedabad - 380 015, on Friday, June 21, 2019 at 12 noon to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements (standalone and consolidated) of the Company for the year ended March 31, 2019, including the Audited Balance Sheet as at March 31, 2019, 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.

2. To declare final dividend on equity shares for the financial year ended on March 31, 2019.

3. To appoint a Director in place of Mr. Aditya Puri (DIN: 00062650), who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

4. **APPOINTMENT OF DR. AMLA SAMANTA AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

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

   "**RESOLVED THAT** pursuant to Sections 149, 152, 161(1) and other applicable provisions if any of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 and any other applicable rules made thereunder, read with Schedule IV to the Companies Act, 2013, the Article of Association of the Company and approval and recommendation of the Nomination & Remuneration Committee of Directors and the Board of Directors of the Company, Dr. Amla Samanta (DIN: 00758883), who was appointed as an Additional, Independent Director of the Company by the Board of Directors and who holds office up to the date of this Annual General Meeting in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing her candidature for the office of a director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (Five) consecutive years with effect from May 01, 2019 up to April 30, 2024 and she shall not be liable to retire by rotation."

5. **TO APPROVE INCREASE IN BORROWING LIMITS OF THE COMPANY FROM ₹ 60,000 CRORE TO ₹ 70,000 CRORE**

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

   "**RESOLVED THAT** in supersession of all the resolutions passed earlier in this regard, the consent of the Members of the Company be and is hereby accorded under the provisions of Section 180(1)(c) and all other applicable provisions, if any, of the Companies Act, 2013, read with the Rules made thereunder (including any amendment, modification, variation or re-enactment thereof), to the Board of Directors of the Company (hereinafter referred to as 'the Board' which term shall be deemed to include any Committee(s) constituted/to be constituted by the Board, from time to time to exercise its powers conferred by this resolution) to borrow from time to time, any sum or sums of monies inter alia by way of loan/financial assistance from various bank(s), financial institution(s) and/or other lenders, issue of Debentures/Bonds or other debt Instruments either in Rupee or any other currency with or without security, whether in India or abroad or issue of Commercial Papers, external commercial borrowings which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid up share capital of the Company, its free reserves and securities premium, provided that the total amount so borrowed by the Board shall remain outstanding at any given point of time shall not exceed ₹ 70,000 crore (Rupees Seventy Thousand crore Only), on such terms and conditions as the Board at its sole discretion may deem fit and for the said purpose, to do and perform all such acts, deeds, matters and things as may be necessary, desirable or expedient and also to negotiate, agree and execute the required documents in this regard with any banks, financial institutions, companies, firms or any other government or semi-government bodies, whether state or central, whether in India or abroad (hereinafter referred to as "the Lender") for borrowing funds on such terms as may be mutually agreed between the Company and the Lender;

RESOLVED FURTHER THAT the Board of Directors of the Company (including any Committee(s) constituted/ to be constituted by the Board, from time to time to exercise its powers conferred by this resolution thereof) be and is hereby authorised to do all such acts, deeds and things as may be required and to finalise the terms & conditions and execute all such agreements, documents, instruments applications etc., as may be required with power to settle all questions, difficulties or doubts that may arise in this regard as it may in its sole and absolute discretion deem fit and to delegate all or any of its powers herein conferred to any Committee and/or director(s) and/ or officer(s) of the Company, to give effect to this resolution."

6. TO APPROVE INCREASE IN LIMITS FOR CREATION OF CHARGE ON THE ASSETS OF THE COMPANY UPTO AN AMOUNT OF ₹ 70,000 CRORE TO SECURE ITS BORROWINGS

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

"**RESOLVED THAT** in supersession of all the resolutions passed earlier in this regard, the consent of the Members of the Company be and is hereby accorded under Section 180(1)(a) and 180(1)(c) and all other applicable provisions, if any, of the Companies Act, 2013, read with the Rules made thereunder (including any amendment, modification, variation or re-enactment thereof), to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee(s) constituted/ to be constituted by the Board, from time to time to exercise its powers conferred by this resolution) to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties and/or assets of the Company, both present and future, and in such manner as deemed fit, together with power to mortgage, hypothecate and create charge over the substantial assets of the Company (including the Company's interest as mortgagee, pledgee etc. in the various properties belonging to the borrowers of the Company) in certain events in favour of bank(s), financial institution(s) and/ or other lenders, other investing agencies and trustees for the holders of debentures/bonds/other debt instruments and also to issue covenants for negative pledges/negative liens in respect of the said assets and properties in such form and manner as the Board may deem fit and for the said purpose, to do and perform all such acts, deeds, matters and things as may be necessary, desirable or expedient and also to execute the required documents including power of attorney in favour of all or any of the persons, firms, bodies corporate, banks, financial institutions, trustees etc., to secure loans and/or the issue of debentures whether partly/fully convertible or non-convertible and/or securities linked to Equity Shares convertible/non-convertible bonds, with share warrants attached (hereinafter collectively referred to as "Loans") provided that the total amount of Loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premium on pre-payment or on redemption, costs, charges, expenses and all other monies payable by the Company in respect of the said Loans for which the charge is to be created, shall not, at any time exceed ₹ 70,000 crore (Rupees Seventy Thousand crore Only) or the aggregate of the paid up capital, free reserves and securities premium of the Company, whichever is higher;

RESOLVED FURTHER THAT the Board of Directors of the Company (including any Committee(s) constituted/ to be constituted by the Board, from time to time to exercise its powers conferred by this resolution thereof) be and are hereby authorised to negotiate, finalize and execute with the Lender(s)/Debenture Trustees/ Financial Institutions, such documents/agreements/undertakings/indemnities/guarantees as may be required for creating the aforesaid mortgages, hypothecations, assignments, charges in any other manner and to propose/accept any modifications to the terms and conditions thereto and to do all such acts, deeds and things as may be required, with power to settle all questions, difficulties or doubts that may arise in this regard, as it may in its sole and absolute discretion deem fit and to delegate all or any of its powers herein conferred to any Committee and/or director(s) and/or officer(s) of the Company, to give effect to this resolution."

7. TO APPROVE SELLING, ASSIGNMENT OF ITS RECEIVABLES/BOOK DEBTS UPTO ₹ 7,500 CRORE

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

"**RESOLVED THAT** the consent of the Members of the Company be and is hereby accorded, pursuant to the provisions of section 180(1)(a) and all other applicable provisions, if any, of the Companies Act, 2013, read with the Rules made thereunder (including any amendment, modification, variation or re-enactment thereof), to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee constituted/ to be constituted by the Board from time to time to exercise its powers conferred by this resolution) to sell/assign substantial assets including receivables/book debt of the Company in favour of banks/financial institutions, other investing agencies and trustees for the holders of debentures/bonds/Pass Through Certificates and other instruments and also to issue covenants for negative pledges/negative liens in respect of the said assets and properties in such form and manner as the Board may deem fit and for the said purpose, to do and perform all such acts, deeds, matters and things as may be necessary, desirable or expedient and also to execute the required documents including power of attorney in favour of all or any of the persons, firms, bodies corporate, banks, financial institutions, trustees etc., from time to time provided that the aggregate amount of such transactions shall not exceed ₹ 7,500 crore (Rupees Seven Thousand Five Hundred crore Only);

RESOLVED FURTHER THAT the Board of Directors of the Company (including any Committee(s) constituted/ to be constituted by the Board, from time to time to exercise its powers conferred by this resolution thereof) be and are hereby severally authorised to negotiate, finalize and execute with the Lender(s)/Debenture Trustees/Financial Institutions such documents/agreements/undertakings/indemnities/guarantees as may be required and to propose/accept any modifications to the terms and conditions thereto and to do all such acts, deeds and things as may be required, with power to settle all questions, difficulties or doubts that may arise in this regard, as it may in its sole and absolute discretion deem fit and to delegate all or any of its powers herein conferred to any Committee and/or director(s) and/or officer(s) of the Company, to give effect to this resolution."

8. AUTHORITY TO ISSUE REDEEMABLE NON-CONVERTIBLE DEBENTURES AND/OR OTHER HYBRID INSTRUMENTS ON PRIVATE PLACEMENT BASIS

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

"**RESOLVED THAT** pursuant to the provisions of Section 42 & 71 and all other applicable provisions, if any of the Companies Act, 2013, read with the Companies (Share Capital and Debentures) Rules, 2014, and Companies (Prospectus and Allotment of Securities) Rules, 2014, Master direction of Reserve Bank of India for Non-Banking Financial Company dated September 01, 2016 ("RBI Master Direction"), the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any amendment, modification, variation or re-enactment to any of the foregoing and other applicable laws, guidelines, direction, the consent of the Members be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee(s) constituted/to be constituted by the Board, from time to time, to exercise its powers conferred by this resolution), to offer and/or invite for issue of Redeemable Non-Convertible Debentures (NCDs), secured or unsecured, fixed rate or market/benchmark linked and/or any other hybrid Instruments (not in the nature of equity shares) including but not limited to Subordinated Bonds, Perpetual Debt Instruments which may or may not be classified as being additional Tier I or Tier II capital under the provisions of the RBI Master Direction, on private placement basis, in one or more tranches, with the consent being valid for a period of 1 (one) year from the date hereof, on such terms and conditions including the price, coupon, premium/ discount, tenor etc., as may be determined by the Board of Directors (or any other person so authorised by the Board of Directors), based on the prevailing market condition;

RESOLVED FURTHER THAT the aggregate amount to be raised through the issuance of NCDs and/or any other hybrid Instruments including but not limited to Subordinated Bonds, Perpetual Debt Instruments pursuant to the authority under this Resolution aggregating up to ₹ 23,042 crore (Rupees Twenty Three Thousand Forty Two crore Only) under one or more shelf disclosure document(s) and/or under one or more letter(s) of offer as may be issued by the Company and in one or more series;

RESOLVED FURTHER THAT the Board of Directors of the Company (including any Committee(s) constituted/ to be constituted by the Board, from time to time to exercise its powers conferred by this resolution thereof) , be and is hereby authorised to do all such acts, deeds, matters and things and to execute all such agreements, documents, instruments, applications etc. as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the aforesaid Resolution as it may in its sole discretion deem fit and to delegate all or any of its powers herein conferred to any of the Directors and/or Officers of the Company, to give effect to this Resolution."

9. AUTHORITY TO ISSUE FOREIGN CURRENCY/ RUPEE DENOMINATED BONDS

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

"**RESOLVED THAT** pursuant to the provisions of Section 71 and all other applicable provisions, if any, of the Companies Act, 2013 ('the Act'), including any amendment, modification, variation or re-enactment and other applicable guidelines, directions or laws, the consent of the Members be and is hereby accorded to the Board of Directors of the Company, to make private placement offers, invitations and issue of Secured Redeemable Foreign Currency/ Rupee Denominated Bonds in one or more tranches, with the consent being valid for a period of 1 (one) year from the date hereof, on such terms and conditions including the price, coupon, premium/discount, tenor, listing of Foreign Currency/ Rupee Denominated Bonds, obtaining credit ratings etc., as may be determined by the Board of Directors (or any other person so authorised by the Board of Directors), based on the prevailing market condition;

RESOLVED FURTHER THAT the aggregate amount to be raised through the issuance of Foreign Currency/ Rupee Denominated Bonds pursuant to the authority under this Resolution shall not exceed Rupee equivalent to USD 750 MN;

RESOLVED FURTHER THAT the Board of Directors (including any Committee(s) constituted/to be constituted by the Board, from time to time to exercise its powers conferred by this resolution thereof), be and is hereby authorised to do all such acts, deeds, matters and things and to execute all such agreements, documents, instruments, applications etc. as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the aforesaid Resolution as it may in its sole discretion deem fit and to delegate all or any of its powers herein conferred to any of the Directors and/or Officers of the Company, to give effect to this Resolution."

10. TO APPROVE SECURITISATION TRANSACTION WITH HDFC BANK LIMITED

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

"**RESOLVED THAT** pursuant to the provisions of Section 188 and all other applicable provisions, if any, of the Companies Act, 2013 ("the Act"), read with the Rule made thereunder (including any amendment, modification, variation or re-enactment thereof) and subject to such other rules, regulations and guidelines as may be applicable from time to time the consent of the Members be and is hereby accorded to enter into contract(s)/arrangement(s)/transaction(s) of securitisation with the HDFC bank Limited, a related party within the meaning of the aforesaid law, on such terms and conditions as may be determined by the Board of Directors (or any other person so authorised by the Board of Directors);

RESOLVED FURTHER THAT the Board of Directors of the Company (including any Committee constituted/ to be constituted by the Board, from time to time, to exercise its powers conferred by this resolution), be and is hereby authorised to do all such acts, deeds, matters and things and to execute all such agreements, documents, instruments, applications etc. as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the aforesaid Resolution as it may in its sole discretion deem fit and to delegate all or any of its powers herein conferred to any of the Directors and/or Officers of the Company, to give effect to this Resolution."

11. PROFIT RELATED COMMISSION TO INDEPENDENT DIRECTORS

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

"**RESOLVED THAT** in supersession of earlier resolution passed in this regard and pursuant to sections 149(9), 197, 198 & all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, guidelines issued by Reserve Bank of India (RBI), the consent of the Members of the Company be and is hereby accorded to pay profit related commission to Independent directors at the rate of ₹ 60,000/- per meeting of the Board and/or Committee attended with effect from April 01, 2018, up to maximum of ₹ 7,50,000/- per Independent Director in a Financial Year, not exceeding in aggregate 1% of the net profit of the Company of the relevant financial year, or any limits applicable under law/relevant RBI guidelines, from time to time, in addition to payment of sitting fees and reimbursement of out of pocket expenses for attending the Board and Committee meetings;

RESOLVED FURTHER THAT the Board of Directors of the Company, be and is hereby authorised severally to do all such acts, deeds, matters and things and to execute all such agreements, documents, instruments, applications etc. as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the aforesaid Resolution as it may in its sole discretion deem fit and to delegate all or any of its powers herein conferred to any of the Directors and/or Officers of the Company, to give effect to this Resolution."

By order of the Board
For HDB Financial Services Limited

Sd/-
Dipti Khandelwal
Company Secretary
Membership No.: A25592

Registered Office:

Radhika, 2nd Floor,
Law Garden Road, Navrangpura,
Ahmedabad - 380 009

Place : Mumbai
Date : April 18, 2019

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT ANNUAL GENERAL MEETING (AGM) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE VALID AND EFFECTIVE, SHOULD BE DULY COMPLETED, SIGNED AND LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE AGM.**

2. A person can act as a proxy on behalf of not more than fifty Members and holding in aggregate not more than 10% of the total share capital of the Company carrying voting rights. A Member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person.

3. If a person is appointed as proxy for more than fifty Members, he shall choose any fifty Members and confirm the same to the Company 24 hours before the commencement of the AGM. In case, the proxy fails to do so, the Company shall consider only the first fifty proxies received in respect of such person as valid.

4. A proxy shall not have a right to speak at the AGM and shall not be entitled to vote except on a poll.

5. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, in respect of business under Item no 4 to 11 to be transacted at the meeting, is annexed hereto and forms part of the Notice.

6. In respect of the Ordinary Business at Item No. 3 and Special Business at Item No. 4, a statement giving additional information on the Directors seeking re-appointment and appointment, respectively is annexed herewith to Notice as **Annexure**.

7. Corporate Members intending to send their authorised representatives to attend the Annual General Meeting are requested to send a duly certified copy of their Board Resolution pursuant to the Section 113 of the Companies Act, 2013 authorizing their representatives to attend and vote on their behalf at the said Meeting.
8. Members/Proxies/Representatives should fill the Attendance Slip, for attending the meeting and bring their attendance slips along with the copy of Annual Report and this notice at the meeting.
9. All the documents referred to in this Notice and other statutory registers are open for inspection by the Members at the registered office of the Company on all working days between 10.00 a.m. to 12.00 noon up to the date of the AGM.
10. In terms of the provisions of Section 107 of the Companies Act, 2013, since the resolutions as set out in this Notice are being conducted through e-voting, the said resolutions will not be decided on a show of hands at the AGM.
11. The Register of Beneficial Owners, Register of Members and Share Transfer Books of the Company shall remain closed from June 12, 2019 to June 21, 2019 (both days inclusive) for ascertaining the name of the Members eligible for payment of final dividend, if approved by the Members in the ensuing Annual General Meeting.
12. The final dividend, as recommended by the Board of Directors, if approved at the AGM, will be paid on or after Saturday, June 22, 2019 to the Members. In respect of the shares held in dematerialised mode, the dividend will be paid on the basis of beneficial ownership details to be received from National Securities Depository Limited ('NSDL') and Central Depository Services (India) Limited ('CDSL') for this purpose.
13. Members are requested to:
    a. intimate the Company's Registrar and Transfer Agents, M/s. Datamatics Business Solutions Limited, Plot No. B-5, Part B Cross Lane, MIDC, Andheri (East), Mumbai - 400 093, Tel No: +91 22-66712001 to 06, Fax No: +91 22- 66712209, E-mail: manisha_parkar@datamaticsbpm.com or tukaram_thore@datamaticsbpm.com., changes, if any, in their registered addresses/bank account details with supporting documents;
    b. intimate to the respective Depository Participants, changes, if any, in their address or bank account details (including 9 digit MICR no., 11 digit IFSC code no. and core banking account no.), in case of shares held in dematerialised form;
    c. quote their folio numbers/Client ID and DP ID in all correspondence;
14. In support of the "Green Initiative" announced by the Government of India, electronic copies of the Annual Report and this Notice inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form are being sent by e-mail to those Members whose e-mail addresses have been made available to the Company/Depository Participants unless the member has specifically requested for a hard copy of the same. The Members may send requests to the Company's e-mail ID: compliance@hdbfs.com. Physical copies of this Notice inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form, will be sent to the Members who have not registered their e-mail addresses in their Demat Account.
15. Pursuant to the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and Secretarial Standards on General Meetings issued by the Institute of Company Secretaries of India, the Company is providing remote e-voting facility to all its Members to enable them to cast their vote on the matters listed in the Notice by electronics means and business may be transacted through the e-Voting services. For this purpose, the Company has engaged services of CDSL for providing e-Voting services.
    - Remote e-voting facility will be available on the website www.evotingindia.com from 10.00 am on Monday, June 17, 2019 and ends at 05:00 p.m. on Thursday, June 20, 2019, after which the facility will be disabled by CDSL and remote e-voting shall not be allowed beyond the said date and time. The notice is also available on the website www.evotingindia.com. During this period shareholders' of the Company, holding shares in dematerialized form, as on the cut-off date of Friday, June 14, 2019 may cast their vote electronically.

- Instructions for e-voting are given at point no. 19
- The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on, June 14, 2019.

16. The facility for voting through polling paper shall also be made available at the venue of the meeting and Members attending the meeting who have not already cast their vote by remote e-voting shall be able to exercise their right at the meeting.

17. The Members, who have cast their vote prior to the meeting by remote e-voting may also attend the meeting but shall not be entitled to vote again at the meeting. Once a vote is cast by a member, he shall not be allowed to alter it subsequently.

18. Instructions for Voting through electronic means ('e-voting'):

(i) Log on to the e-voting website www.evotingindia.com during the voting period.

(ii) Click on "Shareholders/Members" tab.

(iii) Now Enter your User ID:

a. For CDSL: 16 digits beneficiary ID,

b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID

After entering the User ID, enter the characters displayed and click on Login.

(iv) If you are holding shares in Demat form and had logged on to www.evotingindia.com and cast your vote earlier for EVSN of any other company, then your existing password is to be used.

(v) If you are a first time user, follow the steps given below (which is common for both shareholders holding shares in demat form).

I. Fill up the following details in the appropriate boxes:

a. PAN and

b. Any one detail from the following values:

➢ Enter the Dividend Bank Account Details as recorded in your demat account or in the Company records for the said demat account/folio or;

➢ Enter the Date of Birth as recorded in your demat account or in the Company records for the said demat account or folio in dd/mm/yyyy format.

Note: Shareholders should note that either the Bank Account Details or DOB has to be entered to login.

II. After entering these details appropriately, click on "SUBMIT" tab.

(vi) Members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(vii) Click on the relevant EVSN - 190517006 of 'HDB FINANCIAL SERVICES LIMITED' on which you choose to vote.

(viii) On the voting page, you will see "Resolutions Link File" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired.

(ix) Click on the "Resolutions File Link" if you wish to view the entire Resolution.

(x) Repeat the voting process for all the resolutions on which you intend to vote.

(xi) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(xii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote. You can also take prints of the voting done by you by clicking on "Click here to print" option on the Voting page.

(xiii) If Demat account holder has forgotten the password then enter the User ID and characters display and click on Forgot Password & enter the details as prompted by the system.

(xiv) Note for Non - Individual Shareholders and Custodians:

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and click on "Registration" and register themselves as Corporate.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com. The physical copy may be mailed separately at the address mentioned on the form.
- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xv) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com or contact them at 1800 22 5533.

d. The Notice of the 12th AGM of the Company has already been sent to you along with the Annual Report for the year ended March 31, 2019 and the same can be downloaded from the link https://www.evotingindia.com/ or https://www.hdbfs.com/.

e. In case of any queries shareholder can contact: M/s. Datamatics Business Solutions Limited, Plot No. B-5, Part B Cross Lane, MIDC, Andheri (East), Mumbai - 400 093, Tel No: +91 22-66712001 to 06, Fax No: +91 22- 66712209, E-mail: manisha_parkar@datamaticsbpm.com or tukaram_thore@datamaticsbpm.com.

(xvi) General Instructions:

(i) Mr. Mitesh Shah (ACS No.: A30250) of M/s. Mitesh J. Shah & Associates, Practicing Company Secretary have been appointed as the Scrutinizers to scrutinize the e-voting process in a fair and transparent manner;

(ii) The Scrutinizers shall submit a consolidated report of the total votes cast in favour or against, if any, on each of the resolutions set out in this Notice, not later than 48 hours from the conclusion of the AGM to the Chairman. The result of the voting will be announced within 48 (Forty Eight) hours after the conclusion of the meeting at the Company's website at www.hdbfs.com;

EXPLANATORY STATEMENT IN RESPECT OF SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 4

The Nomination & Remuneration Committee at its meeting held on April 12, 2019 confirms that Dr. Amla Samanta satisfies the fit and proper criteria as prescribed under the RBI Master Direction. Nomination & Remuneration Committee approved and recommended her appointment to the Board of Director. The Board of Directors at its meeting held on April 15, 2019, appointed Dr. Amla Samanta (DIN: 00758883), as an Additional Independent (Non - Executive) Director of the Company, pursuant to the provisions of Sections 149, 152 and 161 of the Companies Act, 2013 (“Act”) with effect from May 01, 2019 for a term of 5 consecutive years and shall not be liable to retire by rotation.

Brief Profile of Dr. Amla Samanta:

Dr. Amla Samanta (DIN 00758883) is M.Sc., Ph.D., FDA Approval for testing of Drugs 1986 and C.C. Indian Bio-Informatics Organisation, 2003. She has over 39 years of extensive experience in medical profession. She has 23 years of rich experience in Banking and Finance. She was on the Board of Directors of HDFC Bank. She was also on the advisory Board of Bank of America.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013 from certain Members proposing the candidature of Dr. Amla Samanta as Independent Director of the Company under Section 149 of the Companies Act, 2013.

The Company has received declarations from Dr. Amla Samanta confirming that she has met the criteria of independence as prescribed under Section 149(6) of the Companies Act 2013. She has also confirmed that she satisfies the fit & proper criteria pursuant to RBI Master Direction and that she has not been disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 and has given her consent to act as a Director of the Company. Company has also received declaration of independence pursuant to Section 149(7) of the Companies Act, 2013.

In the opinion of the Board, Dr. Amla Samanta fulfils the conditions specified in the Act and the applicable RBI guidelines for his appointment as an Independent Director of the Company. A letter of appointment issued to Dr. Amla Samanta setting out the terms and conditions and other material documents are available for inspection.

Accordingly, the approval of the Members is being sought for the appointment of Dr. Amla Samanta as an Independent Director of the Company with effect from May 01, 2019 pursuant to the provisions of Sections 149, 152 and Schedule IV of the Companies Act 2013 and Companies (Appointment and Qualification of Directors) Rules, 2014 and any other applicable rules and shall not be subject to retirement by rotation.

The Board recommends the passing of the ordinary resolution as set out at Item No. 4 of this Notice for the approval of the Members.

Except Dr. Amla Samanta, being an appointee and her relatives, to the extent of their shareholding interest, if any, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the said resolution.

Item No. 5 and 6

In terms of the provisions of Section 180 (1)(c) and 180 (1)(a) of the Companies Act, 2013, the Members of the Company at the 11th Annual General Meeting held on June 22, 2018 had granted their approval by way of special resolution to the Board of Directors of the Company to borrow, from time to time, such sums of money from banks, financial institutions for an amount not exceeding ₹ 60,000 crore (Rupees Sixty Thousand crore Only) and to mortgage or create charge on all or any of the assets of the Company in favour of the concerned lenders for the purpose of securing the due repayment of the monies borrowed by the Company together with the interest and other monies thereon. As on March 31, 2019, the outstanding borrowings of the Company amounted to ₹ 43,706 crore.

As per the provisions of Section 180(1)(c) and 180(1)(a), respectively, of the Companies Act, 2013, the Board of Directors of a Company shall not,

- borrow money, where the money to be borrowed, together with the money already borrowed by the company will exceed aggregate of its paid-up share capital, free reserves and securities premium, apart from temporary loans obtained from the company’s bankers in the ordinary course of business, or
- sell, lease or otherwise dispose of the whole or substantially the whole of its undertaking of the company or where the company owns more than one undertaking, of the whole or substantially the whole of any of such undertakings,

without the consent of the Members of the company accorded at the General Meeting by means of a ‘special resolution’.

For the purpose of funding its lending business operations, the Company raises resources inter-alia by borrowing monies from time to time from various persons, firms, bodies corporate, banks, financial institutions, etc. and these borrowings are inter-alia secured by mortgage of immovable properties, hypothecation/pledge of movable properties, promissory notes and/or negative liens/pledges on the assets and properties of the Company coupled with power of attorney in favour of such lenders.

Considering the future business growth in the loan book of the Company and to meet the funding requirement of the business in the Company, it is proposed to increase the borrowing limits of the Company to ₹ 70,000 crore (Rupees Seventy Thousand crore Only) by passing the resolution proposed under item no. 5 as a special resolution. Further, in order to provide security to such loans by way of mortgage or creating charge on the assets of the Company up to ₹ 70,000 crore (Rupees Seventy Thousand crore Only), resolution under item no. 6 is proposed to be passed as a special resolution.

Accordingly, the approval of the Members is being sought by way of special resolution authorising the Board of Directors to borrow further sums of monies within an overall limit of ₹ 70,000 crore outstanding at any given point of time. The Board recommends passing of the special resolutions as set out under item nos. 5 and 6 of this Notice for approval of the Members.

Save and except for the shareholding interest, if any, held by them, none of the Directors or Key Managerial Personnel of the Company or their relatives, are in any way, concerned or interested, financially or otherwise, in the said resolution as set out in Item no 5 & 6.

Item No. 7

The Members of the Company at the 11th Annual General Meeting held on June 22, 2018 had granted their approval by way of special resolution to the Board of Directors of the Company to sell/assign substantial assets including receivables/book debt of the Company to the holders of debentures/bonds/Pass Through Certificates and other instruments for an aggregate amount not exceed ₹ 5,000 crore (Rupees Five Thousand crore Only.

Members of the Company are requested to note that Company may raise funds by way of sale/assignment/securitisation of its receivables to any Bank or Financial Institution as per the terms approved by the Board of Directors.

The sale/assignment/securitisation of the receivables may result into disposal of undertaking as defined in the explanation to Section 180(1)(a) of the Companies Act, 2013. As per the provisions of Section 180(1)(a) of the Companies Act, 2013, the Board of Directors of a company shall not sell, assign its receivables/book debts without the consent of the Members of the company accorded at the General Meeting by means of a ‘special resolution’.

In view of the aforesaid, the Board of Directors at its meeting held on April 15, 2019, has subject to the approval of Members, approved to sell, assign/securitize receivables as approved by the Members pursuant to Section 180(1)(a) of the Act.

In this regard, the approval of the Members is sought for sale/assignment/securitisation of its receivables/book debt up to ₹ 7500 crore on such terms and conditions as may be determined by the Board of Directors (or any other person authorised by the Board of Directors), depending on the prevailing market conditions.

Accordingly, the approval of the Members is being sought by way of special resolution authorising the Board of Directors to sell/assign substantial assets including receivables/book debt of the Company for the holders of debentures/bonds/Pass Through Certificates and other instruments for an aggregate amount not exceeding ₹ 7,500 crore (Rupees Seven Thousand Five Hundred crore Only). The Board recommends the resolution as set out at Item No. 7 of the accompanying Notice for the approval of the Members.

Save and except for the shareholding interest, if any, held by them, none of the Directors or Key Managerial Personnel of the Company or their relatives, are in any way, concerned or interested, financially or otherwise, in the said resolution.

Item No. 8

The Company has been raising funds by offer and/or invite for issuing redeemable Non-Convertible Debentures, secured or unsecured, fixed rate or market/benchmark linked and/or any other hybrid instruments (not in the nature of equity shares) including but not limited to Subordinated Bonds, Perpetual Debt Instruments which may or may not be classified as being additional Tier I or Tier II capital (hereinafter referred to as “Debt Securities”) on private placement basis, from time to time.

In terms of Section 71 which deals with the issue of debentures read with Section 42 of the Companies Act, 2013, which deals with the offer or invitation for subscription of Debt Securities of the company on private placement basis read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, a company can make private placement of its Debt Securities only after receipt of prior approval of its shareholders by way of a special resolution. The Companies (Prospectus and Allotment of Securities) Rules, 2014 further provides that the said special resolution must be passed in respect of all offers/invitations for the Debt Securities to be issued during a year and such a special resolution is required to be passed every year.

The shareholders, at an Annual General Meeting held on June 22, 2018 had accorded their approval to the Company for issuance of NCDs up to a limit of ₹ 14,383 crore which included existing limit of ₹ 4,383 crore and new limit of ₹ 10,000 crore for NCDs. The Board had in its meeting held on October 16, 2018 had approved issuance of 1000 crore MLD and 9000 crore NCD out of the approved new limit of ₹ 10,000 crore. As on March 31, 2019 the Company had raised NCDs of ₹ 9,302.1 crore and MLD of ₹ 638.9 crore out of the said limit of ₹ 14,383 crore. The limit of ₹ 4,080.9 crore is available for further issuance of NCD and ₹ 361.1 crore is available for further issuance of MLDs.

The shareholders in the last AGM held on June 22, 2018 had approved the issuance of Subordinated Bonds up to ₹ 1,500 crore. Out of the said limit, the Company had as on March 31, 2019 raised ₹ 600 crore and the limit of ₹ 900 crore is available for further issuance.

The shareholders in the last AGM held on June 22, 2018 had approved the issuance of Perpetual Debt Instruments (PDIs) up to ₹ 500 crore. Out of the said limit, the Company had as on March 31, 2019 raised ₹ 300 crore and the limit of ₹ 200 crore is available for further issuance.

Further, Board at its meeting held on April 15, 2019 had approved above outstanding limit of Debt Securities and had also obtained fresh approval for issue of NCDs, Market linked Debentures and Perpetual Debt Issuance of ₹ 15,000 crore, ₹ 2,000 crore and ₹ 500 crore respectively.

In terms of the requirements of Resource Planning Policy of the Company and Business planning for the FY 2019-20, it is expected that the Company will issue Debt Securities which shall exceed the aforesaid limit.

The NCDs proposed to be issued by the Company will be issued for cash either at par or premium or at a discount to face value depending upon the prevailing market conditions.

Pursuant to the notification dated August 07, 2018, by which Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 has been amended, it is now mandated that certain disclosures are required to be made in the explanatory statement annexed to the notice for shareholders' approval under Section 42 of the Companies Act, 2013.

The disclosures required pursuant to Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 are set out herein below:

a) Particulars of the offer including date of passing of board resolution: This special resolution is being passed in terms of the third proviso to Rule 14(1) of Companies (Prospectus and Allotment of Securities) Rules, 2014 for the issuance of Debt Securities, from time to time, for the period of 1 (one) year from the date hereof and accordingly this question is not applicable at present. The particulars of each offer shall be determined by the Board (including any committee duly authorised by the Board thereof), from time to time;

b) Kinds of securities offered and price at which security is being offered: This special resolution is restricted to the private placement issuance of Debt Securities, with the terms of each issuance being determined by the Board (including any committee duly authorised by the Board thereof), from time to time, for each issuance;

c) Basis or justification for the price (including premium, if any) at which offer or invitation is being made: Not applicable at this stage. This will be determined by the Board (including any committee duly authorised by the Board thereof), from time to time, for each issuance;

d) Name and address of valuer who performed valuation: Not applicable at this stage. This will be determined by the Board (including any committee duly authorised by the Board thereof), from time to time, for each issuance;

e) Amount which the company intends to raise by way of such securities: As may be determined by the Board of Directors from time to time but subject to the limits approved under Section 42 of the Companies Act, 2013 of up to ₹ 23,042 crore (Rupees Twenty Three Thousand Forty Two crore only);

f) Material terms of raising such securities, proposed time schedule, purposes or objects of offer, contribution being made by the promoters or directors either as part of the offer or separately in furtherance of objects; principle terms of assets charged as securities: This special resolution is being passed in terms of the third proviso to Rule 14(1) of Companies (Prospectus and Allotment of Securities) Rules, 2014 for the issuance of MLD and NCDs, from time to time, for the period of 1 (one) year from the date hereof and accordingly this question is not applicable at present. The particulars of each offer shall be determined by the Board (including any committee duly authorised by the Board thereof), from time to time.

In view of the aforesaid, the Board of Directors at its meeting held on April 15, 2019, has approved issuance of Debt securities in one or more tranches, on private placement basis and within the overall borrowing limit of ₹ 70,000 crore, subject to the approval of the Members.

Accordingly, the approval of the Members is being sought by way of special resolution as set out at Item No. 8 of this Notice authorising the Board to issue NCDs and/or any other hybrid instruments (not in the nature of equity shares) which may or may not be classified as being Tier II capital under the provisions of the RBI Master Directions, for an aggregate amount not exceeding ₹ 23,042 crore (Rupees Twenty Three Thousand Forty Two crore only) on private placement basis during a period of one year from the date of this AGM.

The Board, accordingly, recommends the passing of the special resolution as set out at Item No. 8 of this Notice, for the approval of the Members.

None of the Directors, Key Managerial Personnel or their relatives are in any way concerned or interested, financially or otherwise in the said resolution, except to the extent of NCDs that may be subscribed by companies/firms in which they are interested.

Item No. 9

The Company has been raising funds through various modes in order to fulfil working capital requirement of the Company. As per Reserve Bank of India (RBI) Circular on “External Commercial Borrowings (ECB) Policy - New ECB Framework” as amended from time to time and any other applicable Guidelines, Directions or laws, Company is allowed to issue rupee denominated bonds to overseas investors.

Pursuant to Section 42 of the Companies Act, 2013, read with the Rules made thereunder, the Company is required to obtain approval of its Members by way of a special resolution, before making any offer or invitation for issue of Foreign Currency/ Rupee Denominated Bonds on a private placement basis. The said approval shall be the basis for the Board to determine the terms and conditions of any issuance of Bonds by the Company for a period of 1 (One) year from the date on which the Members have provided the approval by way of the special resolution.

In view of the above Board of Directors at its meeting held on April 15, 2019, has approved issue of Foreign Currency/ Rupee Denominated Bonds in one or more tranches, on private placement basis, up to Rupee equivalent USD 750 MN and within the overall borrowing limit of ₹ 70,000 crore (Rupees Seventy Thousand crore Only), subject to the approval of the Members.

In this regard, the approval of the Members is sought for issue of Foreign Currency/ Rupee Denominated Bonds on a private placement basis, whether listed or not, rated or not in one or more tranches, for a period of 1 (one) year from the date of passing the Resolution, on such terms and conditions including the price, coupon, premium/ discount, tenor etc., as may be determined by the Board of Directors (or any other person authorised by the Board of Directors), at the prevailing market condition.

Accordingly, the Board recommends the resolution as set out at Item No. 9 of the accompanying Notice for the approval of the Members.

Save and except for the shares of the Company held by them, none of the Directors or Key Managerial Personnel of the Company or their relatives, are in any way, concerned or interested, financially or otherwise, in the said resolution.

Item No. 10

The Company has been raising funds through securitisation transactions with HDFC Bank Limited (‘Bank’) for the ongoing requirements of the Company. It may be noted that the Bank is the promoter/holding company of the Company, and currently holds 95.53% of the paid up equity share capital of the Company. Mr. Aditya Puri, Managing Director at the Bank is also on the Board of the Company as a Chairman.

In terms of the provisions of Section 188 of the Companies Act, 2013 ('Act'), Related Party Transactions' ('RPT') need to be approved by Board of Directors in case it is not in the ordinary course of business of the Company or not at arm's length basis. Further, approval of members is required for the RPTs exceeding the prescribed limit as mentioned in Section 188 of the Act. The Company proposes to enter into a securitisation transaction with the Bank, as per the regulatory framework laid down by Reserve Bank of India in the future. To ensure compliance, it is proposed by the Management to have the securitisation transactions to be entered into by the Company with the Bank be approved by the Board and the Shareholders of the Company at the ensuing Annual General Meeting of the Company.

The Board of Directors, at its meeting held on April 15, 2019, has approved securitisation transactions with the Bank, as per the regulatory framework laid down by Reserve Bank of India in the future, subject to the approval of the Members.

i. Name of the Related Party - HDFC Bank Limited

ii. Name of the director or key managerial personnel who is related - Mr. Aditya Puri, Mr. Bhavesh Zaveri and Mr. Jimmy Tata

iii. Nature of relationship - Promoter and holding company

iv. Nature, material terms, monetary value and particulars of the contract or arrangements - The securitisation transactions in one or more tranches within the overall securitisation limit of ₹ 7,500 crore (Rupees Seven Thousand Five Hundred crore Only)

v. Any other information relevant or important for the Members to take a decision on the proposed resolution - None.

In view of the above, the approval of the Members is sought for entering into securitisation transactions with the Bank. The Audit Committee of the Company has also granted approval for other types of transactions with the Bank under the omnibus route for the financial year 2019-20.

Accordingly, the Board recommends the resolution as set out at Item No. 10 of the accompanying Notice for the approval of the Members.

Except Mr. Aditya Puri, Mr. Bhavesh Zaveri and Mr. Jimmy Tata none of the Directors, Key Managerial Personnel and their relatives are interested in the passing of the above resolution.

All related parties shall abstain from voting on these resolutions.

Item No. 11

The Members of the Company had granted their approval by way of special resolution at the 10th Annual General Meeting held on June 23, 2017 to the Board of Directors for the payment of profit related commission to the Independent Directors at the rate of ₹ 60,000/- per meeting of the Board and/or Committee attended by them w.e.f. April 01, 2016 up to a maximum of ₹ 6,00,000/- per Independent Director in a financial year.

The role and responsibilities of the Independent Directors have enhanced over period of time with introduction of the provisions of the Companies Act, 2013 (the 'Act') and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in addition to various guidelines /circulars issued by the Reserve Bank of India (RBI). Keeping in view the enhanced role, responsibilities and duties of directors, it is considered appropriate that the profit related commission payable to the Independent Directors by the Company should commensurate with their increased role, responsibilities and duties.

For this purpose, the Board of Directors at its meeting held on October 16, 2018 increased the maximum amount of commission from ₹ 6,00,000/- to ₹ 7,50,000/- per Independent Director in an financial year w.e.f. April 01, 2018, subject to the aggregate being within the overall limit of 1% of the net profits as per Section 197 of the Companies Act, 2013.

In terms of Section 197 of Companies Act, 2013 and rules framed thereunder, except with the approval of the shareholders in general meeting, any remuneration payable to directors who are neither managing directors nor whole-time directors shall not in aggregate exceed one per cent of the net profits of the company, if there is a managing or whole time director or manager. Accordingly, the Board of your Company seeks your approval for payment of profit related commission to Independent directors with effect from April 01, 2018, in aggregate not exceeding one percent of the net profit of the company for the relevant year subject to a maximum of ₹ 7,50,000/- per annum per director or any limits applicable under law/relevant RBI guidelines, from time to time, in accordance with the applicable/relevant policy, if any, of the Board or the relevant Committee thereof, exclusive of sitting fees and reimbursement of out of pocket expenses for attending the Board and Committee meetings.

The payment of profit related commission to the Independent Directors will be at the rate of ₹ 60,000/- per meeting of the Board and/or Committee attended by them w.e.f. April 01, 2018 up to a maximum of ₹ 7,50,000/- per Independent Director in a financial year.

Accordingly, the Board recommends the resolution as set out at Item No. 11 of the accompanying Notice for the approval of the Members.

None of the Directors, Key Managerial Personnel or their relatives are in any way concerned or interested, financially or otherwise in the said resolution.

By order of the Board
For HDB Financial Services Limited

Sd/-
Dipti Khandelwal
Company Secretary
ACS No.: A25592

Registered Office:

Radhika, 2nd Floor,
Law Garden Road, Navrangpura,
Ahmedabad - 380 009

Place : Mumbai
Date : April 18, 2019

ANNEXURE

Details of Director seeking re-appointment at the forthcoming Annual General Meeting Information as required under Clause 1.2.5 of the Secretarial Standard on General Meetings (SS-2) is given hereunder:

Name of Director	Mr. Aditya Puri	Dr. Amla Samanta
DIN	00062650	00758883
Age	69 years	64 years
A brief resume, Qualification(s), Experience and Nature of his expertise in specific functional areas, Recognition or awards	A graduate in Commerce (B.Com) from Punjab University and Associate Member of ICAI. He has about 45 years of banking experience in India and abroad. He was the Chief Executive Officer of Citibank, Malaysia from 1992 to 1994. He was appointed as Managing Director of HDFC Bank Limited w.e.f. September 30, 1994 for an initial period of five years and subsequently the agreement with the Bank has been renewed.	Dr. Amla Samanta is M.Sc., Ph.D., FDA Approval for testing of Drugs 1986 and C.C. Indian Bio-Informatics Organisation, 2003. She has over 39 years of rich experience in medical profession. She has 23 years of rich experience in Banking and Finance. She was on the Board of Directors of HDFC Bank, she was also on the advisory Board of Bank of America.
Terms and conditions of appointment or re-appointment	Non-Executive Director and Chairman (Non Independent), liable to retire by rotation.	Independent Director and not liable to retire by rotation
Details of remuneration sought to be paid	NA	NA
Details of the remuneration last drawn by such person (F.Y. 2016-17)	NA	NA
Date of first appointment on the Board	May 01, 2016	May 01, 2019
Shareholding in the Company	Nil	Nil
Relationship with other Directors and Key Managerial Personnel	None	None
The number of Meetings of the Board attended during the Financial Year 2018-19.	4	NA
Other Directorships (excluding HDB Financial Services Limited)	HDFC Bank Limited	1. Samanta Organics Private Limited 2. Ashish Rang Udyog Private Limited 3. HDFC Securities Limited 4. Samanta Movies Private Limited 5. Shakti Cine Studio Pvt. Ltd.

Directors' Report

The Members,
HDB Financial Services Limited

Your Directors have pleasure in presenting Twelfth Annual Report on the business and operations of your Company together with the audited accounts for the Financial Year ended March 31, 2019.

The Ministry of Corporate Affairs, on March 30, 2016, notified the Companies (Indian Accounting Standards) (Amendment) Rules, 2016 for implementation of Indian Accounting Standards (Ind AS) by Non-Banking Financial Companies. In view of this, financials of the Company for accounting period beginning on or after April 01, 2018 was prepared on the basis of Ind AS.

Financial performance under Ind AS for FY 2018-19 with comparative numbers for FY 2017-2018 is presented below:

Financial Performance (₹ in crore)

Particulars	As per Ind AS	
	2018-19	**2017-18**
Total Income	8,724.81	7,027.12
Total Expenditure (excluding depreciation)	6,938.83	5,545.70
Profit/(Loss) before Depreciation & Tax	1,785.98	1,481.42
Less: Depreciation	61.92	45.31
Profit before Tax	1,724.06	1,436.11
Tax Expense	570.82	503.09
Profit after Tax	1,153.24	933.02
Other Comprehensive Income (net of tax)	(3.43)	(3.64)
Total Comprehensive Income after tax	1,149.81	929.38
Appropriations from Profit after Tax:		
Transfer to Reserve Fund under Section 45-IC of the RBI Act, 1934	230.65	186.60
Dividend Paid	54.81	117.28
Dividend Tax thereon	11.27	23.88
Balance carried forward to Balance Sheet	853.08	601.62

Your Company posted total income and net profit of ₹ 8,724.81 crore and ₹ 1,153.24 crore, respectively, for the financial year ended March 31, 2019, as against ₹ 7,027.12 crore and ₹ 933.02 crore, respectively, in the previous year. Company has transferred an amount of ₹ 230.65 crore to Reserve Fund under Section 45-IC of the RBI Act, 1934.

Dividend

Your Directors are pleased to recommend a dividend of Re. 1.80 (Rupee One and Eighty Paise only) per equity share of face value ₹ 10/- (Rupees Ten only), entailing a total payout of ₹ 170.5 crore, including dividend distribution tax. The proposal is subject to the approval of shareholders at the ensuing Annual General Meeting (AGM) to be held on June 21, 2019.

Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report

There were no material changes or commitment affecting financial position of the Company that occurred between the end of the financial year of the company to which the financial statements relate and the date of the report. The Company has prepared the financial statements under Ind AS for the financial year 2018-2019, comparative numbers for previous financial year 2017-2018 is also available. Reconciliation of the Ind AS and IGAAP amounts for FY 2017-18 are mentioned in the notes forming part of the financial statements at Note no. 30.

HDB FINANCIAL SERVICES

Capital Structure

During the year, your Company has issued 27,64,050 equity shares. The details of which are provided below:

No. of fully paid up equity shares	Date of allotment	Purpose
4,500	May 30, 2018	Shares were issued to employees under the Employees Stock Option Scheme
2,759,550	December 04, 2018	Shares were issued to employees under the Employees Stock Option Scheme

Post allotment of equity shares as aforesaid, the issued, subscribed and paid-up share capital of your Company stands increased to ₹ 785,70,03,060 (Rupees Seven Hundred Eighty Five crore Seventy Lakh Three Thousand and Sixty Only) comprising of 78,57,00,306 (Seventy Eight crore Fifty Seven Lakh Three Hundred and Six) equity shares of ₹ 10 each as on March 31, 2019.

Capital Adequacy

Capital adequacy as at March 31, 2019 under Ind AS stood at 17.91% which is well above the minimum regulatory norms for non-deposit accepting NBFCs.

Ratings

The CARE Ratings Limited (CARE) and CRISIL Limited (CRISIL) have reaffirmed highest ratings for the various facilities availed by the Company, details of which are given below:

Facility	CARE	CRISIL	Amount ₹ in crore
Bank facilities	CARE AAA;Stable	CRISIL AAA/Stable	20,000.00
Short term debt program	CARE A1+	CRISIL A1+	10,000.00
Non-convertible Debentures	CARE AAA;Stable	CRISIL AAA/Stable	30,420.00
Market Linked Debentures	CARE PP-MLD AAA;Stable	CRISIL PP-MLD AAAr/Stable	1,000.00
Subordinated Bonds	CARE AAA;Stable	CRISIL AAA/Stable	3,500.00
Perpetual Bonds	CARE AAA;Stable	CRISIL AAA/Stable	500.00

All of the above ratings indicate a high degree of safety with regard to timely payment of interest and principal.

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, Non-Convertible Debentures (NCDs), Market Linked Debentures (MLDs), Subordinated Bonds, Perpetual Debt Instruments and Commercial Paper. The details of funds raised during the year are as below:

#	Borrowings/ Security type	Amount raised ₹ in crore	Credit rating	
			CARE	CRISIL
1	Term Loans from Banks and Financial Institutions	11,545	CARE AAA;Stable	CRISIL AAA/Stable
2	Secured Redeemable Non-Convertible Debentures	9,302.1	CARE AAA;Stable	CRISIL AAA/Stable
3	Secured Redeemable Market Linked Debentures	638.9	CARE PP-MLD AAA;Stable	CRISIL PP-MLD AAAr/Stable
4	Unsecured Redeemable Subordinated Bonds	600	CARE AAA;Stable	CRISIL AAA/Stable
5	Unsecured Redeemable Perpetual Debt Instruments	300	CARE AAA;Stable	CRISIL AAA/Stable
6	Commercial Paper	5,395	CARE A1+	CRISIL A1+

No interest payment or principal repayment of the Term Loans was due and unpaid as on March 31, 2019. 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.

Secured Redeemable Non-Convertible Debentures, Secured Redeemable Market Linked Debentures, Unsecured Redeemable Subordinated Bonds, Unsecured Redeemable Perpetual Debt Instruments are issued by your Company on private placement basis and the rating for various facilities indicating the highest degree of safety with regard to timely servicing of financial obligations.

Perpetual Debt Securities are 4.26 % of Tier I capital of the Company. An amount of ₹ 300 crore is outstanding as on March 31, 2019.

NCDs and MLDs were issued with maturity period ranging from 18 months to 5 years. The interest payable on all the debt securities is either annual or on maturity and no interest was due and unpaid as on March 31, 2019. The Company has not received any grievances from the debt security holders. The assets of the Company which are available by way of security are sufficient to discharge the claims of the debt security holders as and when they become due.

The above mentioned Debt securities are listed on Wholesale Debt Market (WDM) segment of the BSE Ltd.

Corporate Social Responsibility (CSR)

The Company has initiated partnerships with implementing agencies for projects in the areas of Skills Training & Livelihood Enhancement, Healthcare and Education as part of its initiatives under CSR. These projects are in accordance with Schedule VII of the Companies Act, 2013 (the Act).

The Company's 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 is to integrate its activities in community development, social responsibility and environmental responsibility and encourage each business unit or function to include these considerations into its operations.

As per Section 135 of the Act, the Company was required to spend an amount of ₹ 22.46 crore equivalent to 2% of the 'average net profits' of the last three (3) financial years. During the F.Y. 2018 - 19, your Company has spent an amount of ₹ 22.65 crore on CSR activities as against prescribed CSR expenditure of ₹ 22.46 crore. The Annual Report on CSR activities is annexed herewith as "Annexure A".

Directors and Key Managerial Personnel (KMP)

In terms of Section 152 of the Act and the Articles of Association of the Company, Mr. Aditya Puri (DIN 00062650) Non-Executive Director and Chairman of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Mr. Aditya Puri has requisite qualification and experience and therefore, your Directors' recommend his re-appointment in the ensuing Annual General Meeting. Further, there was no change in the Directors and KMP during the financial year ending March 31, 2019.

The Board of Directors at its meeting held on April 15, 2019, in terms of Sections 149, 152 and 161 of the Act have appointed Dr. Amla Samanta, as Additional Independent Directors of the Company w.e.f May 01, 2019 till the conclusion of the ensuing Annual General Meeting. The Company has received notice in writing under the provisions of Section 160 of the Act from certain Members proposing the candidature of Dr. Amla Samanta as an Independent Director of the Company under Section 149 of the Act for a period of 5 (five) consecutive years. Necessary resolution seeking approval of the members for appointment of Dr. Amla Samanta as an Independent Director has been incorporated in the Notice of ensuing Annual General Meeting.

Declaration by Independent Directors

The Company has received necessary declaration from each Independent Director of the Company under Section 149 (7) of the Act, that the Independent Directors of the Company meet with the criteria of their Independence laid down in Section 149 (6) of the Act.

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 Act:

i. that in preparation of the annual financial statements for the year ended March 31, 2019, the applicable accounting standards have been followed along with proper explanation relating to material departures,

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, 2019 & 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 Act, 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. that the Company had laid down internal financial controls to be followed and that such internal financial controls are adequate and were operating effectively; 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 Act 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 Board approved '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 victimisation of employees and also provide direct access to the Chairman of the Audit Committee in exceptional circumstances. The whistle blower complaints were reviewed by the audit committee on a quarterly basis.

During the year under review, seven complaints were received by the Company. Six complaints have been investigated and addressed as per the policy and the one complaint is under investigation. None of the personnel of your Company were denied access to the Audit Committee.

Policy on Prevention of Sexual Harassment

Board approved 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 seventeen complaints of which fourteen complaints were investigated and addressed as per the policy and three complaints are under investigation. Complaints were reviewed by Board of Directors on quarterly basis.

Statutory Auditors

Pursuant to the provisions of Sections 139 and 141 of the Act and Rules made thereunder, the Shareholders in their 11th Annual General Meeting had re-appointed M/s. B S R & Co. LLP, Chartered Accountants as Statutory Auditors of the Company, to hold office up from the conclusion of the 11th Annual General Meeting till the conclusion of the 16th Annual General Meeting to be held in year 2023.

M/s. B S R & Co. LLP, Chartered Accountants, have confirmed that they are not disqualified within the meaning of Sections 139 and 141 of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014 to continue as the Statutory Auditors of the Company.

No frauds in terms of the provisions of section 143(12) of the Act have been reported by Statutory Auditors in their report for the year under review.

Secretarial Auditors

Pursuant to the provisions of Section 204 of the Act and Rules thereunder, the Board of Directors at its meeting held on April 16, 2018 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 2018 - 19. 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 Act, ertaining to individuals employed throughout the year and in receipt of remuneration of not less than ₹ 102,00,000/- per annum or ₹ 850,000/- 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'. The disclosures with respect to related party as specified in Regulation 53(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is forming part of the financial statements at Note no. 35.

v. Pursuant to the provisions of Section 134(3)(e), the Company's Nomination and Remuneration 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 available on the website of the Company https://www.hdbfs.com/policies.

Corporate Governance Report

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

Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and the company's operations in future

There are no significant and material orders passed by the regulators or courts or tribunals that would impact the going concern status of the Company and its future operations.

Particulars of Loans, Guarantees or Investments

Pursuant to section 186(11) of the Act, the provisions related to loans made, guarantees given and securities provided do not apply to the Company.

Energy conservation, technology absorption and foreign exchange earnings and outgo

The provisions of Section 134(3)(m) of the Act, 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 in the Company. The details of foreign exchange expenditure is as given below:

#	Nature of expenditure	FYC	Amount
1	Processing fee	USD 1,00,000	73,06,909
2	Legal charges	GBP 655	61,393

Fixed Deposits

Your Company is a non-deposit taking Company. 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 Non Deposit Taking Systemically Important Non-Banking Financial Company (NBFC-ND-SI). The Company has complied with and continues to comply with all the applicable regulations and directions of the RBI.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economic Outlook

The financial year 2018-19 saw an economic performance where India fortified its position as the fastest growing major economy in the world. With an estimated GDP of USD 2.6 Trillion, India outpaced China with growth reported at a healthy 7.3%. While India is ranked 5th in nominal GDP and 3rd in PPP terms, the GDP per capita at USD 2,134 continued to rank in the low 130s in nominal terms. In an election year, the Government seems determined to reduce the income disparity and showcase its dedication to improve the quality of life for the less economically privileged. Stabilisation of oil prices and Dollar rates helped, the fall in tax collections after an earlier upsurge has led to the economists worrying about fiscal slippage if all the recently announced budget schemes are fully implemented.

The financial year ended on a high for the markets with the Sensex hovering around 39,000 due to expectation of a stable government and rate cuts by the RBI, amongst other reasons. India's annual retail inflation rate dropped to an 18-month low of 2.19% in December, strengthening economists' expectations of a falling interest rate regime in the coming months. This is also echoed by several other factors including a fall in prices of many food items, a looming manufacturing slowdown and a dovish Fed in US. Credit-Deposit ratio for banks continue to be upwards of 78% indicating that recent policy rate cuts are unlikely to result in lowering of lending rates in the near term.

The IBC took wings this year, with proceedings seeing large scale action against large loan defaulters. IBC was largely seen as a positive towards resolving the long standing NPA dues.

Post presentation of interim budget on February 1, 2019, the markets and economists alike were hopeful of announcement of impactful economic policies and schemes. Aimed at reviving the country's largest sector in terms of people employed, the Government. increased the allocation for agriculture by a significant 73% over the previous fiscal. Further, the newly announced interest subvention schemes will improve credit uptake and reduce loan related stress in farmers. Overall, these announcements are expected to boost rural consumption and demand alike. For the MSME sector, provisions relating to interest rebate will encourage a higher GST registration improving compliance and an expansion in the tax base by formalising the economy. In the Affordable Housing sector, the Government. extended benefits under Section 80-IBA by a year. This is likely to give a boost to the labour intensive construction sector. On the revenue side, the Govt. assumed a growth of around 20% in the CGST collections; the target seems ambitious and would require a substantial expansion in the tax base along with stringent control over revenue leakages.

Emphasis on social infrastructure was the primary focus of this budget, aimed at inclusive and equitable growth by increasing disposable incomes for taxpayers, Direct Benefit Transfer to farmers and social security to a large number of marginal wage earners were amongst the impactful policy changes across major sectors of the economy which could further lead to an improvement in the ease-of-doing-business rankings and environment.

The Indian economy is projected to grow at a healthy 7.3% in fiscal year 2020, as per IMF. While that is good by any standards, the wide belief is that 8-10% of growth rate is needed for several years if India is to become an inclusive economy. A lot depends on critical factors like the global oil prices, a good monsoon, core inflation and a low interest rate regime, NPA resolutions, IBC and most importantly, the result of Lok Sabha elections and the new government's actions on economic reforms. Growth ought to be supported through continued realisation of efficiency gains from the recent implementation of Goods and Services Tax. The growth is expected to come on the back of pre-election fiscal stimulus in the first half of 2019, infrastructural stimulus and a generally dovish monetary policy by RBI. Private consumption growth is likely to find support from softer interest rates and improvement in farm realisations. Sustaining the momentum in overall investments will be a tough task without support from private investments. A stable political outcome will facilitate this. On the external side a lot would depend on how the global trade war between US and China plays out.

Industry Structure and Developments

A large NBFC defaulted on five successive loan repayments amid large scale resignations of the leadership and put its headquarters on the block. In an unrelated development, one fund house offloaded around ₹ 300 crore worth of NCDs of a housing finance company at a discount, sparking off fears not seen since the Global Financial Crisis of 2008. Market grapevine suggested a systemic liquidity problem in the NBFC space, while many analysts dug deeper to claim asset-liability mismatch amongst most players. It led to a free fall in NBFC stocks and resulted in an avalanche effect that enveloped the entire NBFC sector. A kind of contagion spread to other financial stocks, and the benchmark indices crashed, creating bearishness all around. Consequently, liquidity dried up significantly. NBFC crisis took its toll on some very large sectors like real estate and the economy at large. The Government worked tirelessly to resolve the issues. The crisis has since eased up and some liquidity has returned to the markets.

NBFC sector is more fragile than what it was one year ago. NBFCs would have to put up with higher funding costs. In the October-December quarter, better-run NBFCs got easier access to money compared to smaller or weaker NBFCs with poor track record and underwriting capabilities. In the past, robust growth of over 20% gave NBFCs access to debt capital regardless of asset quality. NBFCs are looking for newer avenues to diversify their lending portfolios. Companies will further have to expand the asset base to add newer products and reduce concentration in large clients. The government's increased focus on the rural economy in the budget for 2018-19 could be a boost for NBFCs with a significant portion of their assets in rural areas.

(Data Source: RBI and Industry reports)

Opportunities

The market share of NBFCs would continue to expand. The expansion would be supported by NBFCs' ability to customise products, price the risk and manage ultimate credit costs, especially related to small-ticket loans, viz., microfinance, light commercial vehicle (CV), used CV, small-ticket housing loans and loan against property. However, competition is likely to intensify in certain segments such as large-ticket housing, new heavy CV and large-ticket loan against property. Thus, risk-adjusted pricing may come under pressure. As the transition to the formalisation gains momentum, many NBFC borrowers may turn poachable and creditworthy for banks.

NBFCs that maintain a matched asset-liability profile will be able to manage in the current scenario of tightening liquidity and rising interest rates.

No significant rise in delinquencies in the NBFC sector is expected and, hence, credit costs to remain stable. NBFCs' asset quality has been largely resilient to the twin disruption of demonetisation and goods and services tax implementation.

(Data Source: RBI and Industry Reports)

Threats

Growth of the Company's asset book, quality of assets and ability to raise funds depend significantly on the economy. Un-favourable 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 ₹ 31,654 crore, as against ₹ 25,341 crore in the previous year.

The Assets under Management (AUM) of the Company as at March 31, 2019 increased to ₹ 55,425.16 crore from ₹ 44,268.31 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.

PRODUCTS

The current product portfolio consists of Loans, Fee based products and BPO services.

Loans

The Company offers a wide range of loan products (secured and unsecured) to various customer segments. These include Consumer Loans, Enterprise Loans and Asset Finance.

Consumer Loans:

The Company provides loans for purchase of white goods (such as washing machines and refrigerators etc.), brown goods (such as televisions, audio equipments and similar household appliances etc.), digital products (such as mobile phones, computer/laptop etc.) and life style products.

The Company also provides loans to individuals for personal, family or household purposes to meet their short or medium term requirements.

Consumer Loans Portfolio includes:

- Consumer Durable Loan
- Digital Products Loan
- Gold Loan
- Auto Loan
- Personal loans
- Loan against Mutual Fund units

Enterprise Loans:

Small & Micro Enterprises need funding, whether it is for the working capital of a big order or for setting up new machinery for faster production etc. The Company offers secured and unsecured Loans to cater to the needs of these Enterprises.

Various loans offered to Enterprises include:

- Unsecured Business loan
- Loan against Property
- Loan against Lease Rental
- Enterprise Business Loan
- Auto Refinance
- Loan against securities

Asset Finance:

The Company offers loans for purchase of new & used vehicles and equipment's that generate income for the borrowers. The Company provides finance to a broad spectrum of customers including fleet owners, first time users, first time buyers and captive use buyers.

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

Fee based products/Insurance Services:

- The Company is a registered Corporate Insurance Agent having license from Insurance Regulatory & Development Authority of India (IRDAI). IRDAI has renewed Corporate Agency license of the Company for a period of 3 years from April 01, 2019 to March 31, 2022. The Company sells Life and General insurance products of HDFC Standard Life Insurance Company Limited and HDFC Ergo General Insurance Company Limited respectively. The Company has obtained certificate to act as Telemarketer for Corporate Agent.
- The Company has obtained AMFI Registration No. from Associations of Mutual Funds in India.
- The Company distributes third party products.

Services:

- Collection Services - The Company has a contract with HDFC Bank to run collection call centres and collect over dues from borrowers. The Company has set up 15 call centres across the country with a capacity of over 5,000 seats. These centers provide collection services for the entire gamut of retail lending products of HDFC Bank. The Company offers end to end collection services in over 750 locations through its calling and field support teams.
- Back office and Sales Support - 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. 34.

INFRASTRUCTURE

The Company has 1,350 branches in 961 cities in India as on March 31, 2019. The Company has its data centre at Bengaluru and Mumbai with centralised operations based at Hyderabad and Chennai. To strengthen its internal processes, the Company has implemented a quality management system in its centralised operations at Hyderabad and Chennai. The operations of the Company are ISO 9001:2008 certified by BSI.

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 2019-20.

RISK MANAGEMENT

The Company is exposed to risk by the very nature of its business. These risks not only have a bearing on the Company's financial strength and operations but also its reputation. Keeping this in mind, your Company has put in place a Board approved risk strategy and policy whose implementation is supervised by the Board's Risk Committee. The committee periodically reviews risk levels and direction, portfolio composition, status of impaired credits amongst other aspects. The hallmark of the Company's risk management process function is its independence, with credit decisions being made by a credit underwriting vertical. The Company has well defined 'Key Risk Indicators (KRI)' for each key risk and these are measured on a periodic basis to assess the effectiveness of the Company's risk mitigation strategy and allied processes. The key risks which are dimensioned and managed include:

- Credit Risk including Credit Concentration Risk
- Interest Rate Risk
- Business Risk
- Liquidity Risk
- Operational Risk
- Compliance Risk
- Reputation Risk
- Technology Risk

Credit Risk

This is the risk of loss arising from a default and is, therefore, also known as default risk. Your Company has distinct policies and processes for managing credit risk. Retail lending, given the granularity of individual exposures, is managed largely on a portfolio basis across various products to ensure credit quality and minimize loss from default. The factors considered while sanctioning retail loans include income, demographics, previous credit history of the borrower and the tenor of the loan. Credit risk is also managed by capping exposures on the basis of borrower group/industry/credit rating grades. This is backed by portfolio diversification, stringent credit approval processes and periodic post-disbursement monitoring/remedial measures. Your Company has been able to ensure strong asset quality even under a challenging business environment by stringently adhering to the aforementioned norms and institutionalizing processes.

Interest Rate Risk

Interest rate risk is the risk of changes in market interest rates and its impact on the Net Interest Income (NII). The balance sheet of the Company primarily consists of rupee assets (loan receivables) and liabilities, hence the movements in domestic interest rates constitute the main source of interest rate risk.

Exposure to fluctuations in interest rates is measured primarily by way of gap analysis, providing a static view of the maturity and re-pricing characteristics of balance sheet positions. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated re-pricing date. The difference in the amount of assets and liabilities maturing or being re-priced in any time period category, would then give an indication of the extent of exposure to the risk of potential changes in the margins on new or re-priced assets and liabilities. Interest rate risk is further monitored through interest rate risk limits approved by the Asset Liability Committee.

Business/ Strategic Risk

Business/ Strategic risk is the current or prospective impact on the company's earnings, capital, reputation or standing arising from faulty business decisions, improper execution of decisions, or lack of responsiveness to industry, regulatory, economic or technological developments when rolling out strategies.

The Company's management of this risk is guided by certain core principles,

1. Diversification - The Company constantly maintains a diversification in its business through various products, customer segments and geographies.
2. Balanced Growth - The Company strives to grow and gain market share, while maintaining asset quality and margins.
3. Prudent Provisioning - The Company seeks to provide for bad assets aggressively in order to maintain a healthy balance sheet.

Liquidity Risk

Liquidity Risk is the risk that a company may not be able to meet its short term financial obligations due to an asset–liability mismatch or interest rate fluctuations. Your Company's framework for liquidity and interest rate risk management is spelt out in its Asset Liability Management policy that is implemented, monitored and periodically reviewed by the Asset Liability Committee (ALCO). As a part of this process, the Company has established various Board approved limits to mitigate both liquidity and interest risks. This is reinforced by a comprehensive stress testing programme covering both liquidity and interest rate risk.

The Liquidity Coverage Ratio (LCR) is a global minimum standard used to measure a company's liquidity position. LCR seeks to ensure that the Company has an adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs under a 30-day calendar liquidity stress scenario.

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. Operational Risk includes legal risk but excludes strategic and reputational risks.

Operational Risk is inherent in a company's day-to-day business activities. To contain this risk the company has implemented sound internal controls practices across all functions, processes and units. The Company has also instituted a comprehensive Operational Risk Management Framework defined as part of the Operational Risk Management Policy to identify, assess and monitor risks, strengthen controls, improve customer service and minimize Operational Risk losses. As guided by the approved Operational risk management policy the centralised operational risk management function manages this risk. The Operational Risk Management Committee (ORMC), consisting of Senior Management of the Company has been constituted for implementation and monitoring of the Operational Risk Framework. The Committee is also responsible for reviewing of Operational Risk profile of the units, understand future changes and threats, and concur on areas of highest priority and related mitigation strategies.

The Business Units and support functions, are accountable for the operational risks and controls in their respective areas, which they manage under the policies, standards, processes, procedures as per the operational risk management framework of the company. Significant incidents reported are investigated to assess weaknesses in controls and identify areas for improvement to prevent their reoccurrence. The Company has a whistle blower policy, which is open to employees for raising their concerns, with full confidentiality, on any fraud, malpractice or any other untoward activity or event. A well-documented Board approved Information Security policy has been put in place to address the Information Security risks.

Compliance Risk

Compliance Risk is defined as the risk of declension of your Company's reputation, leading to damage to its stature, legal or regulatory directives, or financial loss, on account of failure of compliance with applicable laws, rules and regulations. The Company has a Compliance Policy to ensure highest standard of Compliance.

The Compliance Officer provides for ensuring active compliance risk management and monitoring and provides advisory services on regulatory matters. The objective is to identify and reducing risk by ongoing testing on key regulatory areas and putting in place robust policies and processes. The products and processes are reviewed prior to the roll out to confirm adherence to regulatory norms are tested on an on-going basis for shortcomings.

The Company's policies are reviewed periodically and updated and seeks regular feedback on regulatory compliance from Branches, Risk, Finance and HR & Operation teams through self-certifications.

Reputation Risk

Reputation risk is the impairment of long term shareholder value resulting from a loss of confidence in the integrity of the Company caused by adverse publicity regarding the Company's business practice and associations, whether accurate or not, whether due to actual or perceived failure in risk management, corporate governance, environmental, social and ethical performance, customer relationship, compliance and financial performance.

Three key areas from which this can originate are poor customer service, adverse media coverage and compliance related issues. The company manages these through, good corporate governance practices, a strict code of conduct policy for its employees and an effective customer grievance redressal mechanism.

Technology Risk

The Company operates in an automated environment and makes use of technologies to support its operations. This throws up risks such as business disruption, risks related to information assets, data security, integrity, reliability and availability amongst others.

The Company has put in a governance framework, information security practices and business continuity plan to mitigate information technology related risks. An independent information technology audit provides assurance on the management of information technology related risks. The Company has a Business Continuity and Disaster Recovery plan that is periodically tested to ensure that it can meet any operational contingencies. There is an independent Information Security team that addresses information security related risks. A documented Board approved information security policy is put in place. In addition, employees periodically undergo information security training and sensitization exercises.

FRAUD MONITORING AND CONTROL

The Company has put in place a whistle blower policy, and a central vigilance team oversees implementation of fraud prevention measures. Frauds are investigated to identify the root cause and relevant corrective steps are taken to prevent recurrence. Fraud prevention committees at the senior management and board level also deliberate on material fraud events and initiate preventive action. Periodic reports are submitted to the Board and senior management committees.

SERVICE QUALITY INITIATIVE

In a highly competitive environment, the company believes that service is one of the key differentiators for business growth and takes various measures in improving the Customer Experience and Customer Satisfaction.

Having implemented the Omni-channel experience (customer connect via the web, email, phone, mobile or HDB Branch network) in the last financial year, this year the company invested further in technology to build and deploy an integrated CRM to track and manage all customer request & complaints. The Galaxy system (CRM for Customer Service) is a centralised system that is now being used to record, review and report customer requests/ complaints on a real-time basis. With the implementation of this CRM, we have also been able to integrate other systems within the organization to provide faster responses and in some cases a real-time response to customers with the sole objective of improving turnaround time.

In addition to providing a mobile application "HDB on the go", this year HDBFS also spent efforts in enhancing the Web-application to help customer to use this channel. Customers can review their statement of account, send an online request, check loan balance(s), review loan details etc. This feature is helping the customer in self-service. Initiatives for improving customer experience is an ongoing activity and such initiatives are already in place for continual changes to the CRM portal and customer experience.

The Customer Communication Policy was revised in this financial year. The policy objective was to get the right focus on customer issues. This was done basis the type of complaint, focusing on process improvements, address control issues and enhance the governance on Complaints. Monthly customer experience survey is being carried out on a recurring basis to track customer concerns and resolve issues in addition to all other initiatives.

Customer Service Committee chaired by our Managing Director reviews the progress on a monthly basis. The objective is to review the overall monthly performance of the customer services unit, complaints, and track improvements implemented. The focus has been to improve the overall Customer Experience & Customer Satisfaction on a constant basis.

All these initiatives continue to provide a strong focus on continuous improvement and culture of ensuring and meeting customer expectations all the time.

IMPLEMENTATION OF INDIAN ACCOUNTING STANDARD (IND AS)

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, had issued a roadmap for implementation of Indian Accounting Standards (Ind AS) for scheduled commercial banks, insurers/insurance companies and non-banking financial companies. This roadmap required these institutions to prepare Ind AS based financial statements for the accounting periods beginning from April 1, 2018 onwards with comparatives for the periods beginning April 1, 2017 and thereafter. On March 30, 2016, the Companies (Indian Accounting Standards) (Amendment) Rules, 2016 for implementation of Indian Accounting Standards by Non-Banking Financial Companies were notified.

For implementation purposes the Company formed a working group, including external consultants, the objective of the working group was to undertake a review of the diagnostic analysis of the differences between the current accounting framework and Ind AS, review the accounting policy options provided under Ind AS 101-First Time Adoption, determine the methodologies for each accounting treatment, finalise process and system changes, review and update policies and incorporate in business planning any specific action points over the transition period.

In addition, the Audit Committee of the Board of Directors oversaw the progress of the Ind AS implementation process. The Company undertook a diagnostic analysis of the differences between the current accounting framework and Ind AS, including the disclosure requirements. Your Company reviewed the accounting policy options provided under Ind AS including the preparation of draft accounting policies under Ind AS. The Company has also undertaken training programs for its personnel in business and support functions. The implementation of Ind AS has resulted in significant changes to the way the Company prepares and presents its financial statements. The areas that have significant accounting impact on the application of Ind AS are summarized below:

1) Financial assets (which include advances and investments) shall be classified under amortized cost, fair value through other comprehensive income (a component of Reserves and Surplus) or fair value through profit/loss categories on the basis of the nature of the cash flows and the intention of holding the financial assets.

2) Interest will be recognized in the income statement using the effective interest method, whereby the coupon, fees net of transaction costs and all other premiums or discounts will be amortized over the life of the financial asset/ instrument.

3) Stock options will be required to be fair valued on the date of grant and be recognised as staff expense in the income statement over the vesting period of the stock options.

4) The impairment requirements of Ind AS 109, Financial Instruments, are based on an Expected Credit Loss (ECL) model that replaces the incurred loss model under the earlier framework. The Company is generally required to recognize either a 12-Month or Lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

Ind AS 109 changes the Company's earlier methodology for calculating the provision for standard assets and non-performing assets (NPAs). The Company is required to apply a three-stage approach to measure ECL on financial instruments accounted for at amortised cost or fair value through other comprehensive income.

Financial assets will migrate through the following three stages based on the changes in credit quality since initial recognition:

Stage 1: 12 Months ECL

For exposures which have not been assessed as credit-impaired or where there has not been a significant increase in credit risk since initial recognition, the portion of the ECL associated with the probability of default events occurring within the next twelve months will need to be recognised.

Stage 2: Lifetime ECL - Not Credit Impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL will need to be recognised.

Stage 3: Lifetime ECL - Credit Impaired

Financial assets will be assessed as credit impaired when one or more events having a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will need to be recognised. Interest revenue will be recognised at the original effective interest rate applied on the gross carrying amount for assets falling under stages 1 and 2 and on written down amount for the assets falling under stage 3.

5) Accounting impact on the application of Ind AS at the transition date is recognised in Equity (Reserves and Surplus).

Consolidated Financial Statements

The consolidated financial statements comprise the financial statements of the Company and its controlled structured entities (collectively known as 'the Group'). The Group consolidates an entity when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

INFORMATION TECHNOLOGY

HDBFS has redefined the traditional ways of doing business by upgrading its systems, processes and IT framework. This has enabled the company to achieve Digital Transformation in business and operations processes. Digital transformation tools such as Robotic process automation, business process management, API integration have been implemented across different functional areas like Sales, Operations as well as Customer Interactions.

During the past year, investments in tools has enabled HDBFS to improve process efficiency and scale up customer acquisition. In the area of Sales Finance, HDB is able to approve the loan in under '10 seconds' and onboard customers much faster. The core Loan origination and management systems have been upgraded to handle more than double the concurrency.

Your Company has been using MPLS network of various service providers for its branch network. This year we have introduced Virtual private network technology to connect our branches. This helped to provide maximum uptime of the application across all branches and reduce dependency on service providers.

Your Company runs its production Data Center from Bangalore and Disaster Recovery Data Center from Mumbai. DR drills for critical applications are run periodically to check infrastructure readiness.

Your Company has also set up effective governance practice as required by regulatory guidelines published in IT framework for NBFCs.

IT SECURITY

During the year HDBFS has set up an effective governance model and set up security organization to adhere to industry standard security practices, which include performing Vulnerability Assessment and Penetration tests to assess vulnerabilities in the application & IT Infrastructure. IT security procedures include proactively scanning of the internet facing sites or URLs for vulnerabilities. Training/educating human resources on various aspects of IT security have also been undertaken.

During the year significant investment has been done in the area of security by implementing DDOS (Distributed Denial of Services), WAF (Web Application Firewall) technologies. Audits have been conducted to assess the robustness of IT application, Infrastructure and the processes.

INTERNAL CONTROL SYSTEMS AND AUDIT

The Company has put in place extensive internal controls and processes to mitigate operational risks, including centralised operations and 'segregation of duty' between different functions like sales, risk, operations and collections.

The sales function usually acts as customer touch-points and sales and service outlets. The entire processing, accounting is carried out by the back-office in the centralised operations office.

The control functions set standards and lay down policies and procedures by which the business functions manage risks including compliance with applicable laws, compliance with regulatory guidelines, adherence to operational controls and relevant standards of conduct.

At the ground-level, the Company has a mix of preventive and detective controls implemented through systems and processes ensuring a robust framework to enable correct and complete accounting, identification of outliers (if any) by the Management on a timely basis for corrective action and mitigate operational risks.

Your Company has an Internal Audit department which is responsible for independently evaluating the adequacy and effectiveness of all internal controls, risk management, governance systems and processes and is manned by appropriately qualified personnel.

This department adopts a risk based audit approach and carries out audits across various businesses, functions. Information Security Audit is conducted independently to evaluate the adequacy and effectiveness of internal controls on an ongoing basis and pro-actively recommending enhancements thereof.

The Internal Audit department also independently reviews the adequacy of the company's internal financial controls and operating effectiveness of such controls in accordance with the Act.

To ensure independence, the Internal Audit function has a reporting line to the Chairman of the Audit Committee of the Board and a dotted line reporting to the Managing Director.

The Compliance function independently tracks, reviews and ensures compliance to regulatory guidelines and promotes a compliance culture in the Company.

The Audit Committee of the Board reviews the effectiveness of controls, compliance to regulatory guidelines as also the performance of the Audit and Compliance functions in the Company and provides direction wherever deemed fit.

Your Company has always endeavoured and adhere to the highest standards of compliance and has put in place appropriate controls and risk measurement and risk management tools in order to ensure a robust compliance and governance structure.

COMPLIANCE

The Audit Committee reviews the performance of the 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 Board approved compliance policy to effectively monitor and supervise the compliance function in accordance with the statutory requirements. The Company has complied with applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

HUMAN RESOURCES

Your Company believes in nurturing talented professionals and give them ample opportunity to grow. Our focus is on meticulous execution of tasks. We drive the hunger to learn, among our people, encouraging them to constantly enhance their skill sets. We strongly believe that people focus will ultimately deliver business success. Thus a positive and productive work environment along with an interesting mix of assignments drives individuals to join us. We also make continuous investments in the development of our employees by providing training at all levels. We appreciate the extraordinary efforts of our people and support their rapid advancement through a robust, merit-based rewards and recognition programme. Simplicity, Self-Drive and passion for excellence are some of the core values reflected in our brand, through our people. As on March 31, 2019, your Company had 93,373 employees as compared to 74,049 as on March 31, 2018.

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

The Directors 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.

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.

On behalf of the Board of Directors

Sd/-

Aditya Puri
Chairman

Place : Mumbai
Date : April 18, 2019

Annexure A

Disclosure on Corporate Social Responsibility (CSR) Policy and Activities

1. **A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs**

   Given in the CSR policy which is uploaded on the Company's website.

   Web link: https://www.hdbfs.com/policies

2. **The Composition of the CSR Committee**

   i. Ms. Smita Affinwalla, Chairperson

   ii. Mr. Bhavesh Zaveri, Member

   iii. Mr. G. Ramesh, Member

3. **Average net profit of the company for the last three financial years of the Company: ₹ 1,121 crore**

4. **Prescribed CSR Expenditure (two percent (2%) of the amount as in item 3 (above): ₹ 22.42 crore**

5. **Details of CSR spend for the financial year:**

   i. Total amount spend for the financial year: ₹ 22.65 crore

   ii. Amount unspent, if any: Nil

   iii. Manner in which the amounts spend during the financial year is detailed below:

(₹ in crore)

S. No	CSR Project/ Activity	Sector (Schedule VII)	Location	Amount Outlay (Budget) Project wise	Amount spent on the Project*	Cumulative Expenditure upto Reporting Period	Direct or through Implementing Agency*
1	Maternal & Child Health and Nutrition	Healthcare	Ahmedabad (GJ), Barmer (RJ), Mumbai (MH)	0.44	1.01	2.60	Implementing Agency
2	School WASH & Clean Drinking Water for Communities	Healthcare	Chitrakoot (MP), Sehore (MP), Telangana (TL), Tiruchirapalli (TN), Washim (MH)	2.96	2.62	4.01	
3	Diagnosis & Treatment of Preventable Illness	Healthcare	Chennai (TN), Kolkata (WB), Mumbai (MH), Sonebhadra (UP)	1.96	1.99	3.09	
4	Construction of Community Hospital	Healthcare	Bangalore (KA), Chennai (TN), Kolkata (WB), Thane (MH)	8.08	6.46	7.06	
5	Youth Training & Development	Livelihood	Ahmedabad (GJ), Bhilai (CH), Bangalore (KA), Chaibasa (JH), Delhi (DL), Chennai (TL), Gwalior (MP), Hyderabad (TL), Indore (MP), Jaipur (RJ), Kolkata (WB), Madurai (TL), Mumbai (MH), Mysore (KA), Pondicherry (TN), Raipur (CH), Vizag (AP)	4.62	4.04	6.16	
6	Food for Education	Education	Mumbai (MH), Vrindavan (UP)	0.97	1.19	1.84	
7	Delivery of Quality Education & Support	Education	Ajmer (RJ), Chennai (TN), Hazaribagh (JH), Mumbai (MH), Mysore (KA), Saraguru (KA)	3.63	3.39	5.64	
8	Restoration of Ecological Balance	Environment	Coimbatore (TN), Eloor (Kerala), Uttar Kannada (KA), Khandwa (MP), Songadh (GJ), Udupi (KA)	1.41	1.77	2.97	
9	Others	Multi-Sector	Pan India	-	0.18	0.18	
	Total			**24.07**	**22.65**	**33.55**	**-**

*Implementing Agencies:

Healthcare: Bhajandas Bajaj Foundation; Centre for Health, Education, Training and Nutrition Awareness; MAMTA Health Institute for Mother and Child; Medical Research Foundation; Ramakrishna Math (Yogodyan); SMILE Foundation; Society for Nutrition, Education & Health Action; Sri Chaitanya Seva Trust; Sri Kanchi Kamakoti Medical Trust.

Livelihood: Family Planning Association of India; Friends Union for Energising Lives; Kherwadi Association of Social Welfare; Medha Learning Foundation; New Resolution India; PanIIT Alumni Reach for India Foundation; Sambhav Foundation; Sarthak Educational Trust; SGBS Unnati Foundation; Youth4Jobs Foundation; TNS India Foundation.

Education: Akhsay Patra Foundation; Foundation to Educate Girls Globally; Masoom; Nav Bharat Jagriti Kendra; Paragon Charitable Trust; Ratna Nidhi Charitable Trust.

Environment: BAIF Institute of Sustainability & Livelihood Development; Freedom for You Foundation (Grow-Trees.com); International Association for Human Values; Isha Outreach; Manuvikasa.

6. **In case the Company has failed to spend the 2% (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:** Not Applicable

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

Sd/-	**Sd/-**
Smita Affinwalla	**G. Ramesh**
Chairperson, CSR Committee	**Managing Director & CEO**

Annexure B

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 2018-2019

[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 the compliance of applicable statutory provisions and the adherence to good corporate practices by **HDB Financial Services Limited** (hereinafter called "the Company"), incorporated on **04th June, 2007 having CIN: U65993GJ2007PLC051028** and Registered office at **Radhika, 2nd Floor, Law Garden Road, Navrangapura, Ahmedabad- 380009, Gujarat.** Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

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 **31st March, 2019** 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 **31st March, 2019** 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) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :-

a) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 - **NOT APPLICABLE**

b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 - **NOT APPLICABLE**

c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 - **NOT APPLICABLE**

d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 - **NOT APPLICABLE**

e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

f) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 - **NOT APPLICABLE**

g) 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;

h) Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993;

i) 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. There were no changes in the composition of the Board of Directors and the Key Managerial Personnel of the Company during the year under review.

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:

a. The members of the Company, by means of Special Resolutions at the Annual General Meeting held on 22nd June, 2018 have accorded approval for the following transactions:

- ➢ Increase the borrowings limits of the Company from ₹ 50,000 crore (Rupees Fifty Thousand crore) to ₹ 60,000 crore (Rupees Sixty 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 ₹ 60,000 crore (Rupees Sixty Thousand crore) to secure its borrowings pursuant to the provisions of Section 180(1)(a) of the Act;
- ➢ Sell, assign its receivables/book debts upto ₹ 5,000 crore (Rupees Five Thousand crore);
- ➢ Issuance of Secured Redeemable Non-convertible Debentures upto the limit of ₹ 4,383 crore (Rupees Four Thousand Three Hundred and Eighty Three crore) by renewal of existing limit and on its exhaustion, additional Secured Redeemable Non-convertible Debentures upto limit of ₹ 10,000 crore (Rupees Ten Thousand crore);
- ➢ Issuance of Unsecured Redeemable Non-convertible Subordinated Bonds upto the limit of ₹ 1,500 crore (Rupees One Thousand and Five Hundred crore);
- ➢ Issuance of Unsecured Redeemable Perpetual Debt Instruments (PDIs) upto the limit of ₹ 500 crore (Rupees Five Hundred crore only);

- Approval of the related party transaction with HDFC Bank Limited for Securitisation of assets;
- Issue of Secured Redeemable Rupee Denominated Bonds (RDBs) upto the limit of Rupees equivalent to US $ 500 Million;
- Approval of Shifting of Registers and Records from the Registered Office to the Corporate Office

b. The Board of Directors have redeemed 70,378 (Seventy Thousand Three Hundred Seventy Eight only) Secured Redeemable Non-Convertible Debentures in various tranches during the year.

c. The Board of Directors have issued and allotted 93,021 (Ninety Three Thousand Twenty One Only) Secured Redeemable Non-convertible Debentures of ₹ 10 Lakh (Rupees Ten Lakh Only) each in various tranches on private placement which were duly listed on BSE Limited;

d. The Board of Directors have issued and allotted 6,000 (Six Thousand Only) Unsecured Redeemable Non-convertible Subordinated Bonds of ₹ 10 Lakh (Rupees Ten Lakh Only) each in various tranches on private placement which were duly listed on BSE Limited;

e. The Board of Directors have allotted 3,000 (Three Thousand Only) Unsecured Non- Convertible Perpetual Debt Instruments of ₹ 10 Lakh (Rupees Ten Lakh Only) each on private placement which were duly listed on BSE Limited;

f. The Board of Directors have allotted 6,389 (Six Thousand Three Hundred and Eighty Nine Only) Secured Redeemable Non- Convertible Market Linked Debentures of ₹ 10 Lakh (Rupees Ten Lakh Only) each on private placement which were duly listed on BSE Limited;

g. The Board of Directors under various Employee stock option scheme have issued and allotted 27,64,050 (Twenty Seven Lakh Sixty Four Thousand and Fifty Only) Equity Shares of ₹ 10/- each to employees of the Company.

For Kaushal Dalal & Associates
Company Secretaries

Sd/-

Kaushal Dalal
Proprietor
M. No: 7141
COP No: 7512

Date: April 18, 2019
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	Income Tax Act, 1961
8	Chapter V of the Finance Act, 1994

For Kaushal Dalal & Associates
Company Secretaries

Sd/-

Kaushal Dalal
Proprietor
M. No: 7141
COP No: 7512

Date: April 18, 2019
Place: Mumbai

To,
The Members,
HDB Financial Services Limited

My 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. My responsibility is to express an opinion on these secretarial records based on my audit.

2. I 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. I believe that the processes and practices, we followed provided a reasonable basis for my opinion.

3. I have not verified the correctness and appropriateness of financial records and Book of Accounts of the Company.

4. Where ever required, I 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. My 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

Sd/-

Kaushal Dalal
Proprietor
M. No: 7141
COP No: 7512

Date: April 18, 2019
Place: Mumbai

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, 2019

Details	ESOP - 8	ESOS - 9	ESOS - 10	ESOS - 11
Options granted during the year	0	0	0	9,10,500
Options vested	10,78,500	8,80,800	9,93,225	0
Options exercised	10,54,700	8,75,800	8,33,550	0
Total number of shares arising as a result of exercise of option	10,54,700	8,75,800	8,33,550	0
Options lapsed/forfeited	25,800	94,200	63,000	3,100
Exercise price (in ₹)	88	137	213	274
Money realized by exercise of options (in ₹)	9,28,13,600	11,99,84,600	17,75,46,150	0
Total number of options in force as at March 31, 2019	34,500	8,74,200	24,14,200	907,400

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, 2019

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

I. REGISTRATION AND OTHER DETAILS:

i	**CIN**	U65993GJ2007PLC051028
ii	**Registration Date**	June 04, 2007
iii	**Name of the Company**	HDB Financial Services Limited
iv	**Category/Sub-Category of the Company**	Non-Banking Financial Company
v	**Address of the Registered office and contact details**	Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad - 380 009. Tel: +91 79 3048 2717
vi	**Whether listed company Yes/No**	Equity Shares not listed, however, Debentures and Subordinated Bonds listed on Bombay Stock Exchange
vii	**Name, Address and Contact details of Registrar and Transfer Agent, if any**	For Equity Shares and Commercial Paper: Datamatics Business Solutions Limited Plot No. B-5, Part B Cross Lane, MIDC, Andheri (E), Mumbai - 400 093. For Subordinated Bonds and Debentures: 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	80.12%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

#	Name and address of the company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held	Applicable section
1	HDFC Bank Limited Reg. Off: HDFC Bank House, Senapati Bapat Marg, Lower Parel, Mumbai - 400013	L65920MH1994PLC080618	Holding	95.53%	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 code	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
(I)	(II)	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(A)	**Promoters**									
1	**Indian**									
(a)	Individuals/HUF	0	0	0	0.00	0	0	0	0.00	0
(b)	Central Government	0	0	0	0.00	0	0	0	0.00	0
(c)	State Government(s)	0	0	0	0.00	0	0	0	0.00	0
(d)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0
(e)	Banks/FI	75,05,96,670	0	75,05,96,670	95.87	75,05,96,670	0	75,05,96,670	95.53	(0.34)
(f)	Any Other (specify)	0	0	0	0.00	0	0	0	0.00	0
Sub Total (A)(1)		**75,05,96,670**	**0**	**75,05,96,670**	**95.87**	**75,05,96,670**	**0**	**75,05,96,670**	**95.53**	**(0.34)**
2	**Foreign**									
(a)	NRIs - Individuals	0	0	0	0.00	0	0	0	0.00	0
(b)	Other - Individuals	0	0	0	0.00	0	0	0	0.00	0
(c)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0
(d)	Banks/FI	0	0	0	0.00	0	0	0	0.00	0
(e)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0
(f)	Any Other (specify)	0	0	0	0.00	0	0	0	0.00	0
Sub Total (A)(2)		**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0.00**	**0**
Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)		**75,05,96,670**	**0**	**75,05,96,670**	**95.87**	**75,05,96,670**	**0**	**75,05,96,670**	**95.53**	**(0.34)**
(B)	**Public shareholding**									
1	**Institutions**									
(a)	Mutual Funds	0	0	0	0.00	0	0	0	0.00	0
(b)	Banks/FI	0	0	0	0.00	0	0	0	0.00	0
(c)	Central Government	0	0	0	0.00	0	0	0	0.00	0
(d)	State Government(s)	0	0	0	0.00	0	0	0	0.00	0
(e)	Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0
(f)	Insurance Companies	0	0	0	0.00	0	0	0	0.00	0
(g)	FIIs	0	0	0	0.00	0	0	0	0.00	0
(h)	Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0
(i)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0
(j)	Alternate Investment Funds	0	0	0	0.00	0	0	0	0.00	0
(k)	Other (specify)	0	0	0	0.00	0	0	0	0.00	0
Sub Total (B)(1)		**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0.00**	**0.00**
2.	**Non-institutions**									
a)	Bodies Corporate	0	0	0	0.0000	0	0	0	0	0
(a)(i)	Indian	16,77,122	19,22,062	35,99,184	0.46	17,11,071	0	17,11,071	0.22	(0.24)
(a)(ii)	Overseas	0	0	0	0.00	0	0	0	0.00	0

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)	Individuals	0	0	0	0.00	0	0	0	0.00	0
(b)(i)	Individuals - shareholders holding nominal share capital up to Rs 1 Lakh	30,23,008	0	30,23,008	0.39	37,69,198	0	37,69,198	0.48	0.09
(b)(ii)	Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	2,53,89,745	0	2,53,89,745	3.24	2,92,16,055	0	2,92,16,055	3.72	0.48
(c)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0
(d)	Other (specify)	0	0	0	0.00	0	0	0	0.00	0
d-i	NRI Rep	6,346	0	6,346	0.00	30,773	0	30,773	0.00	0
d-ii	NRI Non -Rept	3,21,303	0	3,21,303	0.04	3,76,539	0	3,76,539	0.05	0.01
d-iii	Foreign Bodies	0	0	0	0.00	0	0	0	0.00	0
d-iv	Foreign National	0	0	0	0.00	0	0	0	0.00	0
Sub Total (B)(2)		**3,04,17,524**	**19,22,062**	**3,23,39,586**	**4.13**	**3,51,03,636**	**0**	**3,51,03,636**	**4.47**	**0.34**
Total Public Shareholding (B)=(B)(1)+(B)(2)		**3,04,17,524**	**19,22,062**	**3,23,39,586**	**4.13**	**3,51,03,636**	**0**	**3,51,03,636**	**4.47**	**0.34**
Total (A+B)		**78,10,14,194**	**19,22,062**	**78,29,36,256**	**100.00**	**78,57,00,306**	**0**	**78,57,00,306**	**100.00**	**0**
(C)	**Custodians for GDRs and ADRs**	**0**	**0**	**0**	0.00	**0**	**0**	**0**	0.00	0
GRAND TOTAL (A)+(B)+(C)		**78,10,14,194**	**19,22,062**	**78,29,36,256**	**100.00**	**78,57,00,306**	**0**	**78,57,00,306**	**100.00**	**0**

ii. Shareholding of Promoters

#	Shareholder's Name	Shareholding at the beginning of the year		Shareholding at the end of the year		% Change during the year
		Demat	% of Total Shares	Demat	% of Total Shares	
1.	HDFC Bank Limited	75,05,96,670	95.87	75,05,96,670	95.53	(0.34)
	TOTAL	75,05,96,670	95.87	75,05,96,670	95.53	(0.34)

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

iii. Change in Promoters' Shareholding

Name	Remarks	Benpos 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-2018	75,05,96,670	95.87	75,05,96,670	95.87
	At the end of the Year	31-MAR-2019	-	-	75,05,96,670	95.53

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

Sr. No.	Name	Remarks	Benpos 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-2018	26,18,699	0.334	26,18,699	0.334
		At the end of the Year	31-MAR-2019	-	-	26,18,699	0.333
2	HDBFS Employees Welfare Trust	At the beginning of the Year	31-MAR-2018	19,22,062	0.245	19,22,062	0.245
		At the end of the Year	31-MAR-2019	-	-	19,22,062	0.245
3	Vistra ITCL (India) Limited	At the beginning of the Year	31-MAR-2018	14,81,284	0.189	14,81,284	0.189
		At the end of the Year	31-MAR-2019	-	-	14,81,284	0.189
4	Vinod G Yennemadi	At the beginning of the Year	31-MAR-2018	8,93,198	0.114	8,93,198	0.114
		At the end of the Year	31-MAR-2019	-	-	8,93,198	0.114
5	Ankita Paresh Sukthankar	At the beginning of the Year	31-MAR-2018	4,35,000	0.056	4,35,000	0.056
		At the end of the Year	31-MAR-2019	-	-	4,35,000	0.055

Sr. No.	Name	Remarks	Benpos 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
6	Ashish Parthasarthy	At the beginning of the Year	31-MAR-2018	4,15,278	0.053	4,15,278	0.053
		At the end of the Year	31-MAR-2019	-	-	4,15,278	0.053
7	Abhay Aima	At the beginning of the Year	31-MAR-2018	4,00,076	0.051	4,00,076	0.051
		At the end of the Year	31-MAR-2019	-	-	4,00,076	0.051
8	Pralay Mondal	At the beginning of the Year	31-MAR-2018	3,94,415	0.050	3,94,415	0.050
		At the end of the Year	31-MAR-2019	-	-	3,94,415	0.050
9	Huzaan Kaizad Bharucha	At the beginning of the Year	31-MAR-2018	3,90,000	0.050	3,90,000	0.050
		At the end of the Year	31-MAR-2019	-	-	3,90,000	0.050
10	Sashi Jagdishan	At the beginning of the Year	31-MAR-2018	3,79,995	0.049	3,79,995	0.049
		At the end of the Year	31-MAR-2019	-	-	3,79,995	0.048

v. Shareholding of Directors and Key Managerial Personnel:

Sr. No.	Name	Remarks	Benpos 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	Bhavesh Zaveri	At the beginning of the Year	31-MAR-2018	2,90,193	0.037	2,90,193	0.037
		At the end of the Year	31-MAR-2019	-	-	2,90,193	0.037
2	Haren Parekh	At the beginning of the Year	31-MAR-2018	2,56,286	0.033	2,56,286	0.033
		Decrease	29-JUN-2018	7,786	0.001	2,48,500	0.032
		Increase	07-DEC-2018	52,500	0.007	3,01,000	0.038
		At the end of the Year	31-MAR-2019	-	-	3,01,000	0.038
3	Jimmy M Tata	At the beginning of the Year	31-MAR-2018	3,21,021	0.041	3,21,021	0.041
		At the end of the Year	31-MAR-2019	-	-	3,21,021	0.041
4	G. Ramesh	At the beginning of the Year	31-MAR-2018	4,74,500	0.061	4,74,500	0.061
		Increase	07-DEC-2018	66,400	0.008	5,40,900	0.069
		At the end of the Year	31-MAR-2019	-	-	5,40,900	0.069

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
Indebtedness at the beginning of the financial year				
a) Principal Amount	30,848	5,000	0	35,848
b) Interest due but not paid	0	0	0	0
c) Interest accrued but not due	975	75	0	1,050
Total (a+b+c)	31,823	5,075	0	36,898
Change in Indebtedness during the financial year				
Addition	24,003	6,295	0	30,298
Reduction	16,345	4,475	0	20,820
Net Change	7,658	1,820	0	9,478
Indebtedness at the end of the financial year				
a) Principal Amount	38,506	6,820	0	45,326
b) Interest due but not paid	0	0	0	0
c) Interest accrued but not due	1,181	120	0	1,301
Total (a+b+c)	39,687	6,940	0	46,627

HDB FINANCIAL SERVICES

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
		G. Ramesh
1.	**Gross salary**	
	a) Salary as per provisions of section 17(1) of the Income-tax Act, 1961	3,71,70,004
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	20,287
	c) Profits in lieu of salary u/s 17(3) Income-tax Act, 1961	-
2.	**Stock Options**	90,96,800
3.	**Sweat Equity**	-
4.	**Commission**	-
5.	**Company Car**	28,800
Total (A)		4,63,15,891

B. Remuneration to other directors:

#	Remuneration to the Independent Directors			
	Particulars	**Venkatraman Srinivasan**	**Smita Affinwalla**	**Total Amount (in ₹)**
1	Fees for attending Board/Committee Meetings	8,25,000	8,30,000	16,55,000
2	Commission	6,00,000	6,00,000	12,00,000
3	Others, please specify	-	-	-
Total (1)				28,55,000

#	Remuneration to the Non Executive Directors other than Independent Directors			
	Particulars	**Bhavesh Zaveri**	**Jimmy Tata**	**Total Amount (in ₹)**
1	Fees for attending Board/Committee Meetings	9,75,000	7,55,000	17,30,000
2	Commission	-	-	-
3	Others	-	-	-
Total (2)				17,30,000
Total (B)=(1+2)				45,85,000
Total Remuneration to Directors (A+B)				5,09,00,891

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

#	Particulars of Remuneration	Key Managerial Personnel		
		CFO	CS	Total Amount (in ₹)
1.	**Gross salary**			
	a) Salary as per provisions of section 17(1) of the Income-tax Act, 1961	1,37,31,600	27,07,244	1,64,38,844
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	24,712	10,252	34,964
	c) Profits in lieu of salary u/s 17(3) Income-tax Act, 1961	-	-	-
2.	**Stock Options**	54,82,500	-	54,82,500
3.	**Sweat Equity**	-	-	-
4.	**Commission**	-	-	-
5.	**Company Car**	28,800	-	-
Total		**1,92,67,612**	**27,17,496**	**2,19,85,108**

8 PENALTIES/PUNISHMENT/ COMPOUNDING OF OFFENCES:

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

Annexure E

Disclosure as per Section 197(12) of the Companies Act, 2013 pertaining to individuals employed throughout the year and were in receipt of remuneration of not less than ₹ 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	G. Ramesh	Managing Director	3,82,39,091	03-Sep-07	49	27	PGDM	Enam AMC Pvt. Ltd.
2	Rohit Patwardhan	Head - Risk	1,59,99,284	10-Dec-07	44	22	PGDM	Citi Bank
3	Sarabjeet Singh	Head - Branch Lending	1,52,11,156	22-Feb-08	46	23	PGDBM	GE Money
4	Haren D Parekh	Chief Financial Officer	1,41,95,512	10-Oct-07	57	34	A.C.A.	CIBIL
5	Ashish Ghatnekar	Head - Human Resources & Operations	1,39,54,678	01-Dec-08	49	26	MBA	Centurion Bank of Punjab
6	Venkata Swamy	Head - Products & Marketing	1,30,10,897	01-Aug-08	45	23	PGDM	ICICI Bank
7	Deep Jaggi	Head - Asset Finance	1,23,70,464	28-Oct-10	49	25	PGDBA	Cholamandalam DBS Finance
8	Karthik Srinivasan	Head - Sales Finance & Customer Digital Experience	1,18,82,000	30-Nov-15	47	22	PGDM	Mphasis Ltd
9	Sanjay Belsare	Head - IT	1,17,64,078	01-Dec-15	56	29	B. Tech	Kotak Mahindra Bank

Note:

1. *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 but excludes perquisite on ESOPs.*
2. *All appointments were made in accordance with the terms and conditions as per Company rules.*
3. *None of the above employee is a relative of any Director of the Company.*
4. *None of the employees listed above hold 2% or more of the paid up share capital of the Company as at March 31, 2019.*

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 the Managing Director to the median remuneration of employees of the Company for the financial year is 1:187.
2. Percentage increase remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any in the financial year:

Designation	Percentage Increase
Managing Director & Chief Executive Officer	10%
Chief Financial Officer	18%
Company Secretary	15%

3. During the year under review there was 1.15% increase in the median remuneration of the employees of your Company.
4. As on March 31, 2019 there were 93,373 employees on the rolls of your Company.
5. It is hereby affirmed that the remuneration paid during the year was as per the Remuneration policy of the Company.
6. Average percentage increase in the salaries of employees other than the managerial personnel in the last financial year was 1.95 % whereas the increase in the managerial remuneration was 14%.

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. 35)
(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. 35
(e)	Justification for entering into such contracts or arrangements or transactions	Competitive pricing and value of services rendered
(f)	Date(s) of approval by the Board, if any	N.A.
(g)	Amount paid as advances, if any	N.A.

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

Sd/-
Aditya Puri
Chairperson

Annexure H

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. The governance practices and processes ensure that the interest of all stakeholders are taken into account in a transparent manner and are firmly embedded into the culture of the organisation.

The Company has fair, transparent and ethical governance practices, essential for augmenting long-term shareholder value and retaining investor trust. This has been possible through continued efforts and commitment to the highest standards of corporate conduct.

The Company has a dynamic, experienced and well-informed Board. The Board along with its Committees with the Corporate Governance mechanism in place undertakes its fiduciary duties towards all its stakeholders. 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**

The composition of the Board is in compliance with the provisions of Companies Act, 2013 and Rules made thereunder as amended from time to time. The Board of Directors comprises of six directors of which one-third of the total number of Directors are Independent Directors. The Chairman of the Board is a Non-Executive Director.

The Non-Executive Directors bring independent judgment in the Board's deliberations and decisions.

None of the Directors of your Company are inter related to each other. The directors of the Company have wide experience in the field of finance, risk management, banking, human resources, general corporate management, economics, digitalisation and other allied fields which enable them to contribute effectively to your Company by providing valuable guidance and expert advice to the Management and add value in the decision making process of the Board of Directors in their capacity as directors of the Company.

The Independent Directors have been appointed for a fixed tenure of five years from their respective dates of appointment. All the Independent Directors have confirmed that they meet the criteria of independence laid down under the Companies Act 2013 and Rules made thereunder as amended from time to time.

The composition of the Board of Directors as at March 31, 2019, including the details of their DIN, meetings attended, other directorship and their shareholding are given below:

Name of the Director	Executive/Non-Executive/Chairman/ Independent /	DIN	Number of Board Meetings		No. of other Directorships	No. of shares held in the Company
			Held	Attended		
Mr. Aditya Puri	Chairman, Non-Executive Director	00062650	4	4	1	Nil
Mr. Bhavesh Zaveri	Non-Executive Director	01550468	4	4	4	2,90,193
Mr. Jimmy Tata	Non-Executive Director	06888364	4	4	1	3,21,021
Ms. Smita Affinwalla	Independent Director	07106628	4	4	3	Nil
Mr. Venkatraman Srinivasan	Independent Director	00246012	4	4	2	Nil
Mr. G. Ramesh	Managing Director & Chief Executive Officer	05291597	4	4	Nil	5,40,900

During the FY 2018 - 19, the Board of Directors met 4 (Four) times on April 16, 2018, July 20, 2018, October 16, 2018 and January 15, 2019. The requisite quorum was present for all the Meetings. These Meetings were attended by all the members of the Board. The Board met at least once in a calendar quarter and the maximum time gap between any two Meetings was not more than one hundred and twenty days. During the year, the Board met at regular intervals to discuss and decide on various business and policy matters of the Company.

3. **Meetings of Independent Directors**

As stipulated by the Code of Independent Directors under the Companies Act 2013 and Rules made thereunder as amended from time to time, one Meeting of Independent Directors was held during the year. The Meeting was conducted to enable Independent Directors discuss matters relating to Company's affairs and put forth their views without the presence of Non-Independent Directors and members of the Management.

At these Meeting, the Independent Directors reviewed the performance of Non-Independent Directors and the Board as a whole, reviewed the performance of the Chairman of the Company, taking into account the views of Executive Directors and Non- Executive Directors, assessed the quality, quantity and timeliness of the flow of information between the Management and the Board and its Committees which is necessary for the Board to effectively and reasonably perform and discharge their duties.

During FY 2018 - 19, Separate Meeting of Independent Directors was held on April 16, 2018.

4. **Committees of the Board**

Your Company has seven Board level Committees - Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Asset Liability Committee, Risk Management Committee and Information Technology Strategy Committee. All decisions pertaining to the constitution of Committees, appointment of members and terms of reference for Committee members are taken by the Board of Directors. During the year, Human Resource Committee was merged with Nomination & Remuneration Committee with effect from October 16, 2018. Details on the role and composition of these Committees, including the number of meetings held during the financial year and the related attendance, are provided below:

a) **Audit committee**

The members of the Committee possess strong accounting and financial management knowledge. The Committee meets the composition requirement pursuant to the provisions of the Section 177 of the Companies Act, 2013. The Composition of the Audit Committee as on March 31, 2019 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)

The terms of reference of this Committee are in line with the regulatory requirements mandated in the Companies Act, 2013 and Rules made thereunder as amended from time to time. The scope of the Committee includes discussions with the auditors on periodical basis, the observations of the auditors, recommendation for appointment, review & monitor the auditor's independence, performance and effectiveness of audit process, remuneration & terms of appointment of auditors, evaluation of internal financial controls and risk management systems, examination of financial statement before submission to the Board, effective implementation of vigil mechanism of the Company and also oversee compliance of internal control systems.

During the FY 2018 - 19, the Audit Committee met 4 (Four) times on April 16, 2018, July 18, 2018, October 16, 2018 and January 14, 2019.

b) **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee (NRC) is formed in compliance with the provisions of the Section 178 of the Companies Act, 2013. The Composition of the NRC as on March 31, 2019 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)

The terms of reference of this Committee are in line with the regulatory requirements mandated in the Companies Act, 2013 and Rules made thereunder as amended from time to time. The scope of the Committee includes an annual review of the Nomination & Remuneration Policy, recommend to the Board appointment & removal of the Directors, carry out director performance evaluation, formulate the criteria for determining qualifications, positive attributes and independence of a director, review HR strategy, review remuneration paid to the employees & directors is as per the Nomination & Remuneration Policy and consider giving stock options to the employees in the form of equity shares of the Company.

During the FY 2018 - 19, the Nomination and Remuneration Committee met 6 (Six) times on April 14, 2018, July 18, 2018, September 05, 2018, October 30, 2018, January 15, 2019 and March 26, 2019.

c) **Risk Management Committee**

The Risk Management Committee was formed in compliance with Reserve Bank of India guidelines on Corporate Governance which monitors the risk management strategy of the Company. The composition of the Risk Management Committee is as follows:

i. Mr. Jimmy Tata, Member (Non Executive Director)

ii. Mr. G. Ramesh , Member (Managing Director & Chief Executive Officer)

iii. Mr. Rohit Patwardhan, Member (Head - Risk)

iv. Mr. Sanjay Belsare, Member (Head - Information Technology)

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 Management 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 terms of reference of the Committee includes approval and monitoring of the Company's risk management policies and procedures, review of portfolio & its delinquency at a product level, approval and review of the NPA Management policy, reporting to the Board of Directors of the Company on periodical basis on the various matters and review of Information Technology Risk assessment of Information Technology systems.

During the FY 2018 - 19, the Risk Management Committee met 4 (Four) times on April 12, 2018, July 19, 2018, October 11, 2018 and January 10, 2019.

d) **Asset Liability Committee**

As per the Reserve Bank of India's guidelines on Asset-Liability Management (ALM) System in Non-Banking Financial Companies, the Asset Liability Committee was formed to oversee the implementation of ALM system and review its functioning periodically. The Composition of Asset Liability Committee as on March 31, 2019 is as under:

i. Mr. Jimmy Tata, Member (Non Executive Director)

ii. Mr. G. Ramesh, Member (Managing Director & Chief Executive Officer)

iii. Mr. Haren Parekh, Member (Chief Financial Officer)

The terms of reference of this Committee are in line with the regulatory requirements. The key responsibilities of the Committee include review & management of liquidity gaps and structural liquidity of the Company, review & management of interest rate sensitivity of the Company and develop a view on future direction on interest rate movements & decide on funding mixes.

During the FY 2018 - 19, the Asset Liability Committee met 5 (Five) times on April 12, 2018, July 19, 2018, October 1, 2018, October 16, 2018 and January 15, 2019.

e) **Corporate Social Responsibility Committee**

The Corporate Social Responsibility (CSR) Committee was formed as per the provisions of Section 135 of the Companies Act, 2013. The composition of Committee as on March 31, 2019 is as under:

i. Ms. Smita Affinwalla, Chairperson (Independent Director)

ii. Mr. Bhavesh Zaveri, Member (Non Executive Director)

iii. Mr. G. Ramesh, Member (Managing Director & Chief Executive Officer)

The terms of reference of this Committee are in line with the regulatory requirements. The terms of reference of the Committee includes to formulate and recommend to the Board CSR Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013, to recommend the amount of expenditure to be incurred on the CSR activities and to institute a transparent monitoring mechanism for implementation of the CSR activities.

During the FY 2018 - 19, the CSR Committee met 4 (Four) times on April 14, 2018, July 20, 2018, October 11, 2018 and January 14, 2019.

f) Stakeholders Relationship Committee

The Board of Directors constituted Stakeholders Relationship Committee as per the provisions of Section 178(5) of the Companies Act, 2013. The composition of Stakeholders Relationship Committee of the Company as on March 31, 2019 is as under:

i. Mr. Jimmy Tata, Member (Non Executive Director)

ii. Mr. Bhavesh Zaveri, Member (Non Executive Director)

iii. Mr. G. Ramesh, Member (Managing Director & Chief Executive Officer)

The key responsibilities of the Stakeholders Relationship Committee is to consider and resolve the grievances of the security holders of the Company such as complaints related to transfer of shares/ debentures/bonds, non-receipt of balance sheet, non-receipt of interest/declared dividends etc. No complaints were pending for resolution for FY 2018 - 2019.

During the FY 2018 - 19, the Stakeholders Relationship Committee met twice on April 16, 2018 and October 11, 2018.

g) Information Technology Strategy Committee

Information Technology (IT) Strategy Committee was formed as per the provisions of RBI Master Direction RBI/DNBS/2016-17/53 DNBS.PPD.No.04/66.15.001/2016-17 dated June 08, 2017 pertaining to "Information Technology Framework for the NBFC Sector. The composition of IT Strategy Committee as on March 31, 2019 is as under:

i. Mr. Bhavesh Zaveri, Member (Non Executive Director)

ii. Mr. Venkatraman Srinivasan, Member (Independent Director)

iii. Mr. G. Ramesh, Member (Managing Director & Chief Executive Officer)

iv. Mr. Sanjay Belsare, Member (Head - Information Technology)

The terms of reference of this Committee are in line with the regulatory requirements. The key responsibilities of the IT Strategy Committee include approving IT strategy & policy documents & ensuring that the management has put an effective strategic planning process in place, ascertaining that management has implemented processes & practices that ensure that the IT delivers value to the business, ensuring IT investments represent a balance of risks & benefits & their budgets are acceptable, monitoring the method that management uses to determine the IT resources needed to achieve strategic goals & provide high-level direction for sourcing & use of IT resources and ensuring proper balance of IT investments for sustaining Company's growth & becoming aware about exposure towards IT risks and controls.

Further, key responsibilities for outsourced operations of IT include instituting an appropriate governance mechanism for outsourced processes, comprising of risk based policies and procedures, to effectively identify, measure, monitor and control risks associated with outsourcing in an end to end manner, defining approval authorities for outsourcing depending on nature of risks and materiality of outsourcing, developing sound & responsive outsourcing risk management policies & procedures commensurate with the nature, scope & complexity of outsourcing arrangements, undertaking a periodic review of outsourcing strategies & all existing material outsourcing arrangements, evaluating the risks & materiality of all prospective outsourcing based on the framework developed by the Board, periodically reviewing the effectiveness of policies & procedures, communicating significant risks in outsourcing to the Company's Board on a periodic basis, ensuring an independent review & audit in accordance with approved policies & procedures.

During the FY 2018 - 19, the IT Strategy Committee met 4 (Four) times on April 14, 2018, July 20, 2018, October 11, 2018 and January 14, 2019.

5. Attendance of the Committees

Type of meeting	No. of meetings held	Mr. Aditya Puri	Mr. Jimmy Tata	Mr. Bhavesh Zaveri	Mr. G. Ramesh	Mr. Venkatraman Srinivasan	Ms. Smita Affinwalla
Audit Committee	**4**	NA	NA	4	NA	4	4
Asset-Liability Committee	**5**	NA	5	NA	5	NA	NA
Risk Management Committee	**4**	NA	4	NA	4	NA	NA
Nomination and Remuneration Committee	**6**	NA	6	6	NA	6	6
Corporate Social Responsibility Committee	**4**	NA	NA	4	4	NA	4
Debenture Allotment Committee	**20**	NA	18	16	14	NA	NA
Share Allotment Committee	**2**	NA	2	2	NIL	NA	NA
Bond Allotment Committee	**2**	NA	2	2	2	NA	NA
Human Resource Committee	**1**	NA	NA	1	1	NA	1
Stakeholders Relationship Committee	**2**	NA	2	2	2	NA	NA
Information Technology Strategy Committee	**4**	NA	NA	4	4	4	NA
Separate Meeting of Independent Directors	**1**	NA	NA	NA	NA	1	1

Sitting Fees

Sitting fees was paid to all the Non-Executive Directors of the Company other than Mr. Aditya Puri. An amount of ₹ 75,000/- per meeting was paid for attending meetings of Board of Directors and ₹ 50,000/- per meeting for Audit Committee meetings.

The Board of Directors, at its meeting held on October 16, 2018, had revised sitting fees for attending Nomination & Remuneration Committee ("NRC") and Information Technology & Strategy Committee ("ITSC") meeting from ₹ 25,000/- to ₹ 35,000/- per meeting with effect from October 01, 2018.

The fees for attending the meetings of Risk Management Committee, Asset Liability Committee, Corporate Social Responsibility Committee, Human Resource Committee, Stakeholders Relationship Committee and separate meeting of Independent Directors of the Company is ₹ 25,000/- per meeting.

Profit Related Commission

The profit related Commission of ₹ 6,00,000/- each was paid to Independent Directors of the Company during the year.

6. Performance Evaluation of Board, its Committees and Directors

The Nomination and Remuneration Committee (NRC) had approved a framework for performance evaluation of the Board of Directors, its Committees and the individual Board members in terms of Guidance note on Board evaluation issued by SEBI on January 5, 2017 vide its circular no. SEBI/HO/CFD/CMD/CIR/P/2017/004.

Pursuant to the provisions of the Companies Act, 2013 and Rules made thereunder as amended from time to time, the Board has carried out an annual performance evaluation of its own performance, evaluation of the working of its Committees as well as performance of all the Directors individually (including Independent Directors). Feedback was sought by well-defined and structured questionnaires covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, areas of responsibility, execution and performance of specific duties, obligations and governance, compliance, etc.

Performance evaluation framework of the Company is as follows:

a. NRC would approve framework of performance evaluation of the Company;

b. Board would evaluate the performance of the Independent Directors, Board as a whole and Committees of the Board.

c. Independent Directors would evaluate the performance of the Chairman of the Company after taking views of other directors, Board as a whole and Non-Independent Directors.

d. Self-evaluation of individual directors

The evaluation involves self-evaluation by the Board Member and subsequent assessment by the Independent Directors. A member of the Board will not participate in the discussion of his/her evaluation.

The performance evaluation of the Non-Independent Directors and the Board as a whole was carried out by the Independent Directors. The performance evaluation of the Chairman of the Company was also carried out by the Independent Directors, taking into account the views of the Executive Directors and Non-Executive Directors.

The performance evaluation of the Independent Directors was carried out by the entire Board excluding the Director being evaluated. Performance evaluation of the Board and of its Committees were carried out by the Board. Qualitative comments and suggestions of Directors were taken into consideration by the Chairman of the Board and the Chairman of the Nomination and Remuneration Committee.

The Directors have expressed their satisfaction with the evaluation process.

7. 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 Ind AS, 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.

8. **General Body meetings (FY 2017-18)**

Annual General Meeting

Date	Time	Venue	Special resolutions passed
June 22, 2018	12 noon	HDFC Bank House, Final Plot No. 287, Ellis Bridge Township Scheme No. 3, Navrangpura, Ahmedabad. Gujarat - 380 009	1. To approve increase in borrowing limits of the Company from ₹ 50,000 crore to ₹ 60,000 crore; 2. To approve increase in limits for creation of charge on the assets of the Company upto an amount of ₹ 60,000 crore to secure its borrowings; 3. To approve selling, assignment of its receivables/ book debts upto ₹ 5,000 crore. 4. Authority to issue Secured Redeemable Non-Convertible Debentures a. For renewal of existing limit of ₹ 4,383 crore b. For approval of new limit of ₹ 10,000 crore 5. Authority to issue Unsecured Redeemable Non-Convertible Subordinated Bonds 6. Authority to issue Unsecured Redeemable Perpetual Debt Instruments 7. To approve securitisation transaction with HDFC Bank Limited 8. Authority to issue Rupee Denominated Bonds 9. To approve shifting of registers and records from Registered Office to the Corporate Office

Attendance at the AGM

Name of Directors	Mr. Aditya Puri	Mr. Jimmy Tata	Mr. Bhavesh Zaveri	Mr. G. Ramesh	Mr. Venkatraman Srinivasan	Ms. Smita Affinwalla
Attendance	No	No	No	Yes	Yes	No

No Extraordinary General Meeting of the Shareholders was held during the year.

9. **Shareholding pattern as at March 31, 2019**

Name of Shareholder	No. of equity shares held	Percentage
HDFC Bank Ltd.	75,05,96,670	95.53
Others	3,51,03,636	4.47
Total (Issued & Paid-up Shares)	**78,57,00,306**	**100.00**

Independent Auditors' Report

To the members of HDB Financial Services Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of HDB Financial Services Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2019, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matters:

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Transition date accounting policies</td></tr>
<tr><td colspan="2">Refer to the accounting policies in the Standalone Financial Statements: Significant Accounting Policies- "Basis of preparation" and "Note 2.20 to the Standalone Financial Statements: Transition date choices and application"</td></tr>
<tr><td>Adoption of new accounting framework (Ind AS)
Effective 1 April 2018, the Company adopted the Indian Accounting Standards ("Ind AS") notified by the Ministry of Corporate Affairs with the transition date of 1 April 2017.
The following are the major impact areas for the Company upon transition:
- Classification and measurement of financial assets and financial liabilities
- Measurement of loan losses (expected credit losses)
- Business combinations
- Accounting for securitization and assignment
- Accounting for loan fees and costs
- Accounting for employee stock options
The migration to the new accounting framework (Ind AS) is a complicated process involving multiple decision points upon transition. Ind AS 101, First Time Adoption prescribes choices and exemptions for first time application of Ind AS principles at the transition date.
We identified transition date accounting as a key audit matter because of significant degree of management judgment and application on the areas noted above.</td><td>Our key audit procedures included:
Design/controls
▪ We have also confirmed the approvals of Audit Committee for the choices and exemptions made by the Company for compliance/acceptability under Ind AS 101.
Substantive tests
▪ Evaluated management's transition date choices and exemptions for compliance/acceptability under Ind AS 101.
▪ Understood the methodology implemented by management to give impact on the transition.
▪ Assessed the accuracy of the computations.</td></tr>
</table>

Key Audit Matters ***(Continued)***

Description of Key Audit Matters: *(Continued)*

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Impairment of loans and advances to customers

Charge: INR 641.73 crore for year ended 31 March 2019
Provision: INR 828.24 crore at 31 March 2019</td></tr>
<tr><td colspan="2">Refer to the accounting policies in "Note 2.2(F) to the Standalone Financial Statements: Impairment", "Note 3(B) to the Standalone Financial Statements: Significant Accounting Policies- use of estimates" and "Note 19 to the Standalone Financial Statements: Provisions"</td></tr>
<tr><td>Subjective estimate

Recognition and measurement of impairment of loans and advances involve significant management judgement.

With the applicability of Ind AS 109 credit loss assessment is now based on expected credit loss (ECL) model. The Company's impairment allowance is derived from estimates including the historical default and loss ratios. Management exercises judgement in determining the quantum of loss based on a range of factors.

The most significant areas are:

- Segmentation of loan book
- Loan staging criteria
- Calculation of probability of default/Loss given default
- Consideration of probability weighted scenarios and forward looking macro-economic factors
- Complexity of disclosures

There is a large increase in the data inputs required by the ECL model. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.</td><td>Our audit procedures included:

Design/controls

• Evaluation of the appropriateness of the impairment principles based on the requirements of Ind AS 109.

• Assessing the design and implementation of key internal financial controls over loan impairment process used to calculate the impairment charge.

• We used our modelling specialist to test the model methodology and reasonableness of assumptions used.

• Testing of management review controls over measurement of impairment allowances and disclosures in financial statements.

Substantive tests

• We focus on appropriate application of accounting principles, validating completeness and accuracy of the data and reasonableness of assumptions used in the model.

• Test of details over of calculation of impairment allowance for assessing the completeness, accuracy and relevance of data.

• Model calculations were tested through re-performance where possible.

• The appropriateness of management's judgments was also independently reconsidered in respect of calculation methodologies, segmentation, economic factors, the period of historical loss rates used, loss emergence periods and the valuation of recovery assets and collateral.</td></tr>
</table>

Key Audit Matters *(Continued)*

Description of Key Audit Matters: *(Continued)*

Key audit matter	How the matter was addressed in our audit
Information technology	
IT systems and controls The Company's key financial accounting and reporting processes are highly dependent on the automated controls in information systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. The Company primarily uses three systems for it overall financial reporting. We have focused on user access management, change management, segregation of duties, system reconciliation controls and system application controls over key financial accounting and reporting systems.	Our audit procedures to assess the IT system access management included the following: **General IT controls/user access management** • We tested a sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations. • We tested the design and operating effectiveness of key controls over user access management which includes granting access right, new user creation, removal of user rights and preventative controls designed to enforce segregation of duties. • For a selected group of key controls over financial and reporting system, we independently performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process. • Evaluating the design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of system calculation, and the consistency of data transmission. • Other areas that were independently assessed included password policies, system configurations, system interface controls, controls over changes to applications and databases and that business users, developers and production support did not have access to change applications, the operating system or databases in the production environment.

Information Other than the Standalone Financial Statements and Auditors' Report Thereon

The Company's Board of Directors are responsible for the other information. The other information comprises the Directors report to be included in the Company's annual report, but does not include the financial statements and our auditors' report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Management's Responsibility for the Standalone Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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

   i. 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.

   ii. 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.

   iii. The standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account.

   iv. In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under section 133 of the Act.

   v. On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.

   vi. With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

   (B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i. The Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its standalone financial statements - Refer Note 37.2 to the standalone financial statements;

   ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 37.3 to the standalone financial statements;

   iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

   (C) With respect to the matter to be included in the Auditors' Report under section 197(16):

   In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

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

Sd/-

Manoj Kumar Vijai
Partner
Membership No: 046882

Place: Mumbai
Date: 18 April 2019

(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 program of physical verification to cover all the items of fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

c. According 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 in the business of providing services and does not have any physical inventories. Accordingly, the provision of clause 3(ii) of the Order is not applicable to the Company.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provision of clause 3(iii) of the Order is not applicable to the Company.

(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, the provision of clause 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, the provision of clause 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 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, goods and 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, goods and service tax or duty of excise.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, goods and service tax, cess and other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable, except as described in Note 37.1(b) to the financial statements.

b) According to the information and explanations given to us, the Company did not have any dues on account of income tax, sales tax, service tax, duty of customs, value added tax or duty of excise which have not been deposited on account of dispute.

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks, Government or debenture holders.

(ix) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been generally 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 given 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, the provision of clause 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, the provision of clause 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, during the year the Company has not entered into any non-cash transactions with directors or persons connected with him and hence the provision of Section 192 of the Act 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 31 December 2007.

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

Sd/-
Manoj Kumar Vijai
Partner
Membership No: 046882

Mumbai
18 April 2019

Report on the Internal Financial Controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

(Referred to in paragraph 1(A)(vi) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statement of HDB Financial Services Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial control with reference to financial statement criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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 ("the Act").

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Meaning of Internal Financial Controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statement 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 standalone financial statements.

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

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

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

Sd/-
Manoj Kumar Vijai
Partner
Membership No: 046882

Mumbai
18 April 2019

Standalone Balance Sheet
as at 31 March 2019

(Currency : Indian Rupees in crore)

		Note	**As at 31 March 2019**	As at 31 March 2018	As at 01 April 2017
	ASSETS				
1	**Financial Assets**				
	(a) Cash and cash equivalents	4	**334.72**	61.61	70.03
	(b) Bank balances other than cash and cash equivalents	5	**153.79**	75.79	120.74
	(c) Trade receivables	6	**119.52**	126.44	115.44
	(d) Loans	7	**54,709.41**	44,268.31	34,070.94
	(e) Investments	8	**568.36**	401.50	401.42
	(f) Other financial assets	9	**109.79**	64.71	40.00
			55,995.59	44,998.36	34,818.57
2	**Non-financial Assets**				
	(a) Current tax assets (Net)	10	**36.74**	15.37	24.41
	(b) Deferred tax assets (Net)	11	**384.96**	295.77	238.57
	(c) Property, plant and equipment	12(i)	**113.89**	129.72	125.80
	(d) Capital work-in-progress	12(ii)	**-**	-	0.24
	(e) Other intangible assets	12(iii)	**9.14**	7.30	5.18
			544.73	448.16	394.20
	TOTAL ASSETS		**56,540.32**	45,446.52	35,212.77
	LIABILITIES AND EQUITY				
	Liabilities				
3	**Financial Liabilities**				
	(a) Trade payables	13			
	(i) Total outstanding dues of micro enterprises and small enterprises		**-**	-	-
	(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		**394.91**	279.50	193.68
	(b) Debt securities	14	**24,119.67**	20,410.36	15,221.75
	(c) Borrowings (other than debt securities)	15	**18,095.65**	13,350.35	10,505.63
	(d) Subordinated liabilities	16	**2,889.78**	1,992.50	1,713.46
	(e) Other financial liabilities	17	**2,623.80**	2,279.28	1,499.85
			48,123.81	38,311.99	29,134.37
4	**Non-Financial Liabilities**				
	(a) Current tax liabilities (net)	18	**56.12**	38.35	48.89
	(b) Provisions	19	**1,101.54**	964.05	756.74
	(c) Other non-financial liabilities	20	**80.37**	91.78	63.92
			1,238.03	1,094.18	869.55
5	**Equity**				
	(a) Equity share capital	21	**785.70**	782.94	780.24
	(b) Other equity		**6,392.78**	5,257.41	4,428.61
			7,178.48	6,040.35	5,208.86
	TOTAL LIABILITIES AND EQUITY		**56,540.32**	45,446.52	35,212.77
	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

Sd/-
Manoj Kumar Vijai
Partner
Membership No. 046882

Mumbai
18 April 2019

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

Sd/-
Aditya Puri
Chairman

Sd/-
Jimmy Tata
Director

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Smita Affinwalla
Director

Sd/-
G Ramesh
Managing Director

Sd/-
Bhavesh Zaveri
Director

Sd/-
Dipti Khandelwal
Company Secretary

Sd/-
Haren Parekh
Chief Financial Officer

Standalone Statement of Profit and Loss
for the year ended 31 March 2019

(Currency : Indian Rupees in crore)

			Note	For the year ended 31 March 2019	For the year ended 31 March 2018
1	**Revenue from operations**				
	(a)	Interest income	22	**6,712.12**	5,331.29
	(b)	Sale of services		**1,648.12**	1,529.00
	(c)	Other financial charges		**294.92**	164.67
	(d)	Net gain on fair value changes	23	**32.93**	2.16
	(e)	Net gain on derecognition of financial instruments under amortised cost category		**36.72**	-
	Total Revenue from operations			**8,724.81**	7,027.12
2	**Expenses**				
	(a)	Finance Costs	24	**3,333.33**	2,449.07
	(b)	Impairment on financial instruments	25	**636.94**	524.78
	(c)	Employee Benefits Expenses	26	**2,551.74**	2,228.29
	(d)	Depreciation, amortization and impairment	12	**61.92**	45.31
	(e)	Others expenses	27	**416.82**	343.56
	Total Expenses			**7,000.75**	5,591.01
3	**Profit/(loss) before tax**			**1,724.06**	1,436.11
4	**Tax Expense:**		10,11		
	(a)	Current tax		**648.99**	558.34
	(b)	Deferred tax (credit)		**(87.34)**	(55.25)
	(c)	Income tax for earlier year		**9.17**	-
	Total Tax expense			**570.82**	503.09
5	**Profit/(loss) for the period from continuing operations**			**1,153.24**	933.02
6	**Other Comprehensive Income**				
	(a)	Items that will not be reclassified to profit or loss			
		- Remeasurement gain/(loss) on defined benefit plan		**(5.27)**	(5.59)
	(b)	Income tax relating to items that will not be reclassified to profit or loss		**1.84**	1.95
	Other Comprehensive Income			**(3.43)**	(3.64)
7	**Total Comprehensive Income for the period**			**1,149.81**	929.38
8	**Earnings per equity share (for continuing operations)**		28		
		Basic (₹)		**14.71**	11.94
		Diluted (₹)		**14.69**	11.92
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

Sd/-
Manoj Kumar Vijai
Partner
Membership No. 046882

Mumbai
18 April 2019

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

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

Standalone Cash Flow Statement
for the year ended 31 March 2019

(Currency : Indian Rupees in crore)

	Particulars	For the period ended 31 Mar 2019	For the period ended 31 Mar 2018
A	**Cash flow from operating activities**		
	Profit/(loss) before tax	**1,724.06**	1,436.11
	Adjustments for		
	(Profit)/loss on sale of asset	**0.28**	0.15
	Interest Expenses	**3,144.01**	2,192.81
	Interest Income	**(6,712.12)**	(5,331.29)
	Realised net (gain)/loss on FVTPL investments	**(31.25)**	(1.97)
	Unrealised (gain)/loss on FVTPL investments	**(1.68)**	(0.20)
	Net gain on derecognition of financial instruments under amortised cost category	**(43.29)**	0.00
	Discount on commercial paper	**189.33**	256.25
	Impairment on financial instruments	**636.95**	524.78
	Provision for compensated absence and gratuity	**10.41**	12.26
	Employee share based payment expenses	**15.36**	14.53
	Depreciation, amortization and impairment	**61.92**	45.31
	Operating cash flow before working capital changes	**(1,006.02)**	(851.26)
	Adjustments for working capital changes:		
	(Increase)/decrease in trade receivables	**6.92**	(11.00)
	(Increase)/decrease in other financial assets and others	**(415.07)**	(255.03)
	(Increase)/decrease in Loans	**(10,356.11)**	(10,094.76)
	Increase/(decrease) in other financial and non financial liabilities & provision	**(1,521.66)**	(791.03)
	Increase/(decrease) in trade payables	**115.42**	85.81
	Interest Paid	**(2,893.01)**	(1,888.66)
	Interest Received	**6,625.67**	5,230.37
	Cash generated from operations	**(9,443.86)**	(8,575.55)
	Direct taxes paid (net of refunds)	**453.00**	390.00
	Net cash flow generated from/(used in) operating activities (A)	**(8,990.86)**	(8,185.55)
B	**Cash flow from investing activities**		
	Purchase of fixed assets	**(48.40)**	(51.64)
	Proceeds from sale of fixed assets	**0.20**	0.15
	Purchase of investments Mutual fund	**(15,490.51)**	(1,984.65)
	Proceeds of investments Mutual fund	**15,358.10**	1,986.96
	Net cash generated from/(used in) investing activities (B)	**(180.61)**	(49.18)

Standalone Cash Flow Statement
for the year ended 31 March 2019

(Currency : Indian Rupees in crore)

	Particulars	For th e period ended 31 Mar 2019	For the period ended 31 Mar 2018
C	**Cash flow from financing activities**		
	Proceeds from issue of shares and security premium	**39.03**	28.73
	Debt securities issued	**15,336.00**	16,322.00
	Debt securities repaid	**(11,519.09)**	(11,108.00)
	Borrowings other than debt securities issued	**12,520.00**	16,975.00
	Borrowings other than debt securities repaid	**(7,765.27)**	(14,130.26)
	Subordinated debt issued	**900.00**	280.00
	Dividend & Tax paid on dividend	**(66.07)**	(141.15)
	Net cash generated from/(used in) financing activities (C)	**9,444.60**	8,226.32
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**273.11**	(8.41)
	Add : Cash and cash equivalents as at the beginning of the year	**61.61**	70.03
	Cash and cash equivalents as at the end of the year*	**334.72**	61.61
	*Components of cash and cash equivalents		
	Balances with banks	**278.38**	33.22
	Demand drafts on hand	**15.37**	10.66
	Cash on hand	**40.97**	17.73
		334.72	61.61

The above cash flow statement has been prepared under the indirect method set out in Ind AS 7 - Statement of Cash Flow.

As per our report of even date attached

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

Sd/-
Manoj Kumar Vijai
Partner
Membership No. 046882

Mumbai
18 April 2019

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

Sd/-
Aditya Puri
Chairman

Sd/-
Jimmy Tata
Director

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Smita Affinwalla
Director

Sd/-
G Ramesh
Managing Director

Sd/-
Bhavesh Zaveri
Director

Sd/-
Dipti Khandelwal
Company Secretary

Sd/-
Haren Parekh
Chief Financial Officer

Standalone Statement of Changes in Equity
as at 31 March 2019

(Currency : Indian Rupees in crore)

Statement of Changes in Equity

A Equity Share Capital

Balance as at April 1, 2017	780.24
Changes in Equity Share Capital during the year	2.70
Balance as at 31 March 2018	782.94
Changes in Equity Share Capital during the year	2.76
Balance as at 31 March 2019	785.70

B Other Equity

	Reserves and Surplus				Other Comprehensive Income	
	Securities Premium Account	**Employee stock Options Outstanding Account**	**Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934**	**Retained Earnings-Other than Remeasurement of Post Employment Benefit Obligations**	**Retained Earnings-Remeasurement of Post Employment Benefit Obligations**	**Total**
Balance as at April 1, 2018	2,857.55	22.87	581.03	1,799.59	(3.63)	**5,257.41**
Profit for the year	-	-	-	1,153.24	-	**1,153.24**
Other Comprehensive Income	-	-	-	-	(3.43)	**(3.43)**
Total Comprehensive Income for the year	-	-	-	1,153.24	(3.43)	**1,149.81**
Transfer to Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	-	-	230.65	(230.65)	-	**-**
Premium on issue of shares	36.27	-	-	-	-	**36.27**
Share based payment	-	15.36	-	-	-	**15.36**
Dividends	-	-	-	(54.81)	-	**(54.81)**
Dividend Distribution Tax	-	-	-	(11.27)	-	**(11.27)**
Balance As At 31 March 2019	2,893.82	38.23	811.68	2,656.10	(7.06)	**6,392.78**

Standalone Statement of Changes in Equity
as at 31 March 2019 (Contd.)

B Other Equity (Contd.)

	Reserves and Surplus				Other Comprehensive Income	Total
	Securities Premium Account	Employee stock Options Outstanding Account	Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	Retained Earnings- Other than Remeasurement of Post Employment Benefit Obligations	Retained Earnings- Remeasurement of Post Employment Benefit Obligations	
Balance as at April 1, 2017	2,831.51	8.34	394.43	1,194.33	-	4,428.61
Profit for the year	-	-	-	933.02	-	933.02
Other Comprehensive Income	-	-	-	-	(3.63)	(3.63)
Total Comprehensive Income for the year	-	-	-	933.02	(3.63)	929.39
Transfer to Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	-	-	186.60	(186.60)	-	-
Premium on issue of shares	26.04	-	-	-	-	26.04
Share based payment	-	14.53	-	-	-	14.53
Dividends	-	-	-	(117.28)	-	(117.28)
Dividend Distribution Tax	-	-	-	(23.88)	-	(23.88)
Balance As At 31 March 2018	2,857.55	22.87	581.03	1,799.59	(3.63)	5,257.41

As required by section 45-IC of the RBI Act 1934, the company maintains a reserve fund and transfers there in a sum not less than twenty per cent of its net profit every year as disclosed in the profit and loss account and before any dividend is declared. The company cannot appropriate any sum from the reserve fund except for the purpose specified by Reserve Bank of India from time to time. Till date RBI has not specified any purpose for appropriation of Reserve fund maintained under section 45-IC of RBI Act,1984.

Significant accounting policies and notes to the Financial Statements. Note -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

Sd/-
Manoj Kumar Vijai
Partner
Membership No. 046882

Mumbai
18 April 2019

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

Sd/-
Aditya Puri
Chairman

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Director

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Smita Affinwalla
Director

Sd/-
G Ramesh
Managing Director

Sd/-
Bhavesh Zaveri
Director

Sd/-
Dipti Khandelwal
Company Secretary

Sd/-
Haren Parekh
Chief Financial Officer

1 Overview

HDB Financial Services Ltd. ('the Company'), incorporated in Ahmedabad, India, is a Systemically Important Non Deposit Taking Non-Banking Financial Company ('NBFC') as defined under section 45-IA of the Reserve Bank of India ('RBI') Act, 1934.

The Company provides lending services and business process outsourcing services. The Company also provides services related to the marketing and promotion of various financial products.

The Company's registered office is situated at Ahmedabad, India, while its corporate office is located in Mumbai, India. The Company is a subsidiary of HDFC Bank Limited.

2 Significant accounting policies

2.1 Basis of preparation of financial statements

(A) Compliance with Ind AS

The financial statements of the Company comply in all material aspects with Indian Accounting Standards ('Ind AS') notified under Section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and other relevant provisions of the Act. Any directions issued by the RBI or other regulators are implemented as and when they become applicable.

For all periods up to and including the year ended 31 March 2018, the Company prepared its financial statements in accordance with Companies (Accounting Standards) Rules, 2006 (as amended) notified under the Act read with Rule 7 of the Companies (Accounts) Rules 2014 (as amended), guidelines issued by the RBI and other generally accepted accounting principles in India (collectively referred to as 'Indian GAAP' or 'Previous GAAP').

The transition to Ind AS has been carried out in accordance with Ind AS 101 First Time adoption of Indian Accounting Standards. Accordingly, the impact of transition has been recorded in the opening reserves as at 1 April 2017.

An explanation of how the transition to Ind AS from the previous GAAP has affected the previously reported financial position, financial performance and cash flows of the Company is provided in Note 30.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to the existing accounting standard requires a change in the accounting policy hitherto in use.

(B) Presentation of financial statements

The Balance Sheet, the Statement of Changes in Equity and the Statement of Profit and Loss are presented in the format prescribed under Division III of Schedule III of the Act, as amended from time to time, for Non-Banking Financial Companies ('NBFCs') that are required to comply with Ind AS. The Statement of Cash Flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows.

(C) Basis of preparation

The financial statements have been prepared under the historical cost convention on the accrual basis except for certain financial instruments and plan assets of defined benefit plans, which are measured at fair values at the end of each reporting period as explained in the accounting policies below. All amounts disclosed in the financial statements and notes have been rounded off to the nearest INR crore in compliance with Schedule III of the Act, unless otherwise stated.

(D) Use of estimates and judgements

The preparation of financial statements in conformity with Ind AS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities (including contingent liabilities) and disclosures as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and could change from period to period. Appropriate changes in estimates are recognised in the periods in which the Company becomes aware of the changes in circumstances surrounding the estimates. Any revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised and future periods. The estimates and judgements that have significant impact on the carrying amount of assets and liabilities at each balance sheet date are discussed at Note 3.

2.2 Financial Instruments

(A) Date of recognition

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

(B) Initial measurement

Recognised financial instruments are initially measured at transaction price, which equates fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(C) Classification and subsequent measurement

(i) Financial assets

Based on the business model, the contractual characteristics of the financial assets and specific elections where appropriate, the Company classifies and measures financial assets in the following categories:

- Amortised cost
- Fair value through other comprehensive income ('FVOCI')
- Fair value through profit or loss ('FVTPL')

(a) Financial assets carried at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows ('Asset held to collect contractual cash flows'); and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

After initial measurement and based on the assessment of the business model as asset held to collect contractual cash flows and SPPI, such financial assets are subsequently measured at amortised cost using effective interest rate ('EIR') method. Interest income and impairment expenses are recognised in profit or loss. Interest income from these financial assets is included in finance income using the EIR method. Any gain and loss on derecognition is also recognised in profit or loss.

The EIR method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company records loans at amortised cost.

(b) Financial assets at fair value through other comprehensive income

Financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the assets, ('Contractual cash flows of assets collected through hold and sell model') and contractual cash flows that are SPPI, are subsequently measured at FVOCI. Movements in the carrying amount of such financial assets are recognised in Other Comprehensive Income ('OCI'), except dividend income which is recognised in profit and loss. Amounts recorded in OCI are not subsequently transferred to the profit and loss account. Equity instruments at FVOCI are not subject to an impairment assessment.

(c) Financial assets at fair value through profit or loss

Financial assets, which do not meet the criteria for categorization as at amortized cost or as FVOCI, are measured at FVTPL. Subsequent changes in fair value are recognised in profit or loss. The Company records investments in equity instruments at FVTPL.

The Company records investments in equity instruments, mutual funds and Treasury bills at FVTPL.

(ii) Financial liabilities and equity instrument

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(a) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company is recognised at the proceeds received, net of directly attributable transaction costs.

(b) Financial liabilities

Financial liabilities are measured at amortised cost. The carrying amounts are determined based on the EIR method. Interest expense is recognised in profit or loss.

Any gain or loss on de-recognition of financial liabilities is also recognised in profit or loss.

Undrawn loan commitments are not recorded in the balance sheet. However, these financial instruments are in the scope of expected credit loss ('ECL') calculation.

(D) Reclassification

Financial assets are not reclassified subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line or in the period the Company changes its business model for managing financial assets. Financial liabilities are not reclassified.

(E) Derecognition

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to receive cash flows from the financial asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset and the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Company neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for the amount it may have to pay.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not de-recognised and the proceeds received are recognised as a collateralised borrowing.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Transition to Ind AS

The Company has elected to apply the derecognition criteria under Ind AS with retrospective effect.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying value of the original financial liability and the new financial liability with modified terms is recognised in profit or loss.

(F) Impairment of financial assets

The Company applies the ECL model in accordance with Ind AS 109 for recognising impairment loss on financial assets. The ECL allowance is based on the credit losses expected to arise from all possible default events over the expected life of the financial asset ('lifetime ECL'), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is calculated on a collective basis, considering the retail nature of the underlying portfolio of financial assets.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. When determining whether the risk of default on a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on a provision matrix which takes into account the Company's historical credit loss experience, current economic conditions, forward looking information and scenario analysis.

The expected credit loss is a product of exposure at default ('EAD'), probability of default ('PD') and loss given default ('LGD'). The Company has devised an internal model to evaluate the PD and LGD based on the parameters set out in Ind AS 109. Accordingly, the financial assets have been segmented into three stages based on the risk profiles. The three stages reflect the general pattern of credit deterioration of a financial asset. The company categorises financial assets at the reporting date into stages based on the days past due ('DPD') status as under:

- Stage 1: Low credit risk, i.e. 0 to 30 days past due
- Stage 2: Significant increase in credit risk, i.e. 31 to 90 days past due
- Stage 3: Impaired assets, i.e. more than 90 days past due

LGD is an estimate of loss from a transaction given that a default occurs. PD is defined as the probability of whether the borrowers will default on their obligations in the future. For assets which are in Stage 1, a 12-month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD. EAD represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Company.

The Company incorporates forward looking information into both assessments of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on the consideration of external actual and forecast information, the Company forms a 'base case' view of the future direction of relevant economic variables. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case represents a most likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes.

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. The Company regularly reviews its models in the context of actual loss experience and makes adjustments when such differences are significantly material.

The amount of ECL (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised as an impairment gain or loss in profit or loss.

After initial recognition, trade receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Company follows the simplified approach required by Ind AS 109 for recognition of impairment loss allowance on trade receivables, which requires lifetime ECL to be recognised at each reporting date, right from initial recognition of the receivables.

(G) Write offs

The gross carrying amount of a financial asset is written-off (either partially or in full) to the extent that there is no reasonable expectation of recovering the asset in its entirety or a portion thereof. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(H) Offsetting

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, the Company has a legally enforceable right to offset the recognised amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.3 Cash and cash equivalents

Cash and cash equivalents includes cash at banks and on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

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

2.4 Upfront servicers fees booked on direct assignment

Servicer fees receivable for servicing loan contracts under direct assignment are discounted at the applicable rate entered into with the assignee and recognised upfront in the balance sheet and amortised on a straight line basis over the remaining contractual maturity of the underlying loans.

2.5 Property, plant and equipment

(A) Recognition and measurement

Tangible property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any. The cost of property, plant and equipment comprise purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-financial assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in-progress'.

(B) Subsequent expenditure

Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future economic benefits/functioning capability from/of such assets.

(C) Depreciation, estimated useful lives and residual value

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives in the manner prescribed in Schedule II of the Act. The estimated lives used and differences from the lives prescribed under Schedule II are noted in the table below:-

Type of Assets	Estimated useful life as assessed by the Company	Estimated useful life under Schedule II of the Act
Computers	2-5 years	3 years
Software and system development	3 years	3 years
Office equipment	3 years	5 years
Motor cars	4 years	8 years
Furniture and fixtures	3-7 years	10 years
Building	60 years	60 years
Leasehold improvements	Tenure of lease agreements	Tenure of lease agreements

The Company uniformly estimates a zero residual value for all these assets. Items costing less than ₹ 5,000 are fully depreciated in the year of purchase. Depreciation is pro-rated in the year of acquisition.

The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. Consequently, the useful life of certain computer-related assets, furniture and fixtures, office equipment and motor cars differ from the life prescribed in Schedule II of the Act.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate, and treated as changes in accounting estimates.

Property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other income/expense in the statement of profit and loss in the year the asset is de-recognised.

2.6 Other intangible assets

Software and system development expenditure are capitalised at cost of acquisition including cost attributable to readying the asset for use. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses. The useful life of these intangible assets is estimated at 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.

2.7 Impairment of non-financial assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired due to events or changes in circumstances indicating that their carrying amounts may not be realised. 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 recognised in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the revised recoverable amount, subject to maximum of the depreciated historical cost.

2.8 Dividends

Provision is made for the amount of any dividend declared on or before the end of the reporting period but not distributed at the end of the reporting period, being appropriately authorised and no longer at the discretion of the Company. The final dividend on shares is recorded as a liability on the date of approval by the shareholders, and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

2.9 Revenue recognition

Revenue (other than for those items to which Ind AS 109 Financial Instruments is applicable) is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of goods and services tax ('GST') and amounts collected on behalf of third parties. Ind AS 115 Revenue from Contracts with Customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes previous revenue recognition guidance found within Ind AS.

The Company recognises revenue from contracts with customers based on a five-step model as set out in Ind 115:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation.

Specific policies for the Company's different sources of revenue are explained below:

(A) Income from lending business

Interest income

Interest income on a financial asset at amortised cost is recognised on a time proportion basis taking into account the amount outstanding and the effective interest rate ('EIR'). The EIR is the rate that exactly discounts estimated future cash flows of the financial asset through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount of the financial instrument. The internal rate of return on financial asset after netting off the fees received and cost incurred approximates the effective interest rate method of return for the financial asset. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for ECLs).

Other financial charges

Cheque bouncing charges, late payment charges, foreclosure charges and application money are recognised on a point-in-time basis, and are recorded when realised since the probability of collecting such monies is established when the customer pays.

(B) Income from BPO services and other financial charges

Income from BPO services comprise of sales support services, back office, operations, processing support, running collection call centres and collecting overdue amounts from borrowers. Performance obligations are satisfied over time and revenue is recorded on a monthly basis.

(C) Income from direct assignment

Gains arising out of direct assignment transactions comprise the difference between the interest on the loan portfolio and the applicable rate at which the direct assignment is entered into with the assignee, also known as the right of excess interest spread (EIS). The future EIS basis the scheduled cash flows on execution of the transaction, discounted at the applicable rate entered into with the assignee is recorded upfront in the profit and loss statement.

2.10 Employee benefits

(A) Provident fund

Retirement benefit in the form of provident fund, is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognises contribution payable to the provident fund scheme as an expense, when an employee renders the related service.

(B) ESIC and Labour welfare fund

The Company's contribution paid/payable during the year to ESIC and Labour welfare fund are recognised in the statement of profit or loss.

(C) Gratuity

The Company operates a defined benefit gratuity plan that provides for gratuity benefit to all employees. The Company makes annual contributions to a fund administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. 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 cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the consolidated statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non- routine settlements; and
- Net interest expense or income

(D) **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's liability towards compensated advances is based on an independent external actuarial valuation as at the balance sheet date using the projected unit credit method.

(E) **Share-based payments**

The Company recognizes compensation expense relating to share-based payments in net profit using fair value in accordance with Ind AS 102 - Share-based Payment. The estimated fair value of awards is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards with a corresponding increase to share options outstanding amount.

2.11 Provisions and contingences

The Company recognises a provision when there is a 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. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current market assessments of the time value of money and the risks specific to the liability.

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 best estimates. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that may arises from past events but probably will not require an outflow of resources to settle the obligation.

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 neither recognised nor disclosed in the financial statements.

2.12 Operating Lease accounting

Lease payments for assets taken on operating lease are recognised as an expense on a straight-line basis in the statement of profit and loss over the period of the lease unless the payments are structured to increase in line with expected general inflation, in which case lease payments are recognised based on contractual terms.

2.13 Goods and services tax paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the goods and services tax paid, except when the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables, respectively, in the balance sheet.

2.14 Income tax

(A) Current tax

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 in respect of taxable income for the year and any adjustment to the tax payable or receivable in respect of previous years.

(B) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

  Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

  The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

  Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

  Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

  Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

2.15 Exceptional items

When items of income and expense within profit or loss from ordinary activities are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period, the nature and amount of such items is disclosed separately as Exceptional items.

2.16 Earnings per share

The Company reports basic and diluted earnings per equity share. 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.

2.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The Managing Director ('MD') of the Company has been identified as the CODM as defined by Ind AS 108 Operating Segments, who assesses the financial performance and position of the Company and makes strategic decisions.

Operating segments identified by the Company comprises as under:

- Lending services
- BPO services

The accounting policies consistently used in the preparation of the financial statements are also applied to item of revenue and expenditure in individual segments. 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'. Segment assets and segment liabilities represent assets and liabilities in respective segments. Tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as 'Unallocated'.

2.18 Collateral

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements.

To the extent possible, the Company uses active market data and external valuers for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models or through external valuers. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

The Company physically repossess and take into custody properties or other assets and also engages external agents to recover funds, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

2.19 Statement of cash flows

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

2.20 First time adoption of Ind AS

The transition to Ind AS has resulted in changes in the presentation of the financial statements, disclosures in the notes thereto and accounting policies and principles. The accounting policies set out in Note 2 above have been applied in preparing the financial statements for the year ended 31 March 2019 and the comparative information. An explanation of how the transition from previous GAAP to Ind AS has affected the Company's Balance Sheet and Statement of Profit and Loss, is set out in Note 30.

Ind AS 101 allows first time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has accordingly availed of the following optional exemptions while preparing its financial statements:

- Business combinations prior to the Ind AS transition date of April 1, 2017 are recorded using previous GAAP principles, consequently the requirements of Ind AS 103 are not applied
- Property, plant and equipment and intangible assets are measured at their previous GAAP carrying value. The Company has assessed that the previous GAAP accounting approximates, at April 1, 2017, the accounting that would have resulted, had Ind AS been applied retrospectively.
- The Company has elected not to apply the requirements of Ind AS 102 (Share-based payments) to equity instruments that vested before the date of transition to Ind AS.

The Company has elected to apply the derecognition criteria under Ind AS with retrospective effect.

2.21 Standards issued but not yet effective

In March 2019, the Ministry of Corporate Affairs notified Ind AS 116 Leases, which is applicable to the Company for accounting periods beginning April 1, 2019. This standard changes the classification and accounting for leases, and also provides transition guidance. The Company expects the new standard to affect the accounting for assets that it has taken on operating lease. The Company is currently assessing the impact of this standard on its transactions

3 Critical accounting estimates and judgements

In the process of applying the Company's accounting policies, management has made the following estimates and judgements, which have a significant impact on the carrying amounts of assets and liabilities at each balance sheet date.

(A) Fair value of financial instruments

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value measurements under Ind AS are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at measurement date
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs) that the Company can access at measurement date

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 41.

(B) Expected credit loss

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and credit assessment and including forward looking information.

The inputs used and process followed by the Company in determining the ECL have been detailed in Note 43.

(C) Effective interest rate

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected behavioural life of the financial asset to the gross carrying amount of the financial asset.

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges) as well expected changes to the base rate and other transaction costs and fees paid or received that are integral parts of the instrument.

(D) Business model assessment

Classification and measurement of financial assets depends on the results of the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(E) Useful life and expected residual value of assets

Property, plant and equipment and other intangible assets represent a significant proportion of the assets of the Company. Depreciation and amortisation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

(F) Deferred Tax

Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

(G) Defined benefit plans

The cost of the defined benefit plans and the present value of the defined benefit obligation are based on actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

(H) Provisions and contingences

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in statutory litigation in the ordinary course of the Company's business. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

(Currency : Indian Rupees in crore)

4 Cash and cash equivalents

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Cash on hand	**40.97**	17.73	13.67
Balances with banks	**278.38**	33.22	41.66
Demand drafts on hand	**15.37**	10.66	14.70
Total	**334.72**	**61.61**	**70.03**

5 Bank balances Other than cash and cash equivalents

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Deposits with bank	**-**	-	8.40
Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments.	**151.96**	75.42	110.27
Interest accrued but not due on fixed deposits	**1.83**	0.37	2.07
Total	**153.79**	75.79	120.74

6 Trade receivables

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Unsecured			
Low Credit Risk	**116.45**	110.24	112.36
Significant increase in Credit Risk	**2.20**	15.12	1.87
Credit impaired	**0.87**	1.08	1.21
	119.52	126.44	115.44

No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person, or from firms or private companies respectively in which any director is a partner, a director or a member.

7 Loans

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Term Loans in India - at amortised cost			
- Public sector	**-**	-	-
- Others			
Secured (Secured by tangible assets)	**42,969.97**	35,399.80	27,559.38
Unsecured	**11,739.44**	8,868.51	6,511.56
Total	**54,709.41**	44,268.31	34,070.94

Credit quality of assets

The table below shows the credit quality and the maximum exposure to credit risk based on year-end stage classification. The amounts presented are gross of Impairment loss allowance.

	Stage	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Low credit risk	**Stage 1**	**52,537.04**	42,777.44	32,795.13
Significant increase in credit risk	**Stage 2**	**1,171.99**	753.27	631.53
Credit-Impaired	**Stage 3**	**1,000.38**	737.60	644.28
Total		**54,709.41**	44,268.31	34,070.94

(Currency : Indian Rupees in crore)

8 Investments

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Recorded at Fair value through profit and loss account			
In India			
Mutual fund units	**326.86**	400.55	400.11
364 Days Treasury Bill maturing on 14-11-2019	**240.55**	-	-
Unquoted equity shares	**0.95**	0.95	1.31
Total	**568.36**	401.50	401.42

9 Other financial assets

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Capital advances	**1.27**	2.64	2.41
Security deposits at fair value (Unsecured, considered good)	**16.77**	16.05	15.07
Prepaid Rent (Security deposits, Unsecured, considered good)	**7.92**	7.16	8.39
Deferred Gain on sale of receivable	**34.65**	-	-
Upfront Servicers fees booked on Assignment	**8.64**	-	-
Advances recoverable in cash or in kind (Unsecured, considered good)	**40.54**	38.86	14.13
Total	**109.79**	64.71	40.00

10 Current tax assets (Net)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Current tax assets			
Advance tax and tax deducted at source (Net of provision for tax)	**36.74**	15.37	24.41
Total	**36.74**	15.37	24.41

11 Deferred tax assets (Net)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Deferred Tax Asset/(Liabilities) Net			
Deferred Tax Asset			
Depreciation and amortisation	**17.73**	9.19	4.88
Provision for employee benefits	**9.35**	8.33	6.00
Provision for diminution of investment	**0.46**	0.46	0.35
Loans - Impairment	**291.19**	217.89	177.15
Loans - DSA	**78.37**	65.60	56.49
Borrowings	(8.86)	(3.87)	(3.33)
Investments - MTM and others	(0.59)	(0.19)	(0.04)
Securitization	(2.69)	(1.64)	(2.95)
Deferred Tax Asset	384.96	295.77	238.57
Movement in Net deferred tax Asset during the year	89.19	57.20	

HDB FINANCIAL SERVICES

(Currency : Indian Rupees in crore)

The components of income tax expense for the years ended 31 March 2019 and 2018 are:

	As at 31 March 2019	As at 31 March 2018
Current tax:		
In respect of current year	648.99	558.34
In respect of prior years	9.17	-
Deferred Tax:		
Deferred tax relating to origination and reversal of temporary differences	(87.34)	(55.25)
In respect of prior years	-	-
Total Income Tax recognised in profit or loss	570.81	503.09
Current tax	658.16	558.34
Deferred tax	(87.34)	(55.25)

Income Tax recognised in Other comprehensive income

	As at 31 March 2019	As at 31 March 2018
Deferred tax related to items recognised in Other comprehensive income during the year:		
Income tax relating to items that will not be reclassified to profit or loss	1.84	1.95
Total Income tax recognised in Other comprehensive income	1.84	1.95

The reconciliation of estimated income tax expense at tax rate to income tax expense reported in profit or loss is as follows:

	As at 31 March 2019	As at 31 March 2018
Profit before tax	1,724.06	1,436.11
Applicable income tax rate (%)	34.94	34.94
Income tax expense calculated at applicable income tax rate	602.46	501.83
Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense:		
Effect of income exempt from tax	-	-
Effect of expenses/provisions not deductible in determining taxable profit	46.54	56.50
Effects of income not considered as taxable on compliance of condition	-	-
Income tax for earlier year	9.17	-
Income tax expense recognised in profit and loss	658.16	558.33
Actual effective income tax rate (%)	38.17	38.88

HDB FINANCIAL SERVICES

(Currency : Indian Rupees in crore)

12 Property, Plant and Equipment (PPE), Other Intangible assets & Capital work-in-progress

(i) Property, Plant and Equipment (PPE) (Previous Year's figures are in italics)

Description	Office equipment	Furniture and fixtures	Leasehold improvements	Computers	Building	Motor cars	Total PPE Tangibles
Cost							
Balance as at 1st April, 2017	*38.97*	*76.01*	*52.82*	*66.91*	*0.15*	*1.22*	*236.09*
Additions during the year	*5.75*	*5.95*	*7.50*	*22.55*	*0.00*	*3.98*	*45.72*
Deductions during the year	*0.19*	*1.40*	*0.42*	*0.36*	*0.00*	*0.23*	*2.59*
Balance as at 31st March, 2018	*44.53*	*80.56*	*59.90*	*89.10*	*0.15*	*4.97*	*279.22*
Balance as at 1st April, 2018	**44.53**	**80.56**	**59.90**	**89.10**	**0.15**	**4.97**	**279.22**
Additions during the period	**4.88**	**5.83**	**8.66**	**18.66**	**0.00**	**1.90**	**39.93**
Disposals during the period	**1.37**	**1.49**	**0.65**	**0.68**	**0.00**	**0.19**	**4.38**
Balance as at 31st March, 2019	**48.04**	**84.90**	**67.91**	**107.08**	**0.15**	**6.68**	**314.77**
Accumulated Depreciation/impairment							
Accumulated Depreciation/impairment as at 1st April, 2017	*20.61*	*33.55*	*16.72*	*38.56*	*0.01*	*0.83*	*110.29*
Depreciation charge for the period	*7.19*	*7.88*	*7.32*	*18.41*	*0.00*	*0.70*	*41.50*
Disposals during the period	*0.18*	*1.23*	*0.33*	*0.33*	*0.00*	*0.23*	*2.29*
Accumulated Depreciation/impairment as at 31st March, 2018	*27.62*	*40.20*	*23.71*	*56.64*	*0.01*	*1.30*	*149.50*
Accumulated Depreciation/impairment as at 1st April, 2018	**27.62**	**40.20**	**23.71**	**56.64**	**0.01**	**1.30**	**149.50**
Depreciation charge for the period	**6.86**	**16.12**	**7.64**	**23.38**	**0.01**	**1.30**	**55.30**
Disposals/Adjustments during the period	**1.26**	**1.15**	**0.63**	**0.68**	**0.00**	**0.19**	**3.91**
Accumulated Depreciation/impairment as at 31st March, 2019	**33.22**	**55.17**	**30.72**	**79.35**	**0.02**	**2.41**	**200.89**
Net carrying amount							
Net carrying amount as at 1st April, 2017	*18.36*	*42.46*	*36.10*	*28.35*	*0.14*	*0.39*	*125.80*
Net carrying amount as at 31st March, 2018	*16.91*	*40.36*	*36.19*	*32.46*	*0.14*	*3.67*	*129.72*
Net carrying amount as at 31st March, 2019	14.82	29.73	37.19	27.73	0.13	4.27	113.89

(ii) Capital work-in-progress

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Capital work-in-progress	**-**	-	0.24
Total	**-**	-	0.24

(iii) Other Intangible assets (Previous Year's figures are in italics)

Description	Software and System development	Total Other Intangibles
Cost		
Balance as at 1st April, 2017	***12.04***	***12.04***
Additions during the year	*5.92*	*5.92*
Deductions during the year	*0.00*	*0.00*
Balance as at 31st March, 2018	***17.96***	***17.96***
Balance as at 1st April, 2018	**17.96**	**17.96**
Additions during the period	**8.47**	**8.47**
Disposals during the period	**0.00**	**0.00**
Balance as at 31st March, 2019	**26.44**	**26.44**
Accumulated Depreciation/impairment		
Accumulated Depreciation/impairment as at 1st April, 2017	*6.86*	*6.86*
Depreciation charge for the period	*3.81*	*3.81*
Disposals during the period	*0.00*	*0.00*
Accumulated Depreciation/impairment as at 31st March, 2018	*10.67*	*10.67*
Accumulated Depreciation/impairment as at 1st April, 2018	**10.67**	**10.67**
Depreciation charge for the period	**6.63**	**6.63**
Disposals/Adjustments during the period	**0.00**	**0.00**
Accumulated Depreciation/impairment as at 31st March, 2019	**17.30**	**17.30**
Net carrying amount		
Net carrying amount as at 1st April, 2017	*5.18*	*5.18*
Net carrying amount as at 31st March, 2018	*7.30*	*7.30*
Net carrying amount as at 31st March, 2019	*9.14*	*9.14*

(Currency : Indian Rupees in crore)

13 Trade Payables

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Trade payables			
i) total outstanding dues to micro and small enterprises	**-**	-	-
ii) total outstanding dues of creditors other than micro and small enterprises	**394.91**	279.50	193.68
Total	**394.91**	279.50	193.68

13.1 Trade Payables includes ₹ Nil (Previous Years: ₹ Nil, ₹ 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.

14 Debt Securities

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
At Amortised Cost			
Secured			
Privately placed redeemable non convertible debenture	20,396.53	17,494.97	13,201.21
Secured by pari passu charge by mortgage of Company's Office no.319, 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and receivables under financing activity.			
Unsecured			
Commercial paper	3,723.14	2,915.39	2,020.54
Total	24,119.67	20,410.36	15,221.75
Debt securities in India	24,119.67	20,410.36	15,221.75
Debt securities outside India	-	-	-
Total	**24,119.67**	20,410.36	15,221.75

14.1 No non convertible debentures, non convertible perpetual debentures and any other borrowing is guaranteed by directors and/or others.

14.2 Terms of repayment of privately placed redeemable non convertible debenture.

Previous Year and preceding previous year figures are in (brackets)

Rate of interest (%)	0-1 years	1-3 years	3-5 years	>5 years	Total
	814.97	**1699.72**	**-**	**-**	**2514.69**
7.0-7.5	(329.97)	(2514.45)	-	-	(2844.42)
	-	-	-	-	-
	3121.77	**4900.90**	**-**	**-**	**8022.67**
7.5-8.5	(2509.81)	(5980.69)	(816.71)	-	(9307.21)
	-	(5895.53)	-	-	(5895.53)
	2295.85	**5707.04**	**1706.28**	**-**	**9709.17**
8.5-9.5	(3857.74)	(995.85)	-	-	(4853.59)
	(1064.92)	(4853.08)	-	-	(5918.00)
	150.00	**-**	**-**	**-**	**150.00**
9.5-10.5	(339.77)	(149.98)	-	-	(489.75)
	(897.98)	(489.70)	-	-	(1387.68)
	6382.59	**12307.66**	**1706.28**	**-**	**20396.53**
Total	(7037.29)	(9640.97)	(816.71)	-	(17494.97)
	(1962.90)	(11238.31)	-	-	(13201.21)

(Currency : Indian Rupees in crore)

14.3 All the above non convertible debentures are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year (Refer Note 69).

15 Borrowings (Other than Debt Securities)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
At Amortised Cost			
Borrowings (other than debt securities)			
Secured			
(a) External commercial borrowings (ECB) from International Financial Corporation against hypothecation of Receivables under financing activity	965.57	-	-
(b) Term loans from banks against hypothecation of Receivables under financing activity	15,508.98	12,482.93	8,083.25
(c) Term loan from NBFC against hypothecation of Receivables under financing activity	-	-	500.00
(d) Borrowing under Securitization	1,621.10	867.42	1,922.38
Total	18,095.65	13,350.35	10,505.63
Borrowings in India	18,095.65	13,350.35	10,505.63
Borrowings outside India	-	-	-
Total	**18,095.65**	13,350.35	10,505.63

15.1 No term loans, external commercial borrowings, commercial paper and any other borrowing is guaranteed by directors and/or others.

15.2 During the period presented there were no defaults in the repayment of principal and interest.

15.3 Terms of repayment of External commercial borrowings from International Finance Corporation.

Previous Year and preceding previous year figures are in (brackets)

Rate of interest (%)	0-3 years	3-5 years	Total
	965.57	**-**	**965.57**
8 - 9	**-**	**-**	**-**
	-	**-**	**-**

15.4 Terms of repayment of Term loans from Banks.

Previous Year and preceding previous year figures are in (brackets)

Marginal Cost of Funds Based Lending Rate (MCLR) (a)	0-1 years	1-3 years	3-5 years	Total
1 Month MCLR + (0.00% to 0.75%)	**460.00**	**1415.00**	**-**	**1875.00**
	(335.00)	(1075.00)	-	(1410.00)
	-	-	-	-
3 Month MCLR + (0.00% to 1.5%)	**971.11**	**2212.01**	**502.88**	**3686.00**
	(1497.67)	(3383.17)	(1964.39)	(6845.23)
	(1300.64)	(2483.28)	-	(3783.92)

HDB FINANCIAL SERVICES

(Currency : Indian Rupees in crore)

Marginal Cost of Funds Based Lending Rate (MCLR) (a)	0-1 years	1-3 years	3-5 years	Total
6 Month MCLR + (0.00% to 0.75%)	**809.09**	**427.21**		**1236.30**
	(454.55)	(136.36)	-	(590.91)
	(596.56)	(581.62)	-	(1178.18)
1 Year MCLR + (0.00% to 0.25%)	**734.09**	**1170.45**	**45.45**	**1949.99**
	(467.85)	(591.67)	-	(1059.52)
	(971.15)	(2116.67)	(33.33)	(3121.15)
1 Year MCLR + (0.25% to 1.25%)	**1386.36**	**2,563.64**	**1,299.48**	5249.48
	(227.27)	(1000.00)	-	(1227.27)
	-	-	-	-
Total (a)	**4,360.65**	**7,788.31**	**1,847.81**	**13,996.77**
	(2,982.34)	(6,186.20)	(1,964.39)	(11,132.93)
	(2,868.35)	(5,181.57)	(33.33)	(8,083.25)
Rate linked to T-Bills rates (b)	**0-1 years**	**1-3 years**	**3-5 years**	**Total**
3 Month T-Bills rates (0.00% to 2.50%)	600.00	499.94	149.77	1,249.71
	(100.00)	(850.00)	(400.00)	(1350.00)
	-	-	-	-
12 Month T-Bills rates (0.00% to 2.50%)	**75.00**	**150.00**	**37.50**	**262.50**
	-	-	-	-
	-	-	-	-
Total (b)	**675.00**	**649.94**	**187.27**	**1,512.21**
	(100.00)	(850.00)	(400.00)	(1,350.00)
	-	-	-	-
Total (a)+(b)	**5,035.65**	**8,438.25**	**2,035.08**	**15,508.98**
	(3082.34)	(7036.20)	(2364.39)	(12482.93)
	(2868.35)	(5181.57)	(33.33)	(8083.25)

15.5 Terms of repayment of Term loans from NBFC.

Previous Year and preceding previous year figures are in (brackets)

Overnight Indexed Swap based lending rate (OIS)	0-3 years	3-5 years	Total
3 Month OIS (0.00% to 2.50%)	**-**	**-**	**-**
	-	**-**	**-**
	(500.00)	-	(500.00)

15.6 All the above Term loans are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year.

15.7 Terms of repayment of Borrowing under Securitization

Previous Year and preceding previous year figures are in (brackets)

	0-1 years	1-3 years	3-5 years	Total
6.5 to 7.5	828.72	767.47	24.91	1,621.10
	(549.00)	(318.24)	(0.18)	(867.42)
	(965.43)	(919.34)	(37.61)	(1922.38)

(Currency : Indian Rupees in crore)

16 Subordinated Liabilities

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
At Amortised Cost			
Unsecured			
(a) Privately placed subordinated (Tier II) redeemable bonds	**2,591.78**	1,992.50	1,713.46
(b) Redeemable non convertible perpetual bonds	**298.00**	-	-
Total	**2,889.78**	1,992.50	1,713.46
Subordinated Liabilities in India	**2,889.78**	1,992.50	1,713.46
Subordinated Liabilities outside India	**-**	-	-
Total	**2,889.78**	1,992.50	1,713.46

16.1 No subordinate debts and any other borrowing is guaranteed by directors and/or others.

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

Previous Year and preceding previous year figures are in (brackets)

Rate of interest	<5 year	>5 years	Total
8.0-10.5	828.37 (598.45) -	2,061.41 (1394.05) (1713.46)	2,889.78 (1992.50) (1713.46)

17 Other financial liabilities

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Interest accrued	**1,300.90**	1,049.90	745.75
Overdrawn balances in current account with banks	**1,203.24**	1,150.91	713.85
Loans repayable on demand from banks (overdraft)	**0.00**	0.24	-
Deposits (not as defined in Section 2(31) of Companies Act, 2013)	**9.98**	9.85	9.85
Creditors for other expenses	**54.03**	16.12	14.00
Statutory liabilities	**55.65**	52.24	16.40
Total	**2,623.80**	2,279.28	1,499.85

18 Current tax liabilities (Net)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Provisions for tax (Net of advance tax)	**56.12**	38.35	48.89
Total	**56.12**	38.35	48.89

(Currency : Indian Rupees in crore)

19 Provisions

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Provision for employee benefits			
Gratuity (funded)	**38.94**	30.22	19.98
Compensated absence (unfunded)	**21.07**	19.39	17.37
Salary, bonus and reimbursements	**190.71**	187.18	139.78
Contribution to provident fund	**17.48**	14.46	8.50
	268.20	251.25	185.63
Provision for Impairment loss allowance			
Impairment loss allowance (loan)	**828.24**	702.91	568.31
Impairment loss allowance (Trade receivables)	**5.10**	9.89	2.80
	833.34	712.80	571.11
Total	**1,101.54**	964.05	756.74

An analysis of changes in the Impairment loss allowance in relation to Loans is, as follows:

Analysis of changes in the Impairment loss allowance

	As at 31 March 2019				As at 31 March 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance - opening balance	**343.52**	**115.51**	**243.88**	**702.91**	266.23	103.98	198.10	568.31
Originated or new	**151.30**	**18.99**	**37.43**	**207.72**	146.05	11.87	18.53	176.45
Matured or repaid (excluding write offs)	**(162.50)**	**(61.33)**	**266.71**	**42.88**	(117.23)	(46.09)	214.20	50.88
Transfers to Stage 1	**41.11**	**(20.22)**	**(20.89)**	**-**	42.94	(21.96)	(20.99)	-
Transfers to Stage 2	**(26.08)**	**35.86**	**(9.78)**	**-**	(17.03)	22.05	(5.02)	-
Transfers to Stage 3	**(27.60)**	**(34.80)**	**62.40**	**-**	(17.39)	(24.17)	41.57	-
Remeasurement	**38.62**	**94.17**	**259.69**	**392.47**	39.95	69.84	174.15	283.93
Amounts written off (net of recovery)	**-**	**-**	**(517.75)**	**(517.75)**	-	-	(376.66)	(376.66)
Impairment loss allowance - closing balance	**358.37**	**148.18**	**321.69**	**828.24**	343.52	115.51	243.88	702.91

Reconciliation of impairment Loss allowance on trade receivables:

	As at 31 March 2019	As at 31 March 2018
Balance as at beginning of the year	**9.89**	2.80
Increase during the year	**2.29**	7.51
Decrease during the year	**(7.09)**	(0.42)
Balance at end of the year	**5.10**	9.89

(Currency : Indian Rupees in crore)

20 Other non-financial liabilities

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Other payables	**15.33**	12.27	8.55
Provision for expenses	**65.04**	79.51	55.37
Total	**80.37**	91.78	63.92

21 Equity Share capital

	Face Value	**As at 31 March 2019**	**As at 31 March 2018**	**As at 01 April 2017**	**As at 31 March 2019**	**As at 31 March 2018**	**As at 01 April 2017**
	₹ each		**Number of shares**				
Authorised equity shares	10	1,00,15,50,000	1,00,15,50,000	1,00,15,50,000	1001.55	1001.55	1001.55
Issued, Subscribed & Paid up equity shares fully paid up	10	78,57,00,306	78,29,36,256	78,02,44,296	785.70	782.94	780.24
Total					785.70	782.94	780.24

21.1 Reconciliation of the number of shares

	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
	Number	**Amount**	Number	Amount	Number	Amount
Equity shares of ₹10 fully paid up						
Shares outstanding at the beginning of the year	**78,29,36,256**	**782.94**	78,02,44,296	780.24	780244296	780.24
Shares issued - exercised for ESOP scheme	**27,64,050**	**2.76**	26,91,960	2.70	-	-
Shares outstanding at the end of the year	**78,57,00,306**	**785.70**	78,29,36,256	782.94	78,02,44,296	780.24

21.2 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.

(Currency : Indian Rupees in crore)

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

	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
	No. of Shares held	**% of Holding**	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity shares of ₹ 10 fully paid up						
HDFC Bank Limited (Holding Company)	75,05,96,670	95.53	75,05,96,670	95.87	75,05,96,670	96.20

21.4 Number of shares reserved for ESOPs

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Equity shares of ₹10 fully paid up			
Number of Shares reserved for ESOPs (Refer note 33)	**42,30,300**	62,69,950	58,78,660

21.5 Pursuant to the Scheme of Amalgamation of erstwhile Atlas Documentary Facilitators Company Pvt Ltd & HBL Global Pvt Ltd, 7,560,985 shares of face value ₹10 each were issued during the previous year to the shareholders of erstwhile Atlas Documentary Facilitators Company Pvt Ltd & HBL Global Pvt Ltd for consideration other than cash.

22 Interest Income

	For the year ended 31 March 2019	**For the year ended 31 March 2018**
At amortised cost		
Interest on Loans	**6,697.62**	5,325.63
Interest on deposits with Banks	**14.50**	5.66
Total	**6,712.12**	**5,331.29**

23 Net gain/ (loss) on fair value changes

	For the year ended 31 March 2019	**For the year ended 31 March 2018**
Net gain/ (loss) on financial instruments at fair value through profit or loss (FVTPL)		
Mutual fund units & Treasury Bill	**32.93**	2.52
Unquoted equity shares	**-**	(0.35)
	32.93	2.16
Net gain/ (loss) on financial instruments at fair value through profit or loss (FVTPL)		
Realised	**31.25**	1.97
Unrealised	**1.68**	0.20
Total	**32.93**	2.16

HDB FINANCIAL SERVICES

(Currency : Indian Rupees in crore)

24 Finance Costs

	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest expenses on financial liabilities measured at amortised cost		
Interest on borrowings	**1,328.82**	695.83
Interest on debt securities	**1,587.45**	1,322.75
Interest on subordinated liabilities	**215.43**	166.92
Discount on commercial paper	**189.33**	256.25
Other borrowing costs	**12.30**	7.32
Total	**3,333.33**	2,449.07

25 Impairment on financial instruments

	For the year ended 31 March 2019	For the year ended 31 March 2018
Impairment on financial instruments at amortised cost		
Loans	**641.73**	517.69
Trade receivables	**(4.79)**	7.09
Total	**636.94**	**524.78**

26 Employee benefits expense

	For the year ended 31 March 2019	For the year ended 31 March 2018
Salaries and wages (including bonus)	**2,353.78**	2,049.51
Contribution to provident and other funds	**153.20**	145.75
Employee share based payment expenses	**15.36**	14.53
Staff welfare expenses	**29.40**	18.50
Total	**2,551.74**	2,228.29

27 Other expenses

	For the year ended 31 March 2019	For the year ended 31 March 2018
Rent	**57.59**	60.89
Rates and taxes	**0.28**	0.55
Telephone	**23.91**	21.79
Power and fuel	**21.63**	23.29
Repairs and maintenance- premises	**1.69**	2.90
Repairs and maintenance-others	**1.96**	1.58
Credit report charges	**46.78**	51.89
Commission and brokerage	**3.00**	2.31
Auditor's remuneration (Refer Note 29)	**0.76**	0.54
Insurance	**0.68**	0.81
Loss on sale of asset	**0.28**	0.15
Expenses towards Corporate Social Responsibility Initiative (Refer Note 39)	**22.65**	11.44
Others administrative expenses	**235.61**	165.42
Total	**416.82**	**343.56**

(Currency : Indian Rupees in crore)

28 Earning per share

	For the year ended 31 March 2019	For the year ended 31 March 2018
Net Profit (₹ in crore)	1,153.24	933.02
Continuing Operations		
Weighted average number of equity shares		
Basic	78,38,32,157	78,12,01,590
Diluted	78,48,30,145	78,25,13,957
Earnings per share (₹)		
Basic	14.71	11.94
Diluted	**14.69**	**11.92**
Face value per share (₹)	**10.00**	**10.00**

The dilutive effect on the earnings per share is caused by the potential shares that would be issued upon the exercise of the ESOP Options. As a result of the dilution, the denominator increased by 9,97,988 shares (Previous Year 13,12,367 shares).

29 Auditor's Remuneration

	For the year ended 31 March 2019	For the year ended 31 March 2018
As Auditor		
Statutory audit	0.59	0.45
Tax audit	0.03	0.03
Others	0.06	-
For certificates	0.02	0.02
Sub Total	0.70	0.50
GST	0.06	0.04
Total	0.76	0.54

30 First-time adoption of Ind AS

These financial statements, for the year ended 31 March 2019, are the first financial statements the Company has prepared in accordance with Ind AS. For periods up to and including the year ended 31 March 2018, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013.

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on 31 March 2019, together with the comparative period data as at and for the year ended 31 March 2018, as described in the significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 1 April 2017, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 1 April 2017 and the financial statements as at and for the year ended 31 March 2018.

An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following notes & tables.

Effective interest rate (EIR) method - Previous GAAP did not require loans to be recorded using the EIR method. Under Ind AS, the EIR method calculates the amortised cost of a financial instrument and allocates such interest over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Expected credit loss (ECL) - Previous GAAP provisions for credit losses were primarily based on RBI guidelines. Under Ind AS, the ECL allowance is based on the credit losses expected to arise from all possible default events over the expected life of the financial asset ('lifetime ECL'), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The ECL approach, under Ind AS, is also applied to loan commitments after first determining the credit conversion factor.

Income recognition on credit-impaired loans - RBI guidelines required income on NPAs to be reversed. Under Ind AS, income continues to be recognised on credit impaired loans, by applying the effective interest rate to the net amortised cost of loans (i.e. net of allowance for loan losses).

Write-off of certain credit-impaired loans - The Company determines write-offs when it has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Borrowing costs - Previous GAAP did not require amortised cost accounting for liabilities. Under Ind AS, the Company determines the effective interest rate of its borrowings and records interest expense on that basis.

Investments - Under Previous GAAP, the Company classified its investments into current and non-current, the former being recorded at the lower of cost and net realisable value and the latter at cost. Provisions were recorded in case of other than temporary diminution in the value of non-current investments. Under Ind AS, the Company has classified its investments at fair value through profit or loss, which requires re-measurement at fair value at the balance sheet date and the recording of fair value movements in the profit and loss account.

Security deposits - Previous GAAP did not require the fair valuation of financial instruments at initial recognition. Under Ind AS, the Company records security deposits provided to landlords at fair value, with corresponding adjustments to interest expense and rental expense.

Employee retirement benefit plans - Previous GAAP required actuarial experience adjustments relating to defined benefit plans, i.e. gratuity and compensated absences, to be recorded in the profit and loss account. By contrast, under Ind AS, the Company records such adjustments in OCI.

Share-based payment transactions - Under Previous GAAP, the Company recorded its ESOP grants at intrinsic value while under Ind AS, the grants are recorded at fair value.

Deferred tax - Previous GAAP required the recognition of deferred tax on the basis of timing differences, i.e. differences in the timing of recognising items of income and expense between the books and under current tax regulations. On the other hand, under Ind AS, the Company records deferred tax computed on balance sheet basis differences between the books and under current tax regulations.

Securitisation of loans - Previous GAAP permitted the de-recognition of certain financial assets that Ind AS does not. As a result, the Company retains certain securitised loans on its balance sheet with a corresponding recognition of collateralised borrowings.

Ind AS 101 exemptions - The Company has used certain available exemptions under Ind AS 101 for first-time adoption, and accordingly has retained the accounting under Previous GAAP for transactions that occurred prior to the Ind AS transition date. These optional exemptions relate to business combinations, property plant and equipment, intangible assets and vested ESOP grants.

Cash flow statement - There are no significant differences in the principles used for presenting cash flows between the previous GAAP and Ind AS.

HDB FINANCIAL SERVICES

(Currency : Indian Rupees in crore)

30 First-time adoption of Ind AS

Reconciliation of balance sheet (including equity) as previously reported under IGAAP to Ind AS

	As at 01 April 2017			As at 31 March 2018		
	Previous GAAP	Adjustment	Ind AS	Previous GAAP	Adjustment	Ind AS
ASSETS						
Financial Assets						
(a) Cash and cash equivalents	70.03	-	70.03	61.61	-	61.61
(b) Bank balances Other than cash and cash equivalents	120.74	-	120.74	75.79	-	75.79
(c) Trade receivables	115.44	-	115.44	126.44	-	126.44
(d) Loans	32,291.81	1,779.14	34,070.94	43,572.71	695.60	44,268.31
(e) Investments	464.06	(62.64)	401.42	429.36	(27.86)	401.50
(f) Other financial assets	40.00	(0.01)	40.00	64.72	(0.02)	64.71
	33,102.08	1,716.49	34,818.57	44,330.64	667.72	44,998.36
Non-financial Assets						
(a) Current tax assets (Net)	24.41	-	24.41	15.37	-	15.37
(b) Deferred tax assets (Net)	138.45	100.12	238.57	185.67	110.10	295.77
(c) Property, Plant and Equipment	125.80	-	125.80	129.72	-	129.72
(d) Capital work-in-progress	0.24	-	0.24	-	-	-
(e) Other Intangible assets	5.18	-	5.18	7.30	-	7.30
	294.08	100.12	394.20	338.06	110.10	448.16
TOTAL ASSETS	33,396.16	1,816.61	35,212.77	44,668.70	777.82	45,446.52
LIABILITIES AND EQUITY						
Liabilities						
Financial Liabilities						
(a) Trade Payables						
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	283.27	(89.59)	193.68	339.92	(60.43)	279.50
(b) Debt Securities	15,224.84	(3.09)	15,221.75	20,413.94	(3.57)	20,410.36
(c) Borrowings (Other than Debt Securities)	8,583.25	1,922.38	10,505.63	12,482.93	867.42	13,350.35
(d) Subordinated Liabilities	1,720.00	(6.54)	1,713.46	2,000.00	(7.50)	1,992.50
(e) Other financial liabilities	1,496.65	3.19	1,499.85	2,277.50	1.78	2,279.28
	27,308.01	1,826.36	29,134.37	37,514.28	797.70	38,311.99
Non-Financial Liabilities						
(a) Current tax liabilities (Net)	48.89	-	48.89	40.02	(1.67)	38.35
(b) Provisions	612.44	144.30	756.74	820.38	143.66	964.05
(c) Other non-financial liabilities	63.92	-	63.92	91.78	-	91.78
	725.25	144.30	869.55	952.19	141.99	1,094.18
Equity						
(a) Equity Share capital	780.24	-	780.24	782.94	-	782.94
(b) Other Equity	4,582.66	(154.05)	4,428.61	5,419.29	(161.88)	5,257.41
	5,362.90	(154.05)	5,208.86	6,202.23	(161.88)	6,040.35
TOTAL LIABILITIES AND EQUITY	33,396.16	1816.61	35,212.77	44,668.70	777.82	45,446.52

(Currency : Indian Rupees in crore)

Reconciliation statement of profit and loss as previously reported under IGAAP to Ind AS

			For the year ended 31 March 2018		
			Previous GAAP	Adjustment	Ind AS
1		**Revenue from operations**			
	(a)	Interest income	5,146.05	185.24	5,331.29
	(b)	Sale of services	1,529.00	-	1,529.00
	(c)	Other financial charges	386.58	(221.90)	164.67
	(d)	Net gain on fair value changes	1.72	0.44	2.16
		Total Revenue from operations	7,063.35	(36.23)	7,027.12
2		**Expenses**			
	(a)	Finance Costs	2,357.12	91.95	2,449.07
	(b)	Impairment on financial instruments	519.00	5.78	524.78
	(c)	Employee Benefits Expenses	2,219.34	8.95	2,228.29
	(d)	Depreciation, amortization and impairment	45.31	-	45.31
	(e)	Others expenses	456.35	(112.78)	343.56
		Total Expenses	5,597.11	(6.11)	5,591.01
3		**Profit/(loss) before tax**	1,466.24	(30.13)	1,436.11
4		**Tax Expense:**			
	(a)	Current tax	560.00	(1.66)	558.34
	(b)	Deferred tax (credit)	(47.22)	(8.03)	(55.25)
	(c)	Income tax for earlier year	0.00	0.00	0.00
		Total Tax expense	512.78	(9.69)	503.09
5		**Profit/(loss) for the period from continuing operations**	953.46	(20.44)	933.02
6		**Other Comprehensive Income**			
	(a)	Items that will not be reclassified to profit or loss			
		- Remeasurement gain/(loss) on defined benefit plan	-	(5.59)	-5.59
	(b)	Income tax relating to items that will not be reclassified to profit or loss	-	1.95	1.95
		Other Comprehensive Income	-	(3.63)	(3.63)
7		**Total Comprehensive Income for the period**	953.46	(24.08)	929.38

31 Operating leases

i. Future minimum lease payments under non-cancellable operating leases

Period	**31 March 2019**	**31 March 2018**
Not later than one year	55.09	48.85
Later than one year, but less than five years	198.36	173.36
More than five years	88.74	77.29

ii. Lease payments recognized in the Statement of Profit and Loss ₹ 56.47 crore (Previous year ₹ 59.83 crore).

iii. Future sub lease income receivable is ₹0.63 crore (Previous year ₹ 0.75 crore).

iv. General description of leasing arrangement

a) Leased Assets: Premises and Computers.

b) Future lease rentals are determined on the basis of agreed terms, that include inflated related adjustments.

c) 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.

32 **Dividend distributed to equity shareholders**

The Board has recommended a final dividend of ₹1.80 per equity share for financial year ended 31 March 2019 in the Board of Directors meeting held on 18 April 2019.

33 **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 ESOP-8 on 14 July 2015, ESOP-9 on 18 October 2016, ESOP-10 on 13 October 2017 and ESOP-11 on 15 January 2019. 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-8 and maximum of four years from the date of vesting for ESOP-9, ESOP-10 and ESOP-11.

Method used for accounting for shared based payment plan.

The Company uses fair 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 for the year ended 31 March 2019

Particulars	Options	Exercise Price (₹)
Options outstanding, beginning of year	6,269,950	168.41
Granted during the year	910,500	274.00
Exercised during the year	2,764,050	141.22
Forfeited/lapsed during the year	186,100	159.37
Options outstanding, end of year	4,230,300	209.36

Movement in the options outstanding under the Employees Stock Option Plan for the year ended 31 March 2018

Particulars	Options	Exercise Price (₹)
Options outstanding, beginning of year	5,878,660	112.46
Granted during the year	3,340,250	213.00
Exercised during the year	2,691,960	106.74
Forfeited/lapsed during the year	257,000	114.01
Options outstanding, end of year	6,269,950	168.41

Following summarizes the information about stock options outstanding as at 31 March 2019

Plan	Exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life (in years)
ESOP - 8	88	34,500	1.50
ESOP - 9	137	874,200	4.53
ESOP - 10	213	2.414,200	5.06
ESOP - 11	274	907,400	5.94

Following summarizes the information about stock options outstanding as at 31 March 2018

Plan	Exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life (in years)
ESOP - 8	88	1,115,000	2.47
ESOP - 9	137	1,844,200	5.02
ESOP - 10	213	3,310,750	5.69

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 based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model for the stock options granted by the Company are:

Particulars	31 March 2019	31 March, 2018
Dividend yield	0.66%	0.70%
Expected volatility	0.35	0.43
Risk-free interest rate	7.23%	6.44%
Expected life of the option	3.01 years	3.05 years

During the year ended 31 March 2019, the Company recorded an employee stock compensation expense of ₹15.36 crore (previous year ₹14.53 crore) in the Statement of Profit and Loss.

34 Segment reporting

(₹ in crore)

S.No	Particulars	31 March 2019	31 March, 2018
i.	**Segment Revenue**		
	Lending business	7,076.70	5,492.67
	BPO Services	1,648.12	1,529.19
	Unallocated	-	-
	Income from Operations	**8,724.81**	**7,021.86**
ii.	**Segment Results**		
	Lending business	1,720.62	1,427.00
	BPO Services	73.21	69.00
	Unallocated	(69.76)	(59.88)
	Profit before tax	**1,724.06**	**1,436.12**
	Income Tax expenses		
	Current tax	648.99	558.34
	Deferred tax Asset	(87.34)	(55.25)
	Income tax for earlier year	9.17	-
	Net Profit	**1,153.25**	**933.04**
iii.	**Capital Employed**		
	Segment assets		
	Lending business	56,002.12	45,014.11
	BPO Services	110.42	117.16
	Unallocated	427.77	315.25
	Total Assets	**56,540.31**	**45,446.52**
	Segment Liabilities		
	Lending business	49,050.57	39,092.20
	BPO Services	184.17	179.49
	Unallocated	127.10	134.49
	Total Liabilities	**49,361.84**	**39,406.18**
	Net Segment assets/(liabilities)	7,178.47	6,040.34

(Currency : Indian Rupees in crore)

S.No	Particulars	31 March 2019	31 March, 2018
iv.	**Capital Expenditure (including net CWIP)**		
	Lending business	33.17	40.43
	BPO Services	10.75	10.74
	Unallocated	4.49	0.47
	Total	**48.41**	**51.64**
v.	**Depreciation**		
	Lending business	48.66	34.25
	BPO Services	10.61	10.36
	Unallocated	2.65	0.70
	Total	**61.92**	**45.31**
vi.	**Other non cash expenditure**		
	Lending business	636.95	524.43
	BPO Services	-	-
	Unallocated	-	0.35
	Total	**636.95**	**524.78**

a) Chief Operating Decision Maker

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Maker (CODM). The Managing Director ('MD') of the Company has been identified as the CODM as defined by Ind AS 108 Operating Segments, who assesses the financial performance and position of the Company and makes strategic decisions.

b) Operating Segment

The Company is organised primarily into two operating segments, i.e. Lending business and BPO services. Lending business includes providing finance to retail customers for a variety of purposes like purchase of commercial equipment and commercial vehicles, personal purposes, enterprise loans, etc. Revenue from lending business includes (i) interest income and processing fees net of loan origination costs, (ii) collection-related charges like cheque bouncing charges, late payment charges and foreclosure charges, and (iii) insurance commission. BPO services comprises of sales support services, back office, operations, processing support, running collection call centres and collecting overdue amounts from borrowers.

c) 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 enterprise as a whole and are not allocable to a segment on a reasonable basis have been disclosed as 'Unallocated'.

d) Segment Assets and Liabilities

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

e) Accounting Policies

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

35 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:

Aditya Puri (Chairman & Non Executive Director)
Bhavesh Zaveri (Non Executive Director)
Jimmy Tata (Non Executive Director)
Smita Affinwalla (Independent Director)
Venkatraman Srinivasan (Independent Director)
G Ramesh (Managing Director and CEO)

Other related parties :

HDFC Ergo General Insurance Company Limited
HDFC Life Insurance Company Limited
HDFC Trustee Company Limited

Details of Related Party Transactions for the Year:

(₹ in crore)

Related party	Nature of transaction	31 March 2019	31 March 2018
HDFC Bank Limited	Bank charges	8.39	5.93
	Charges for back office support services received/recoverable	691.56	643.07
	Charges for sales support services received/recoverable	1,070.35	992.57
	Commission on sourcing of credit cards received/recoverable	-	0.02
	Corporate logo license fees	11.98	-
	Dividend paid	52.54	112.59
	Fixed deposits placed	135.00	94.50
	Interest paid on non-convertible debentures	80.29	-
	Interest paid on term loan and OD account	214.24	104.83
	Interest received on fixed deposits	4.56	2.63
	Investment banking fees paid	1.97	1.21
	IPA charges	0.02	0.04
	Reimbursement of IT Expenses	0.09	-
	Reimbursement of R & M charges received /receivable	-	0.73
	Rent paid for premises taken on sub-lease	3.31	2.97
	Rent received/receivable for premises given on sub-lease	-	0.80
	Securities purchased during the year	2,181.00	1,885.00
	Securitisation	963.22	-
	Term loan availed during the year	2,150.00	1,000.00
	Term loan paid during the year	640.91	587.27
	Tele collection charges/field collection charges received/ recoverable for collection services rendered	154.97	133.44
HDFC Securities Ltd	Commission on sourcing of loans	-	0.01
	Rent received/receivable for premises given on sub-lease	0.11	0.12
Key Management Personnel	Director sitting fees and commission paid	0.46	0.38
	Dividend paid	0.28	0.18
	Salary including perquisites and allowances	3.72	3.47
	Stock Options	0.91	-
	Others Contribution to Funds*	0.10	0.09
Other related parties	Insurance commission received/receivable	25.32	15.09
	Insurance premium paid	1.73	-
	Rent received/receivable for premises given on sub-lease	0.02	0.19
	Rent paid/payable	0.05	0.03

* excludes amounts pertaining to gratuity and compensated absences, which are actuarially valued at the Company level.

(Currency : Indian Rupees in crore)

Balances outstanding:

Related party	Nature of transaction	31 March 2019	31 March 2018	01 April 2017
HDFC Bank Limited	Securitisation	878.20	115.18	575.88
	Balance in current accounts	282.68	42.82	49.65
	Balance receivable	83.69	85.39	105.75
	Balance payable	12.22	-	-
	Fixed deposit	134.96	58.42	68.67
	Security deposit paid	0.20	0.20	0.20
	Security deposit received	9.85	9.85	9.85
	Term loan outstanding	3,100.00	1,590.90	1,180.15
	Non convertible debentures issued	965.00	1,120.00	675.00
	Outstanding lending commitments by HDFC Bank	1,000.00	-	-
HDFC Securities Ltd.	Balance receivable	0.17	0.14	0.14
Other related parties**	Balance payable	1,646.90	1,483.00	783.00
	Balance receivable	5.13	6.42	0.57

** excludes amounts pertaining to insurance premiums payable that are in the nature of pass through.

36 Employee benefits

Defined contribution plan

The contribution made to various statutory funds is recognized as expense and included in Note 26 'Employee benefits expense' under 'Contribution to provident and other funds' in Statement of Profit and Loss.

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 and Life Insurance Corporation of India Limited (LIC). HDFC Life and LIC have certified the Fair Value of the Plan Assets .

Details of Actuarial Valuation as at 31 March 2019 :

	Particulars	31 March 2019	31 March 2018	01 April 2017
A.	**Change in defined benefit obligation**			
1	Defined benefit obligation at beginning of period	63.37	52.96	40.12
2	Service cost			
	a. Current service cost	15.24	12.04	11.27
	b. Past service cost	0.57	-	-
	c. (Gain)/loss on settlements	-	-	-
3	Interest expenses	4.19	3.14	2.78
4	Cash flows			
	a. Benefit payments from plan	(9.59)	(8.35)	(6.54)
	b. Benefit payments from employer	-	-	-
	c. Settlement payments from plan	-	-	-
	d. Settlement payments from employer	-	-	-

HDB FINANCIAL SERVICES

(Currency : Indian Rupees in crore)

	Particulars	31 March 2019	31 March 2018	01 April 2017
5	Remeasurements			
	a. Effect of changes in demographic assumptions	(0.91)	0.59	0.56
	b. Effect of changes in financial assumptions	0.35	(0.70)	0.64
	c. Effect of experience adjustments	3.67	3.67	4.13
6	Transfer In /Out			
	a. Transfer In	-	-	-
	b. Transfer out	-	-	-
7	Defined benefit obligation at end of period	76.88	63.37	52.96
B.	**Change in fair value of plan assets**			
1	Fair value of plan assets at beginning of period	33.18	30.01	25.17
2	Interest income	2.55	2.04	2.09
3	Cash flows			
	a. Total employer contributions			
	(i) Employer contributions	14.11	8.01	10.46
	(ii) Employer direct benefit payments	-	-	-
	(iii) Employer direct settlement payments	-	-	-
	b. Participant contributions	-	-	-
	c. Benefit payments from plan assets	(9.59)	(8.35)	(6.54)
	d. Benefit payments from employer	-	-	-
	e. Settlement payments from plan assets	-	-	-
	f. Settlement payments from employer	-	-	-
4	Remeasurements			
	a. Return on plan assets (excluding interest income)	(2.17)	(2.02)	(1.17)
5	Transfer In /Out			
	a. Transfer In	-	3.49	-
	b. Transfer out	-	-	-
6	Fair value of plan assets at end of period	38.09	33.18	30.01
C.	**Amounts recognized in the Balance Sheet**			
1	Defined benefit obligation	76.88	63.37	52.96
2	Fair value of plan assets	(38.09)	(33.18)	(30.01)
3	Funded status	38.79	30.19	22.95
4	Effect of asset ceiling	-	-	-
5	Net defined benefit liability (asset)	38.79	30.19	22.95
D.	**Components of defined benefit cost**			
1	Service cost			
	a. Current service cost	15.24	12.04	11.27
	b. Past service cost	0.57	-	-
	c. (Gain)/loss on settlements	-	-	-
	d. Total service cost	15.80	12.04	11.27
2	Net interest cost			
	a. Interest expense on DBO	4.19	3.14	2.78
	b. Interest (income) on plan assets	2.55	2.04	2.09
	c. Interest expense on effect of (asset ceiling)	-	-	-
	d. Total net interest cost	1.64	1.11	0.70

(Currency : Indian Rupees in crore)

	Particulars	31 March 2019	31 March 2018	01 April 2017
3	Remeasurements (recognized in OCI/Retained Earnings)			
	a. Effect of changes in demographic assumptions	(0.91)	0.59	0.56
	b. Effect of changes in financial assumptions	0.35	(0.70)	0.64
	c. Effect of experience adjustments	3.67	3.67	4.13
	d. Return on plan assets (excluding interest income)	(2.17)	(2.02)	(1.17)
	e. Changes in asset ceiling (excluding interest income)	-	-	-
	f. Total remeasurements included in OCI/ Retained Earnings	5.27	5.59	6.49
4	Total defined benefit cost recognized in P&L and OCI	22.72	18.74	18.46
E.	**Re-measurement**			
	a. Actuarial Loss/(Gain) on DBO	3.11	3.57	5.33
	b. Returns above Interest Income	(2.17)	(2.02)	(1.17)
	c. Change in Asset ceiling	-	-	-
	Total Re-measurements (OCI/Retained Earnings)	5.27	5.59	6.49
F.	**Employer Expense (P&L)**			
	a. Current Service Cost	15.24	12.04	11.27
	b. Interest Cost on net DBO	1.64	1.11	0.70
	c. Past Service Cost	0.57	-	-
	d. Total P&L Expenses	17.45	13.15	11.97
G.	**Net defined benefit liability (asset) reconciliation**			
1	Net defined benefit liability (asset)	30.19	22.95	14.95
2	Defined benefit cost included in P&L	17.45	13.15	11.97
3	Total remeasurements included in OCI/ Retained Earnings	5.27	5.59	6.49
4	a. Employer contributions	(14.11)	(8.01)	(10.46)
	b. Employer direct benefit payments	-	-	-
	c. Employer direct settlement payments	-	-	-
5	Net transfer	-	(3.49)	-
6	Net defined benefit liability (asset) as of end of period	38.79	30.19	22.95
H.	**Reconciliation of OCI (Re-measurement)**			
1	Recognised in OCI at the beginning of period	2.60	-	-
2	Recognised in OCI during the period	5.27	5.59	6.49
3	Recognised in OCI/Retained Earnings at the end of the period	7.87	5.59	6.49
I.	**Sensitivity analysis - DBO end of Period**			
1	Discount rate +100 basis points	75.85	61.92	51.97
2	Discount rate -100 basis points	77.96	64.50	53.95
3	Salary Increase Rate +1%	77.58	64.20	53.67
4	Salary Increase Rate -1%	76.20	62.18	52.23
5	Attrition Rate +1%	76.66	63.03	52.70
6	Attrition Rate -1%	77.11	63.32	53.18

(Currency : Indian Rupees in crore)

	Particulars	31 March 2019	31 March 2018	01 April 2017
J.	**Significant actuarial assumptions**			
1	Discount rate Current Year (p.a.)	6.84% - 6.92%	7.00%	6.42% - 6.54%
2	Discount rate Previous Year (p.a.)	7.00%	6.42% - 6.54%	7.51% - 7.75%
3	Salary increase rate (p.a.)	5.00% - 8.00%	5.00% - 7.00%	5.00% - 7.50%
4	Attrition Rate (%)	27%-92%	30%-90%	25%-95%
5	Retirement Age (years)	60	60	60
6	Pre-retirement mortality	IALM (2012-14) Ultimate	IALM (2006-08) Ultimate	IALM (2006-08) Ultimate
7	Disability	Nil	Nil	Nil
K.	**Data**			
1	No.	88,713	72,889	65,463
2	Average age (yrs.)	28-30	28-30	28-30
3	Average past service (yrs.)	2-3	2-3.5	2-3
4	Average salary monthly (₹)	6,944 - 8,966	7,179 - 8,766	7,221 - 8,526
5	Future service (yrs.)	31.33	31.33	31.33
6	Weighted average duration of DBO	2.67	3.00	3.00
L.	**Defined benefit obligation at end of period**			
	Current Obligation	25.15	19.69	19.12
	Non-Current Obligation	51.73	43.68	33.85
	Total	76.88	63.37	52.96
M.	**Expected cash flows for following year**			
1	Expected contributions/Addl. Provision Next Year	37.76	24.86	17.28
2	Expected total benefit payments			
	Year 1	42.90	19.69	19.12
	Year 2	17.15	16.70	13.39
	Year 3	9.25	11.07	7.61
	Year 4	5.36	7.70	4.92
	Year 5	3.18	5.21	3.46
	Next 5 years	4.20	9.29	6.67

Category of Plan asset	**% of Fair value to total planned assets (as at 31 March 2019)**
Government securities and corporate bonds/debentures	98.01%
Money market instruments and fixed deposits	0.19%
Net current assets and other approved security	1.80%
Total	**100.00%**

The Company's gratuity plan obligation is determined by actuarial valuation and is funded by investments in government securities. As such, the valuation and the funding are exposed to certain risks, including mainly salary increments, attrition levels, interest rates and investment yields. If salaries and interest rates rise faster than assumed or if the attrition rates are lower than assumed, then the company's gratuity obligation would rise faster in future periods and an increase in market yields of government securities would reduce the value of the plan's investments, leading to higher future funding requirements. The Company monitors plan obligations and investments regularly with a view to ensuring that there is adequate funding on an ongoing basis, thus mitigating any potential adverse consequences of the risks described.

(Currency : Indian Rupees in crore)

37 Contingent liabilities

S.N.	Particulars	31 March 2019	31 March 2018	01 April 2017
1	Claims against the Company not acknowledged as debt (Refer Note 37.1)	93.73	92.75	92.41
2	Estimated amount of contracts remaining to be executed on capital account and not provided for: (Net of Advances amounting to ₹ 1.27 crore, previous year ₹ 2.94 crore)	19.53	3.44	11.42
3	Undrawn committed sanctions to borrowers	31.70	114.08	107.34

37.1 Claims against the Company not acknowledged as debt

Particulars	31 March 2019	31 March 2018	01 April 2017
Suit filed by borrowers	3.54	2.56	1.43
Other contingent liabilities in respect of :			
1. Provident Fund matter - (see (a) below)	50.14	50.14	50.14
2. Payment of Bonus (Amendment) Act, 2015 - (see (b) below)	34.88	34.88	34.88
3. Income tax matter	4.85	4.85	4.85
4. Service tax demands	-	-	0.79
5. Payment of Labour Welfare Fund	0.32	0.32	0.32
Total	**93.73**	**92.75**	**92.41**

a) Provident Fund matter

The Company has received a notice of demand from the Provident Fund department amounting to ₹50.14 crore. The Company had filed an appeal challenging the Provident Fund Commissioner's order before the Provident Fund Appellate Tribunal, wherein the Company had received a favorable outcome. However, a sum of ₹ 1 crore has been deposited under protest with the Provident Fund Appellate Authority. This amount is shown under Other financial assets in Note 9.

The Provident Fund department has challenged order of the appellate authority in the High Court. The management of the Company is of the view that no material losses will arise in respect of the legal claim and accordingly the same has been disclosed as a contingent liability. 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) There are numerous interpretative issues relating to the Supreme Court judgement dated 28th February, 2019, relating to components/allowances paid that need to be taken into account while computing an employer's contribution of provident fund under the EPF Act. The Company is in the process of evaluating the method of computation of its PF contribution prospectively and would record any further effect in its financial statements, on receiving additional clarity on the subject.

c) Payment of Bonus (Amendment) Act, 2015

As per the amendment to the Payment of Bonus (Amendment) Act, 2015 vide notification number DL-(N)04/70007/2003-16 issued on 1 January 2016 by Government of India, the Company would be required to pay statutory bonus to all eligible employees as per the amendments specified thereunder, with effect from 1 April 2014. However, various High Courts have granted a stay on retrospective effect of Payment of Bonus (Amendment) Act, 2015 from financial year 2014-15. In light of the above, the Company has decided to disclose such bonus amounting to ₹ 34.88 crore as a contingent liability.

37.2 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.

37.3 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.

38 Maturity analysis of assets & liabilities

(₹ in crore)

Particulars	31 March 2019		31 March 2018		01 April 2017	
	Current	Non Current	Current	Non Current	Current	Non Current
ASSETS						
Financial Assets						
(a) Cash and cash equivalents (CCE)	334.72	-	61.61	-	70.03	-
(b) Bank balances other than CCE	153.79	-	75.79	-	120.74	-
(c) Trade receivables	119.52	-	126.44	-	115.44	-
(d) Loans	16,988.23	37,721.18	12,917.16	31,351.15	8,944.00	25,126.94
(e) Investments	567.41	0.95	400.55	0.95	400.11	1.31
(f) Other financial assets	40.54	69.25	38.88	25.83	14.14	25.86
	18,204.21	37,791.38	13,620.43	31,377.93	9,664.46	25,154.11
Non-financial Assets						
(a) Current tax assets (Net)	36.74	-	15.37	-	24.41	-
(b) Deferred tax assets (Net)	-	384.96	-	295.77	-	238.57
(c) Property, plant and equipment	-	113.89	-	129.72	-	125.80
(d) Capital work-in-progress	-	-	-	-	-	0.24
(e) Other intangible assets	-	9.14	-	7.30	-	5.18
	36.74	507.99	15.37	432.79	24.41	369.79
TOTAL ASSETS	18,240.95	38,299.37	13,635.80	31,810.72	9,688.87	25,523.90
LIABILITIES						
Financial Liabilities						
(a) Trade payables	394.91	-	279.50	-	193.68	-
(b) Debt securities	10,105.73	14,013.94	9,952.68	10,457.68	3,983.40	11,238.35
(c) Borrowings other than debt securities	5,864.37	12,231.28	3,631.34	9,719.01	3,833.78	6,671.85
(d) Subordinated liabilities	-	2,889.78	-	1,992.50	-	1,713.46
(e) Other financial liabilities	2,303.28	320.52	2,145.83	133.45	1,348.65	151.20
	18,668.29	29,455.52	16,009.35	22,302.64	9,359.51	19,774.86

(₹ in crore)

Particulars	31 March 2019		31 March 2018		01 April 2017	
	Current	Non Current	Current	Non Current	Current	Non Current
Non-Financial Liabilities						
(a) Current tax liabilities (net)	56.12	-	38.35	-	48.89	-
(b) Provisions	242.93	858.61	237.15	726.90	169.29	587.45
(c) Other non-financial liabilities	65.04	15.33	79.51	12.27	55.37	8.55
	364.09	873.94	355.01	739.17	273.55	596.00
TOTAL LIABILITIES	19,032.38	30,329.46	16,364.36	23,041.81	9,633.06	20,370.86
NET	(791.43)	7,969.91	(2,728.56)	8,768.91	55.81	5,153.04

39 The average profit before tax of the Company for the last three financial years was ₹1,121 crore, basis which the Company was required to spend ₹22.42 crore towards Corporate Social Responsibility (CSR) activities for the current financial year. The Company has spent ₹22.85 crore towards CSR for the year.

Amount spent during the year on:

Particulars	31 Mar 2019			31 Mar 2018		
	Amount Spent	Amount Unpaid/ provision	Total	Amount Spent	Amount Unpaid/ provision	Total
Construction/acquisition of any asset				-	-	-
On purpose other than (i) above	22.85 *	-	22.85	11.55 *	-	11.55

* including administrative charges for CSR activities amounting to ₹0.20 crore (previous year 0.11 crore).

40. 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	31 March 2019	31 March 2018	01 April 2017
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.

41 Fair Value Measurement

a) Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained below:

b) Total financial assets measured at fair value on a recurring basis

The following tables show an analysis of the fair value of financial assets by level of the fair value hierarchy.

(₹ in crore)

Investments	Category	Fair value hierarchy	Fair Value		
			31 March 2019	31 March 2018	01 April 2017
Mutual fund units	FVTPL	Level 1	326.86	400.55	400.11
Unquoted equity shares	FVTPL	Level 3	0.95	0.95	1.31
Treasury bills	FVTPL	Level 1	240.55	-	-

Observable inputs (Level 1):

Units held in mutual funds are measured based on their published net asset value (NAV), taking into account redemption and/or other restrictions.

Treasury bills are valued based on market quotes.

Unobservable inputs (Level 3):

Unquoted equity shares are measured at fair value using suitable valuation models.

c) The table below presents information pertaining to the fair values and carrying values of the Company's financial assets and liabilities.

(₹ in crore)

Particulars	Category	31 March 2019		31 March 2018		01 April 2017	
		Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial Assets							
(a) Cash and cash equivalents (CCE)		334.72	334.72	61.61	61.61	70.03	70.03
(b) Bank balances other than CCE		153.79	153.79	75.79	75.79	120.74	120.74
(c) Trade receivables		119.52	119.52	126.44	126.44	115.44	115.44
(d) Loans	Level 2	54,709.41	51,552.08	44,268.31	42,457.54	34,070.94	32,833.27
(e) Investments - Mutual funds and Treasury bills		567.41	567.41	400.55	400.55	400.11	400.11
Investments - Unquoted equity shares	Level 3	0.95	0.95	0.95	0.95	1.31	1.31
(f) Other financial assets		109.79	109.79	64.71	64.71	40.00	40.00
		55,995.59	**52,838.26**	**44,998.36**	**43,187.59**	**34,818.57**	**33,580.90**

Particulars	Category	31 March 2019		31 March 2018		01 April 2017	
		Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial Liabilities							
(a) Trade payables		394.91	394.91	279.50	279.50	193.68	193.68
(b) Debt securities	Level 2	24,119.67	18,230.59	20,410.36	21,373.12	15,221.75	15,775.71
(c) Borrowings other than Securitization	Level 2	16,474.55	18,545.44	12,482.93	11,942.92	8,583.25	8,299.53
Borrowings under Securitization	Level 2	1,621.10	1,759.70	867.42	918.38	1,922.38	2,070.18
(d) Subordinated liabilities	Level 2	2,889.78	4,808.56	1,992.50	2,090.83	1,713.46	1,849.01
(e) Other financial liabilities		2,623.80	2,623.80	2,279.28	2,279.28	1,499.85	1,499.85
		48,123.81	**46,363.00**	**38,311.99**	**38,884.03**	**29,134.37**	**29,687.96**

(i) Short-term and other financial assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than twelve months) and for other financial assets and other financial liabilities that are insignificant in value, the carrying amounts, net of impairment, if any, are a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, bank balances other than cash and cash equivalents, trade receivables, trade payables, other financial assets and other financial liabilities.

(ii) Loans

These financial assets are recorded at amortised cost, the fair values of which are estimated at portfolio level using a discounted cash flow model based on contractual cash flows discounted using market rates incorporating the counterparties' credit risk.

(iii) Debt securities, borrowings and subordinated liabilities

Fair value is estimated at portfolio level by a discounted cash flow model incorporating market interest rates and the company's own credit risk or based on market-observable data such as secondary market prices for its traded debt, as relevant.

42 Capital Management

The primary objective of the Company's capital management policy is to ensure compliance with regulatory capital requirements. In line with this objective, the Company ensures adequate capital at all times and manages its business in a way in which capital is protected, satisfactory business growth is ensured, cash flows are monitored, borrowing covenants are honoured and ratings are maintained.

Regulatory capital-related information is presented as part of the RBI mandated disclosures. The RBI norms require capital to be maintained at prescribed levels. In accordance with such norms, Tier I capital of the company comprises of share capital, share premium, reserves and perpetual debt, Tier II capital comprises of subordinated debt and provision on loans that are not credit-impaired. There were no changes in the capital management process during the periods presented.

43 Risk Management

While risk is inherent in the company's activities, it is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, subject to risk limits and other controls.

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Supervisory Board.

The Company's Treasury is responsible for managing its assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the company.

a) Credit risk

The company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Financial assets measured on a collective basis

The company splits its exposure into smaller homogeneous portfolios, based on shared credit risk characteristics, as described below in the following order:

- Secured/unsecured i.e. based on whether the loans are secured
- Nature of security i.e. the nature of the security if the loans are determined to be secured
- Nature of loan i.e. based on the nature of loan

Significant increase in credit risk

The company considers an exposure to have significantly increased in credit risk when the borrower crosses 30 DPD but is within 90 DPD.

Impairment assessment

The company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower crosses 90 days past due on its contractual payments.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Loss given default

The credit risk assessment is based on a standardised LGD assessment framework that incorporates the probability of default and subsequent recoveries, discounted.

Current economic data and forward-looking economic forecasts and scenarios are used in order to determine the Ind AS 109 LGD rate. The company uses data obtained from third party sources and combines such data with inputs to the Company's ECL models including determining the weights attributable to the multiple scenarios.

Analysis of risk concentration

The following table shows the risk concentration of the Company's loans.

	31 March 2019	31 March 2018	01 April 2017
Carrying value of Loans	**54,709.41**	44,268.31	34,070.94
Mortgage backed loans	**18,423.54**	18,257.57	16,804.92
Other assets backed loans	**22,696.06**	15,463.96	10,101.11
Personal loans	**11,719.07**	8,854.52	6,511.56
Others	**1,870.74**	1,692.26	653.35
Total	**54,709.41**	44,268.31	34,070.94

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

- For corporate and small business lending, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees
- For retail lending, mortgages over residential properties

The company also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

Collateral coverage - credit impaired loans

(₹ in crore)

Loan to Value (LTV) range	31 March 2019	31 March 2018	01 April 2017
Upto 50 % Coverage	**554.64**	403.81	346.27
51-75 % Coverage	**298.15**	227.76	190.59
76-100 % Coverage	**120.78**	71.38	74.07
Above 100% Coverage	**26.81**	34.65	33.35
Total	**1,000.38**	737.60	644.28

b) Liquidity risk and funding management

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. To limit this risk, management has arranged for diversified funding sources, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

Maturity profile of financial liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31st March.

(₹ in crore)

31 March 2019	Less than 1 year	1 years to 3 years	3 years to 5 years	5 years and above	Total
Debt securities	11,989.00	13,937.48	2,192.24	-	28,118.72
Borrowings	6,268.93	10,664.27	2,195.14	-	19,128.34
Borrowings under Securitization	918.43	817.38	25.39	-	1,761.20
Subordinated liabilities	271.96	543.56	1,314.48	2,705.97	4,835.97
Total	**19,448.32**	**25,962.69**	**5,727.25**	**2,705.97**	**53,844.23**

31 March 2018	Less than 1 year	1 years to 3 years	3 years to 5 years	5 years and above	Total
Debt securities	8,549.10	10,976.23	1,006.38	-	20,531.71
Borrowings	4,003.47	7,900.95	2,613.84	-	14,518.26
Borrowings under Securitization	595.38	323.36	0.16	-	918.90
Subordinated liabilities	187.24	374.63	974.60	1,769.44	3,305.91
Total	**13,335.19**	**19,575.17**	**4,594.98**	**1,769.44**	**39,274.78**

01 April 2017	Less than 1 year	1 years to 3 years	3 years to 5 years	5 years and above	Total
Debt securities	5,129.38	12,762.24	-	-	17,891.62
Borrowings	5,202.50	3,812.30	308.22	-	9,323.02
Borrowings under Securitization	1,136.10	899.17	36.60	-	2,071.87
Subordinated liabilities	163.80	327.32	327.40	2,135.04	2,953.56
Total	**11,631.78**	**17,801.03**	**672.22**	**2,135.04**	**32,240.07**

c) **Market risk**

Market risk represents the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being constant) of the Company's statement of profit and loss.

	% Increase in rate		Increase/(decrease) in profit	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Borrowings that are re-priced	0.25%	0.25%	(31.21)	(38.77)
Loans that are re-priced	0.25%	0.25%	39.62	41.16

44 A Disclosure relating to securitisation pursuant to Reserve Bank of India notification DNBS. PD. No. 301/3.10.01/2012-13 dated 21 August 2012 and DNBR (PD) CC. No.029/03.10.001/ 2014-15 dated 10 April 2015*

(₹ in crore)

Sr. No	Particulars	31 March 2019	31 March 2018
1	No of SPVs sponsored by the NBFC for securitisation transactions	5.00	4.00
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	1,680.34	895.84
3	Total amount of exposures retained by the NBFC to comply with MRR		
	a) Off-balance sheet exposures		
	* First loss	51.03	87.14
	* Others	-	-
	b) On-balance sheet exposures		
	* First loss	211.20	103.83
	* 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	-	-

44 B Disclosure relating to Securitisation pursuant to Reserve Bank of India notification DBOD. No.BP. 1502/21.04.048/ 2004-05 dated 1 February 2006

(₹ in crore)

Sr. No	Particulars	31 March 2019	31 March 2018
i)	Total number of contracts for loan assets securitised during the year	19,782.00	Nil
ii)	Book value of Loan assets securitised during the year	1,600.33	Nil
iii)	Sale consideration received for securitised assets during the year	1,600.33	Nil
iv)	Gain/ Loss (if any) on sale on securitised loan assets	Nil	Nil
v)	Quantum (Outstanding value) of service provided: Credit Enhancement (Fixed Deposit)	101.96	Nil

44 C Disclosure of financial assets sold to securitisation company pursuant to Reserve Bank of India notification DNBR (PD) CC. No.029/03.10.001/2014-15 dated 10 April 2015

a) Details of Financial assets sold to Securitization/Reconstruction Company (SC/RC) for Asset Reconstruction

Sr. No	Particulars	31 March 2019	31 March 2018
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	31 March 2019	31 March 2018
i)	Number of Accounts	1,567.00	Nil
ii)	Aggregate value (net of provisions) of account sold	832.57	Nil
iii)	Aggregate consideration	832.57	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

* The securitised loans disclosed in the above notes, i.e. 44A, 44B and 44C do not qualify for de-recognition under Ind AS. Nevertheless, the information in the notes is presented to ensure compliance with the RBI disclosure requirements.

45 Total fixed deposits stands at ₹ 151.96 crore (previous year ₹ 75.42 crore) on account of securitisation transaction outstanding till 31st March 2019.

46 Loan against gold portfolio to Total assets is 1.12 % (Previous year 1.02%).

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

Details of Gold auctions conducted*

Particulars	31 March 2019	31 March 2018
No of loan accounts	1,649	1,578
Outstanding loan amount	8.38	7.67
Sale Consideration of gold **	14.17	12.67

* 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 10 April 2015

48 A Movement of Credit impaired loans under Ind AS

(₹ in crore)

S.N.	Particulars	31 March 2019	31 March 2018
(i)	Net impaired loss allowance to Net loans (%)	1.26%	1.13%
(ii)	Movement of Credit impaired loans under Ind AS (Gross)		
	a) Opening balance	737.60	644.28
	b) Additions during the year	1,404.12	922.72
	c) Reductions during the year	1,141.33	829.40
	d) Closing balance	1,000.38	737.60
(iii)	Movement of Net impaired loss		
	a) Opening balance	493.72	446.18
	b) Additions during the year	1,044.60	688.47
	c) Reductions during the year	859.62	640.93
	d) Closing balance	678.70	493.72
(iv)	Movement of impairment loss allowance on credit impaired loans		
	a) Opening balance	243.88	198.10
	b) Impairment loss allowance made during the year	359.51	234.24
	c) Write-off/write-back of excess allowance	281.72	188.47
	d) Closing balance	321.68	243.88

48 B Movement of impairment loss allowance for low credit risk loans and significant increase in credit risk loans

(₹ in crore)

S.N.	Particulars	31 March 2019	31 March 2018
(i)	Movement of impairment allowance for low credit risk loans and significant increase in credit risk loans		
	a) Opening balance	459.03	370.21
	b) Additions during the year	333.75	293.70
	c) Reductions during the year	286.24	204.89
	d) Closing balance	506.55	459.03

49 Concentration of Loan, Exposures & Credit impaired loan

a) Concentration of Loan

(₹ in crore)

Particulars	31 March 2019	31 March 2018
Total Advances to Twenty Largest Borrowers	254.29	382.63
Percentage of advances to twenty largest borrowers to Total Advances	0.46%	0.86%

b) Concentration of Exposures

(₹ in crore)

Particulars	31 March 2019	31 March 2018
Total Exposure to Twenty Largest Borrowers	254.29	382.63
Percentage of exposures to twenty largest borrowers to Total Exposures	0.46%	0.86%

c) **Concentration of credit impaired loans**

(₹ in crore)

Particulars	31 March 2019	31 March 2018
Total Exposure of Top four credit impaired accounts	19.33	27.66

d) **Sector-wise distribution of credit impaired loans**

Sr. No.	Sector	Percentage of Impairment loss allowance to Total credit impaired loans in that sector	
		31 March 2019	31 March 2018
1	Agriculture & allied activities	1.64%	1.62%
2	MSME	-	-
3	Corporate borrowers	2.59%	2.12%
4	Services	1.68%	1.27%
5	Unsecured personal loans	1.31%	1.17%
6	Auto loans	-	-
7	Other personal loans	-	-
8	Others	2.06%	1.96%

50 Details of credit impaired financial assets purchased/sold

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

51 Customer Complaints

S.N.	Particulars	31 March 2019	31 March 2018
a)	No. of Complaints Pending at the beginning of the year	2	1
b)	No. of Complaints received during the year	1,976	184
c)	No. of Complaints redressed during the year	1,685	183
d)	No. of Complaints Pending at the end of the year	293	2

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

52 Investments

(₹ in crore)

S.N.	Particulars	31 March 2019	31 March 2018
1	**Value of Investments***		
i)	Gross value of Investments	568.03	402.30
ii)	Unrealised fair value movement	0.33	0.80
iii)	Fair value of Investments	568.36	401.50
	* Please note that all investments are held in India		
2	Movement of unrealised fair value movement on investments		
i)	Opening Balance	(0.80)	(0.91)
ii)	Add : increase in unrealised fair value during the year	1.13	0.11
iii)	Less : decrease in unrealised fair value during the year	-	-
iv)	Closing Balance	0.33	(0.80)

53 Exposure to Capital Market

(₹ in crore)

Sr. No.	Particulars	31 March 2019	31 March 2018
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;	60.13	235.42
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;	149.69	366.10
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;	-	-
vi)	Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii)	Bridge loans to companies against expected equity flows/ issues;	-	-
viii)	All exposures to Venture capital funds (both registered and unregistered).	-	-
	Total Exposure to Capital Market	**212.12**	**603.82**

54 Capital Adequacy Ratio

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

Particulars	31 March 2019	31 March 2018
CRAR%	17.91%	18.01%
CRAR - Tier I Capital %	12.78%	12.79%
CRAR - Tier II Capital %	5.13%	5.22%
Amount of Subordinated Debt raised as Tier-II capital	2,600	2,000
Amount Raised by the issue of Perpetual Debt Instruments	NIL	NIL

55 Exposure to Real Estate Sector

(₹ in crore)

Categories		31 March 2019	31 March 2018
A.	Direct Exposure		
i.	Residential Mortgages -	12,131.43	12,675.15
	(Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;		
ii.	Commercial Real Estate -	6,317.09	5,709.63
	(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)		
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).		-	-

56 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	17.00	1,939.29	567.41	1,477.12	-
	-	*(1,356.97)*	*(400.55)*	*(1,426.07)*	-
Over one month to 2 months	-	1,497.69	-	1,149.80	-
	-	*(1,124.43)*	-	*(1,359.70)*	-
Over 2 months upto 3 months	-	1,467.06	-	1,332.37	-
	-	*(1,089.97)*	-	*(1,266.45)*	-
Over 3 months to 6 months	-	4,291.75	-	4,847.03	-
	-	*(3,219.42)*	-	*(3,428.05)*	-
Over 6 months to 1 year	134.96	7,792.43	-	8,564.28	-
	(58.79)	*(6,126.37)*	-	*(7,339.78)*	-
Over 1 year to 3 years	-	22,400.16	-	22,492.21	-
	(17.00)	*(17,769.32)*	-	*(16,997.42)*	-
Over 3 years to 5 years	-	7,434.81	-	4,596.51	-
	-	*(6,637.54)*	-	*(3,781.57)*	-
Over 5 years	-	7,886.21	0.95	2,070.00	-
	-	*(6,160.25)*	*(0.95)*	*(1,400.00)*	-
Total	151.96	54,709.41	568.36	46,529.32	-
	(75.79)	*(43,484.27)*	*(401.50)*	*(36,999.04)*	-

* **Long-Term Investment in Clayfin Technologies Private Limited (Erstwhile Vayana Private Limited) are shown at book value in "over 5 year"**

57 Disclosure on restructuring pursuant to Reserve Bank of India notification DNBS.CO. PD. No. 367/03.10.01/2013-14 dated 23rd January 2014

Sl No	Type of Restructuring		Under CDR Mechanism			Under SME Debt Restructuring Mechanism			Others			Total		
	Asset Classification Details		Low credit risk & Significant increase in credit risk	Credit-Impaired	Total	Low credit risk & Significant increase in credit risk	Credit-Impaired	Total	Low credit risk & Significant increase in credit risk	Credit-Impaired	Total	Low credit risk & Significant increase in credit risk	Credit-Impaired	Total
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of borrowers	-	-	-	-	-	-	- *-*	**2.00** *4.00*	**2.00** *4.00*	- *-*	**2.00** *4.00*	**2.00** *4.00*
		Amount outstanding	-	-	-	-	-	-	- *-*	**0.03** *0.52*	**0.03** *0.52*	- *-*	**0.03** *0.52*	**0.03** *0.52*
		Provision thereon	-	-	-	-	-	-	- *-*	**0.00** *0.04*	**0.00** *0.04*	- *-*	**0.00** *0.04*	**0.00** *0.04*
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	- *-*	- *2.00*	- *2.00*	- *-*	- *2.00*	- *2.00*
		Amount outstanding	-	-	-	-	-	-	- *-*	- *0.03*	- *0.03*	- *-*	- *0.03*	- *0.03*
		Provision thereon	-	-	-	-	-	-	- *-*	- *0.00*	- *0.00*	- *-*	- *0.00*	- *0.00*
3	Upgradations to restructured Low credit risk & Significant increase in credit risk during the FY	No. of borrowers	-	-	-	-	-	-	- *-*	- *-*	- *-*	- *-*	- *-*	- *-*
		Amount outstanding	-	-	-	-	-	-	- *-*	- *-*	- *-*	- *-*	- *-*	- *-*
		Provision thereon	-	-	-	-	-	-	- *-*	- *-*	- *-*	- *-*	- *-*	- *-*
4	Restructured Low credit risk & Significant increase in credit risk loan 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 Low credit risk & Significant increase in credit risk loan at the beginning of the next FY	No. of borrowers	-	-	-	-	-	-	- *-*	- *-*	- *-*	- *-*	- *-*	- *-*
		Amount outstanding	-	-	-	-	-	-	- *-*	- *-*	- *-*	- *-*	- *-*	- *-*
		Provision thereon	-	-	-	-	-	-	- *-*	- *-*	- *-*	- *-*	- *-*	- *-*
5	Downgradations of restructures accounts during the FY	No. of borrowers	-	-	-	-	-	-	- *-*	**(2.00)** *(4.00)*	**(2.00)** *(4.00)*	- *-*	(2.00) *(4.00)*	(2.00) *(4.00)*
		Amount outstanding	-	-	-	-	-	-	- *-*	**(0.03)** *(0.52)*	**(0.03)** *(0.52)*	- *-*	(0.03) *(0.52)*	(0.03) *(0.52)*
		Provision thereon	-	-	-	-	-	-	- *-*	**(0.00)** *(0.04)*	**(0.00)** *(0.04)*	- *-*	(0.00) *(0.04)*	(0.00) *(0.04)*
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	- *-*	- *-*	- *-*	- *-*	- *-*	- *-*
		Amount outstanding	-	-	-	-	-	-	- *-*	- *-*	- *-*	- *-*	- *-*	- *-*
		Provision thereon	-	-	-	-	-	-	- *-*	- *-*	- *-*	- *-*	- *-*	- *-*
7	Restructured Accounts as on March 31 of the FY (closing figures)*	No. of borrowers	-	-	-	-	-	-	- *-*	- *(2.00)*	- *(2.00)*	- *-*	- *(2.00)*	- *(2.00)*
		Amount outstanding	-	-	-	-	-	-	- *-*	- *(0.03)*	- *(0.03)*	- *-*	- *(0.03)*	- *(0.03)*
		Provision thereon	-	-	-	-	-	-	- *-*	- *(0.00)*	- *(0.00)*	- *-*	- *(0.00)*	- *(0.00)*

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable)
Previous year figures are presented in italics.

58 **Schedule to the Balance Sheet of a non deposit taking Non-Banking Financial Company (as required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)**

(₹ in crore)

S.N.	Particulars	31 March 2019	31 March 2018
	Liabilities side:		
1	Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:		
	(a) Debentures		
	- Secured	21,491.60	18,468.45
	- Unsecured	3,010.03	2,067.14
	(other than falling within the meaning of public deposits)		
	(b) Deferred Credits	-	-
	(c) Term Loans	16,557.33	12,502.68
	(d) Inter-Corporate Loans and Borrowings	-	-
	(e) Other Loans	5,344.24	3,782.82
	(Represents Working Capital Demand Loans and Cash Credit from Banks)		
	Assets side:		
2	Break-up of Loans and Advances including Bills Receivables [other than those included in (4) below]:		
	(a) Secured	20,273.91	19,935.84
	(b) Unsecured	11,739.44	8,868.51
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	53.82	32.60
	b) Loans other than (a) above	22,642.24	15,431.36
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	326.86	400.55
	iv. Government Securities	-	-
	v. Others (please specify)	-	-
	II. Unquoted:		
	i. Shares		

S.N.	Particulars	31 March 2019	31 March 2018
	a) Equity	0.95	0.95
	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	-	-
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (Pass through certificates)	-	-
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	54,709.41	44,268.31
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	568.36	401.50
7	Other Information		
	(i) Gross credit impaired assets		
	a. Related party	-	-
	b. Other than related party	1,000.38	737.60
	(ii) Net credit impaired assets		
	(a) Related party	-	-
	(b) Other than related party	678.70	493.72
	(iii) Assets Acquired in Satisfaction of Debt	-	-

59 Penalties imposed by RBI and Other Regulators

No penalties have been imposed by RBI and Other Regulators during current year (Previous year - NIL).

60 Disclosure on frauds pursuant to RBI Master direction

The frauds detected and reported for the year amounted to ₹0.40 crore (Previous year ₹ 1.89 crore).

61 Details of Financing of Parent Company Products

There is no financing during the current year.

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

The Company has not exceeded the single borrower limits/group borrower limits as set as by Reserve Bank of India.

63 Advances against Intangible Securities

The Company has not given any loans against intangible securities.

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

There are no overseas asset owned by the Company.

65 Draw Down from Reserves

The Company has made no drawdown from existing reserves.

66 Off-balance Sheet SPVs sponsored

The Company is now required to provide its financial statements under Ind AS, which requires all securitization related SPV's to be consolidated in the books of the originator (the Company). Accordingly, these SPV's stand consolidated and none of the SPV's sponsored are off-balance sheet.

67 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	31 March 2019		31 March 2018	
	CARE	CRISIL	CARE	CRISIL
Bank facilities	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
Non-convertible debentures	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
Short term debt program	A1+	A1+	A1+	A1+
Subordinated bond issue	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
Perpetual bond issue	AAA/Stable	AAA/Stable	-	-
Market Linked Debentures	PP-MLD AAA/Stable	PP-MLD AAAr/Stable	-	-

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

Particulars	31 March 2019	31 March 2018	01 April 2017
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	-	-	-

69 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 requirement of asset cover of 1.1 times.

70 Derivatives

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

71 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).

As per our report of even date attached

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

Sd/-
Manoj Kumar Vijai
Partner
Membership No. 046882

Mumbai
18 April 2019

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

Sd/-
Aditya Puri
Chairman

Sd/-
Jimmy Tata
Director

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Smita Affinwalla
Director

Sd/-
G Ramesh
Managing Director

Sd/-
Bhavesh Zaveri
Director

Sd/-
Dipti Khandelwal
Company Secretary

Sd/-
Haren Parekh
Chief Financial Officer

Independent Auditors' Report

To the members of HDB Financial Services Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of HDB Financial Services Limited ("the Company"), and its controlled structured entities (the Company and its controlled structured entities together referred to as "the Group"), which comprise the consolidated balance sheet as at 31 March 2019, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of the significant accounting policies and other explanatory information ("the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Group as at 31 March 2019, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matters:

Key audit matter	How the matter was addressed in our audit
Transition date accounting policies	
Refer to the accounting policies in the Consolidated Financial Statements: Significant Accounting Policies -"Basis of preparation" and "Note 2.20 to the Consolidated Financial Statements: Transition date choices and application"	
Adoption of new accounting framework (Ind AS) Effective 1 April 2018, the Group adopted the Indian Accounting Standards ("Ind AS") notified by the Ministry of Corporate Affairs with the transition date of 1 April 2017. The following are the major impact areas for the Group upon transition: - Classification and measurement of financial assets and financial liabilities - Measurement of loan losses (expected credit losses) - Business combinations - Accounting for securitization and assignment - Accounting for loan fees and costs - Accounting for employee stock options The migration to the new accounting framework (Ind AS) is a complicated process involving multiple decision points upon transition. Ind AS 101, First Time Adoption prescribes choices and exemptions for first time application of Ind AS principles at the transition date. We identified transition date accounting as a key audit matter because of significant degree of management judgment and application on the areas noted above.	Our key audit procedures included: **Design/controls** ▪ We have also confirmed the approvals of Audit Committee for the choices and exemptions made by the Group for compliance/acceptability under Ind AS 101. **Substantive tests** ▪ Evaluated management's transition date choices and exemptions for compliance/acceptability under Ind AS 101. ▪ Understood the methodology implemented by management to give impact on the transition. ▪ Assessed the accuracy of the computations.

Key Audit Matters ***(Continued)***

Description of Key Audit Matters: *(Continued)*

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Impairment of loans and advances to customers
Charge: INR 641.73 crore for year ended 31 March 2019
Provision: INR 828.24 crore at 31 March 2019</td></tr>
<tr><td colspan="2">Refer to the accounting policies in "Note 2.2(F) to the Consolidated Financial Statements: Impairment", "Note 3(B) to the Consolidated Financial Statements: Significant Accounting Policies- use of estimates" and "Note 19 to the Consolidated Financial Statements: Provisions"</td></tr>
<tr><td>Subjective estimate

Recognition and measurement of impairment of loans and advances involve significant management judgement.

With the applicability of Ind AS 109 credit loss assessment is now based on expected credit loss (ECL) model. The Group's impairment allowance is derived from estimates including the historical default and loss ratios. Management exercises judgement in determining the quantum of loss based on a range of factors.

The most significant areas are:
- Segmentation of loan book
- Loan staging criteria
- Calculation of probability of default/Loss given default
- Consideration of probability weighted scenarios and forward looking macro-economic factors
- Complexity of disclosures

There is a large increase in the data inputs required by the ECL model. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.</td><td>Our key audit procedures included:

Design/controls
• Evaluation of the appropriateness of the impairment principles based on the requirements of Ind AS 109.
• Assessing the design and implementation of key internal financial controls over loan impairment process used to calculate the impairment charge.
• We used our modelling specialist to test the model methodology and reasonableness of assumptions used.
• Testing of management review controls over measurement of impairment allowances and disclosures in financial statements.

Substantive tests
• We focus on appropriate application of accounting principles, validating completeness and accuracy of the data and reasonableness of assumptions used in the model.
• Test of details over calculation of impairment allowance for assessing the completeness, accuracy and relevance of data.
• Model calculations were tested through re-performance where possible.
• The appropriateness of management's judgments was also independently reconsidered in respect of calculation methodologies, segmentation, economic factors, the period of historical loss rates used, loss emergence periods and the valuation of recovery assets and collateral.</td></tr>
</table>

Key Audit Matters *(Continued)*

Description of Key Audit Matters: *(Continued)*

Key audit matter	How the matter was addressed in our audit
Information technology	
IT systems and controls The Group's key financial accounting and reporting processes are highly dependent on the automated controls in information systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. The Group primarily uses three systems for its overall financial reporting. We have focused on user access management, change management, segregation of duties, system reconciliation controls and system application controls over key financial accounting and reporting systems.	Our audit procedures to assess the IT system access management included the following: **General IT controls/user access management** • We tested a sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations. • We tested the design and operating effectiveness of key controls over user access management which includes granting access right, new user creation, removal of user rights and preventative controls designed to enforce segregation of duties. • For a selected group of key controls over financial and reporting system, we independently performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process. • Evaluating the design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of system calculation, and the consistency of data transmission. • Other areas that were independently assessed included password policies, system configurations, system interface controls, controls over changes to applications and databases and that business users, developers and production support did not have access to change applications, the operating system or databases in the production environment.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

The Company's Board of Directors are responsible for the other information. The other information comprises the Directors report to be included in the Company's annual report, but does not include the financial statements and our auditors' report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Management's Responsibility for the Consolidated Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated state of affairs, consolidated profit/loss and consolidated other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management and Board of Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Board of Directors is also responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Group has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

i. 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.

ii. In our opinion, proper books of account as required by law have been kept by the Group so far as it appears from our examination of those books.

iii. The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the books of account.

iv. In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under section 133 of the Act.

v. On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.

vi. With respect to the adequacy of the internal financial controls with reference to financial statements of the Group and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

(B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Group has disclosed the impact of pending litigations as at 31 March 2019 on its consolidated financial position in its consolidated financial statements - Refer Note 37.2 to the consolidated financial statements;

ii. The Group has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 37.3 to the consolidated financial statements;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Group.

(C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the Group to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

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

Sd/-

Manoj Kumar Vijai
Partner
Membership No: 046882

Place: Mumbai
Date: 18 April 2019

Report on the internal financial controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph A(vi) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

In conjunction with our audit of the consolidated financial statements of HDB Financial Services Limited as of and for the year ended 31 March 2019, we have audited the internal financial controls with reference to consolidated financial statements of HDB Financial Services Limited (hereinafter referred to as "the Company") and it's controlled structured entities, as of that date.

In our opinion, the Company and its controlled structured entities, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

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

Meaning of Internal Financial controls with Reference to Consolidated Financial Statements

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

Inherent Limitations of Internal Financial controls with Reference to consolidated Financial Statements

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

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

Sd/-
Manoj Kumar Vijai
Partner
Membership No: 046882

Place: Mumbai,
Date: 18 April 2019

Consolidated Balance Sheet
as at 31 March 2019

(Currency : Indian Rupees in crore)

			Note	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
	ASSETS					
1	**Financial Assets**					
	(a)	Cash and cash equivalents	4	**334.72**	61.61	70.03
	(b)	Bank balances other than cash and cash equivalents	5	**153.79**	75.79	120.74
	(c)	Trade receivables	6	**119.52**	126.44	115.44
	(d)	Loans	7	**54,709.41**	44,268.31	34,070.94
	(e)	Investments	8	**568.36**	401.50	401.42
	(f)	Other financial assets	9	**109.79**	64.71	40.00
				55,995.59	44,998.36	34,818.57
2	**Non-financial Assets**					
	(a)	Current tax assets (Net)	10	**36.74**	15.37	24.41
	(b)	Deferred tax assets (Net)	11	**384.96**	295.77	238.57
	(c)	Property, plant and equipment	12(i)	**113.89**	129.72	125.80
	(d)	Capital work-in-progress	12(ii)	**-**	-	0.24
	(e)	Other intangible assets	12(iii)	**9.14**	7.30	5.18
				544.73	448.16	394.20
	TOTAL ASSETS			**56,540.32**	45,446.52	35,212.77
	LIABILITIES AND EQUITY					
	Liabilities					
3	**Financial Liabilities**					
	(a)	Trade payables	13			
		(i) Total outstanding dues of micro enterprises and small enterprises		**-**	-	-
		(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		**394.91**	279.50	193.68
	(b)	Debt securities	14	**24,119.67**	20,410.36	15,221.75
	(c)	Borrowings (other than debt securities)	15	**18,095.65**	13,350.35	10,505.63
	(d)	Subordinated liabilities	16	**2,889.78**	1,992.50	1,713.46
	(e)	Other financial liabilities	17	**2,623.80**	2,279.28	1,499.85
				48,123.81	38,311.99	29,134.37
4	**Non-Financial Liabilities**					
	(a)	Current tax liabilities (net)	18	**56.12**	38.35	48.89
	(b)	Provisions	19	**1,101.54**	964.05	756.74
	(c)	Other non-financial liabilities	20	**80.37**	91.78	63.92
				1,238.03	1,094.18	869.55
5	**Equity**					
	(a)	Equity share capital	21	**785.70**	782.94	780.24
	(b)	Other equity		**6,392.78**	5,257.41	4,428.61
				7,178.48	6,040.35	5,208.86
	TOTAL LIABILITIES AND EQUITY			**56,540.32**	45,446.52	35,212.77
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

Sd/-
Manoj Kumar Vijai
Partner
Membership No. 046882

Mumbai
18 April 2019

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

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

Consolidated Statement of Profit and Loss
for the year ended 31 March 2019

(Currency : Indian Rupees in crore)

			Note	**For the year ended 31 March 2019**	For the year ended 31 March 2018
1	**Revenue from operations**				
	(a)	Interest income	22	**6,712.12**	5,331.29
	(b)	Sale of services		**1,648.12**	1,529.00
	(c)	Other financial charges		**294.92**	164.67
	(d)	Net gain on fair value changes	23	**32.93**	2.16
	(e)	Net gain on derecognition of financial instruments under amortised cost category		**36.72**	-
	Total Revenue from operations			**8,724.81**	7,027.12
2	**Expenses**				
	(a)	Finance Costs	24	**3,333.33**	2,449.07
	(b)	Impairment on financial instruments	25	**636.94**	524.78
	(c)	Employee Benefits Expenses	26	**2,551.74**	2,228.29
	(d)	Depreciation, amortization and impairment	12	**61.92**	45.31
	(e)	Others expenses	27	**416.82**	343.56
	Total Expenses			**7,000.75**	5,591.01
3	**Profit/(loss) before tax**			**1,724.06**	1,436.11
4	**Tax Expense:**		10,11		
	(a)	Current tax		**648.99**	558.34
	(b)	Deferred tax (credit)		**(87.34)**	(55.25)
	(c)	Income tax for earlier year		**9.17**	-
	Total Tax expense			**570.82**	503.09
5	**Profit/(loss) for the period from continuing operations**			**1,153.24**	933.02
6	**Other Comprehensive Income**				
	(a)	Items that will not be reclassified to profit or loss			
		- Remeasurement gain/(loss) on defined benefit plan		**(5.27)**	(5.59)
	(b)	Income tax relating to items that will not be reclassified to profit or loss		**1.84**	1.95
	Other Comprehensive Income			**(3.43)**	(3.64)
7	**Total Comprehensive Income for the period**			**1,149.81**	929.38
8	**Earnings per equity share (for continuing operations)**		28		
		Basic (₹)		**14.71**	11.94
		Diluted (₹)		**14.69**	11.92
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

Sd/-
Manoj Kumar Vijai
Partner
Membership No. 046882

Mumbai
18 April 2019

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

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

Consolidated Cash Flow Statement
for the year ended 31 March 2019
(Currency : Indian Rupees in crore)

	Particulars	**For the period ended 31 Mar 2019**	For the period ended 31 Mar 2018
A	**Cash flow from operating activities**		
	Profit/(loss) before tax	**1,724.06**	1,436.11
	Adjustments for		
	(Profit)/loss on sale of asset	**0.28**	0.15
	Interest Expenses	**3,144.01**	2,192.81
	Interest Income	**(6,712.12)**	(5,331.29)
	Realised net (gain)/ loss on FVTPL investments	**(31.25)**	(1.97)
	Unrealised (gain)/loss on FVTPL investments	**(1.68)**	(0.20)
	Net gain on derecognition of financial instruments under amortised cost category	**(43.29)**	0.00
	Discount on commercial paper	**189.33**	256.25
	Impairment on financial instruments	**636.95**	524.78
	Provision for compensated absence and gratuity	**10.41**	12.26
	Employee share based payment expenses	**15.36**	14.53
	Depreciation, amortization and impairment	**61.92**	45.31
	Operating cash flow before working capital changes	**(1,006.02)**	(851.26)
	Adjustments for working capital changes:		
	(Increase)/decrease in trade receivables	**6.92**	(11.00)
	(Increase)/decrease in other financial assets and others	**(415.07)**	(255.03)
	(Increase)/decrease in Loans	**(10,356.11)**	(10,094.76)
	Increase/(decrease) in other financial and non financial liabilities & provision	**(1,521.66)**	(791.03)
	Increase/(decrease) in trade payables	**115.42**	85.81
	Interest Paid	**(2,893.01)**	(1,888.66)
	Interest Received	**6,625.67**	5,230.37
	Cash generated from operations	**(9,443.86)**	(8,575.55)
	Direct taxes paid (net of refunds)	**453.00**	390.00
	Net cash flow generated from/(used in) operating activities (A)	**(8,990.86)**	(8,185.55)
B	**Cash flow from investing activities**		
	Purchase of fixed assets	**(48.40)**	(51.64)
	Proceeds from sale of fixed assets	**0.20**	0.15
	Purchase of investments Mutual fund	**(15,490.51)**	(1,984.65)
	Proceeds of investments Mutual fund	**15,358.10**	1,986.96
	Net cash generated from/(used in) investing activities (B)	**(180.61)**	(49.18)

Consolidated Cash Flow Statement
for the year ended 31 March 2019 (Contd.)

(Currency : Indian Rupees in crore)

	Particulars	For the period ended 31 Mar 2019	For the period ended 31 Mar 2018
C	**Cash flow from financing activities**		
	Proceeds from issue of shares and security premium	**39.03**	28.73
	Debt securities issued	**15,336.00**	16,322.00
	Debt securities repaid	**(11,519.09)**	(11,108.00)
	Borrowings other than debt securities issued	**12,520.00**	16,975.00
	Borrowings other than debt securities repaid	**(7,765.27)**	(14,130.26)
	Subordinated debt issued	**900.00**	280.00
	Dividend & Tax paid on dividend	**(66.07)**	(141.15)
	Net cash generated from/(used in) financing activities (C)	**9,444.60**	8,226.32
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**273.11**	(8.41)
	Add : Cash and cash equivalents as at the beginning of the year	**61.61**	70.03
	Add : Cash and cash equivalents acquired pursuant to Scheme of Amalgamation (Refer note 3)	**0.00**	0.00
	Cash and cash equivalents as at the end of the year*	**334.72**	61.61
	*Components of cash and cash equivalents		
	Balances with banks	**278.38**	33.22
	Demand drafts on hand	**15.37**	10.66
	Cash on hand	**40.97**	17.73
		334.72	61.61

The above cash flow statement has been prepared under the indirect method set out in Ind AS 7 - Statement of Cash Flow.

As per our report of even date attached

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

Sd/-
Manoj Kumar Vijai
Partner
Membership No. 046882

Mumbai
18 April 2019

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

Sd/-
Aditya Puri
Chairman

Sd/-
Jimmy Tata
Director

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Smita Affinwalla
Director

Sd/-
G Ramesh
Managing Director

Sd/-
Bhavesh Zaveri
Director

Sd/-
Dipti Khandelwal
Company Secretary

Sd/-
Haren Parekh
Chief Financial Officer

Consolidated Statement of Changes in Equity
as at 31 March, 2019

(Currency : Indian Rupees in crore)

Statement of Changes in Equity

A Equity Share Capital

	₹ in crore
Balance as at April 1, 2017	780.24
Changes in Equity Share Capital during the year	2.70
Balance as at March 31, 2018	782.94
Changes in Equity Share Capital during the year	2.76
Balance as at March 31, 2019	785.70

B Other Equity

	Reserves and Surplus				Other Comprehensive Income	Total
	Securities Premium Account	Employee stock Options Outstanding Account	Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	Retained Earnings-Other than Remeasurement of Post Employment Benefit Obligations	Retained Earnings-Remeasurement of Post Employment Benefit Obligations	
Balance as at April 1, 2018	**2,857.55**	**22.87**	**581.03**	**1,799.59**	**(3.63)**	**5,257.41**
Profit for the year	**-**	**-**	**-**	**1,153.24**	**-**	**1,153.24**
Other Comprehensive Income	**-**	**-**	**-**	**-**	**(3.43)**	**(3.43)**
Total Comprehensive Income for the year	**-**	**-**	**-**	**1,153.24**	**(3.43)**	**1,149.81**
Transfer to Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	**-**	**-**	**230.65**	**(230.65)**	**-**	**-**
Premium on issue of shares	**36.27**	**-**	**-**	**-**	**-**	**36.27**
Share based payment	**-**	**15.36**	**-**	**-**	**-**	**15.36**
Dividends	**-**	**-**	**-**	**(54.81)**	**-**	**(54.81)**
Dividend Distribution Tax	**-**	**-**	**-**	**(11.27)**	**-**	**(11.27)**
Balance As At March 31, 2019	**2,893.82**	**38.23**	**811.68**	**2,656.10**	**(7.06)**	**6,392.78**

Consolidated Statement of Changes in Equity
as at 31 March 2019 (Contd.)

(Currency : Indian Rupees in crore)

B Other Equity (Contd.)

	Reserves and Surplus				Other Comprehensive Income	
	Securities Premium Account	Employee stock Options Outstanding Account	Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	Retained Earnings- Other than Remeasurement of Post Employment Benefit Obligations	Retained Earnings- Remeasurement of Post Employment Benefit Obligations	Total
Balance as at April 1, 2017	2,831.51	8.34	394.43	1,194.33	-	4,428.61
Profit for the year	-	-	-	933.02	-	933.02
Other Comprehensive Income	-	-	-	-	(3.63)	(3.63)
Total Comprehensive Income for the year	-	-	-	933.02	(3.63)	929.39
Transfer to Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	-	-	186.60	(186.60)	-	-
Premium on issue of shares	26.04	-	-	-	-	26.04
Share based payment	-	14.53	-	-	-	14.53
Dividends	-	-	-	(117.28)	-	(117.28)
Dividend Distribution Tax	-	-	-	(23.88)	-	(23.88)
Balance As At March 31, 2018	2,857.55	22.87	581.03	1,799.59	(3.63)	5,257.41

As required by section 45-IC of the RBI Act 1934, the company maintains a reserve fund and transfers there in a sum not less than twenty per cent of its net profit every year as disclosed in the profit and loss account and before any dividend is declared. The company cannot appropriate any sum from the reserve fund except for the purpose specified by Reserve Bank of India from time to time. Till date RBI has not specified any purpose for appropriation of Reserve fund maintained under section 45-IC of RBI Act,1934.

Significant accounting policies and notes to the Financial Statements — Note -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

Sd/-
Manoj Kumar Vijai
Partner
Membership No. 046882

Mumbai
18 April 2019

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

Sd/-
Aditya Puri
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G Ramesh
Managing Director

Sd/-
Bhavesh Zaveri
Director

Sd/-
Dipti Khandelwal
Company Secretary

Sd/-
Haren Parekh
Chief Financial Officer

1 Overview

HDB Financial Services Ltd. incorporated in Ahmedabad, India, is a Systemically Important Non Deposit Taking Non-Banking Financial Group ('NBFC') as defined under section 45-IA of the Reserve Bank of India ('RBI') Act, 1934.

It provides lending services and business process outsourcing services. It also provides services related to the marketing and promotion of various financial products.

It's registered office is situated at Ahmedabad, India, while its corporate office is located in Mumbai, India. It is a subsidiary of HDFC Bank Limited.

2 Significant accounting policies

2.1 Basis of preparation of financial statements

(A) Compliance with Ind AS

The financial statements of the Group comply in all material aspects with Indian Accounting Standards ('Ind AS') notified under Section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and other relevant provisions of the Act. Any directions issued by the RBI or other regulators are implemented as and when they become applicable.

For all periods up to and including the year ended 31 March 2018, the Group prepared its financial statements in accordance with Companies (Accounting Standards) Rules, 2006 (as amended) notified under the Act read with Rule 7 of the Companies (Accounts) Rules 2014 (as amended), guidelines issued by the RBI and other generally accepted accounting principles in India (collectively referred to as 'Indian GAAP' or 'Previous GAAP').

The transition to Ind AS has been carried out in accordance with Ind AS 101 First Time adoption of Indian Accounting Standards. Accordingly, the impact of transition has been recorded in the opening reserves as at 1 April 2017.

An explanation of how the transition to Ind AS from the previous GAAP has affected the previously reported financial position, financial performance and cash flows of the Group is provided in Note 30.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to the existing accounting standard requires a change in the accounting policy hitherto in use.

(B) Presentation of financial statements

The Balance Sheet, the Statement of Changes in Equity and the Statement of Profit and Loss are presented in the format prescribed under Division III of Schedule III of the Act, as amended from time to time, for Non-Banking Financial Companies ('NBFCs') that are required to comply with Ind AS. The Statement of Cash Flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its controlled structured entities (collectively known as 'the Group') as at 31 March 2019. The Group consolidates an entity when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements

- The Group's voting rights and potential voting rights
- The size of the Group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(C) Basis of preparation

The financial statements have been prepared under the historical cost convention on the accrual basis except for certain financial instruments and plan assets of defined benefit plans, which are measured at fair values at the end of each reporting period as explained in the accounting policies below. All amounts disclosed in the financial statements and notes have been rounded off to the nearest INR crore in compliance with Schedule III of the Act, unless otherwise stated.

(D) Use of estimates and judgements

The preparation of financial statements in conformity with Ind AS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities (including contingent liabilities) and disclosures as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and could change from period to period. Appropriate changes in estimates are recognised in the periods in which the Group becomes aware of the changes in circumstances surrounding the estimates. Any revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised and future periods. The estimates and judgements that have significant impact on the carrying amount of assets and liabilities at each balance sheet date are discussed at Note 3.

2.2 Financial Instruments

(A) Date of recognition

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(B) Initial measurement

Recognised financial instruments are initially measured at transaction price, which equates fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(C) **Classification and subsequent measurement**

(i) **Financial assets**

Based on the business model, the contractual characteristics of the financial assets and specific elections where appropriate, the group classifies and measures financial assets in the following categories:

- Amortised cost
- Fair value through other comprehensive income ('FVOCI')
- Fair value through profit or loss ('FVTPL')

(a) **Financial assets carried at amortised cost**

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows ('Asset held to collect contractual cash flows'); and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

After initial measurement and based on the assessment of the business model as asset held to collect contractual cash flows and SPPI, such financial assets are subsequently measured at amortised cost using effective interest rate ('EIR') method. Interest income and impairment expenses are recognised in profit or loss. Interest income from these financial assets is included in finance income using the EIR method. Any gain and loss on derecognition is also recognised in profit or loss.

The EIR method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group records loans at amortised cost.

(b) **Financial assets at fair value through other comprehensive income**

Financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the assets, ('Contractual cash flows of assets collected through hold and sell model') and contractual cash flows that are SPPI, are subsequently measured at FVOCI. Movements in the carrying amount of such financial assets are recognised in Other Comprehensive Income ('OCI'), except dividend income which is recognised in profit and loss. Amounts recorded in OCI are not subsequently transferred to the profit and loss account. Equity instruments at FVOCI are not subject to an impairment assessment.

(c) **Financial assets at fair value through profit or loss**

Financial assets, which do not meet the criteria for categorization as at amortized cost or as FVOCI, are measured at FVTPL. Subsequent changes in fair value are recognised in profit or loss. The Group records investments in equity instruments at FVTPL.

The Group records investments in equity instruments, mutual funds and Treasury bills at FVTPL.

(ii) **Financial liabilities and equity instrument**

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(a) **Equity instrument**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group is recognised at the proceeds received, net of directly attributable transaction costs.

(b) **Financial liabilities**

Financial liabilities are measured at amortised cost. The carrying amounts are determined based on the EIR method. Interest expense is recognised in profit or loss.

Any gain or loss on de-recognition of financial liabilities is also recognised in profit or loss.

Undrawn loan commitments are not recorded in the balance sheet. However, these financial instruments are in the scope of expected credit loss ('ECL') calculation.

(D) **Reclassification**

Financial assets are not reclassified subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line or in the period the Group changes its business model for managing financial assets. Financial liabilities are not reclassified.

(E) **Derecognition**

(i) **Financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The contractual rights to receive cash flows from the financial asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset and the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Group neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay.

If the Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not de-recognised and the proceeds received are recognised as a collateralised borrowing.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Transition to Ind AS

The Group has elected to apply the derecognition criteria under Ind AS with retrospective effect.

(ii) **Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying value of the original financial liability and the new financial liability with modified terms is recognised in profit or loss.

(F) **Impairment of financial assets**

The Group applies the ECL model in accordance with Ind AS 109 for recognising impairment loss on financial assets. The ECL allowance is based on the credit losses expected to arise from all possible default events over the expected life of the financial asset ('lifetime ECL'), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is calculated on a collective basis, considering the retail nature of the underlying portfolio of financial assets.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. When determining whether the risk of default on a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on a provision matrix which takes into account the Group's historical credit loss experience, current economic conditions, forward looking information and scenario analysis.

The expected credit loss is a product of exposure at default ('EAD'), probability of default ('PD') and loss given default ('LGD'). The Group has devised an internal model to evaluate the PD and LGD based on the parameters set out in Ind AS 109. Accordingly, the financial assets have been segmented into three stages based on the risk profiles. The three stages reflect the general pattern of credit deterioration of a financial asset. The Group categorises financial assets at the reporting date into stages based on the days past due ('DPD') status as under:

- Stage 1: Low credit risk, i.e. 0 to 30 days past due
- Stage 2: Significant increase in credit risk, i.e. 31 to 90 days past due
- Stage 3: Impaired assets, i.e. more than 90 days past due

LGD is an estimate of loss from a transaction given that a default occurs. PD is defined as the probability of whether the borrowers will default on their obligations in the future. For assets which are in Stage 1, a 12-month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD. EAD represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Group.

The Group incorporates forward looking information into both assessments of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on the consideration of external actual and forecast information, the Group forms a 'base case' view of the future direction of relevant economic variables. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case represents a most likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes.

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. The Group regularly reviews its models in the context of actual loss experience and makes adjustments when such differences are significantly material.

The amount of ECL (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised as an impairment gain or loss in profit or loss.

After initial recognition, trade receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group follows the simplified approach required by Ind AS 109 for recognition of impairment loss allowance on trade receivables, which requires lifetime ECL to be recognised at each reporting date, right from initial recognition of the receivables.

(G) Write offs

The gross carrying amount of a financial asset is written-off (either partially or in full) to the extent that there is no reasonable expectation of recovering the asset in its entirety or a portion thereof. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(H) Offsetting

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, the Group has a legally enforceable right to offset the recognised amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.3 Cash and cash equivalents

Cash and cash equivalents includes cash at banks and on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

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

2.4 Upfront servicers fees booked on direct assignment

Servicer fees receivable for servicing loan contracts under direct assignment are discounted at the applicable rate entered into with the assignee and recognised upfront in the balance sheet and amortised on a straight line basis over the remaining contractual maturity of the underlying loans.

2.5 Property, plant and equipment

(A) Recognition and measurement

Tangible property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any. The cost of property, plant and equipment comprise purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-financial assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in-progress'.

(B) Subsequent expenditure

Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future economic benefits/functioning capability from/of such assets.

(C) Depreciation, estimated useful lives and residual value

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives in the manner prescribed in Schedule II of the Act. The estimated lives used and differences from the lives prescribed under Schedule II are noted in the table below:-

Type of Assets	Estimated useful life as assessed by the Company	Estimated useful life under Schedule II of the Act
Computers	2-5 years	3 years
Software and system development	3 years	3 years
Office equipment	3 years	5 years
Motor cars	4 years	8 years
Furniture and fixtures	3-7 years	10 years
Building	60 years	60 years
Leasehold improvements	Tenure of lease agreements	Tenure of lease agreements

The Group uniformly estimates a zero residual value for all these assets. Items costing less than ₹ 5,000 are fully depreciated in the year of purchase. Depreciation is pro-rated in the year of acquisition.

The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. Consequently, the useful life of certain computer-related assets, furniture and fixtures, office equipment and motor cars differ from the life prescribed in Schedule II of the Act.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate, and treated as changes in accounting estimates.

Property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other income/expense in the statement of profit and loss in the year the asset is de-recognised.

2.6 Other intangible assets

Software and system development expenditure are capitalised at cost of acquisition including cost attributable to readying the asset for use. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses. The useful life of these intangible assets is estimated at 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.

2.7 Impairment of non-financial assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired due to events or changes in circumstances indicating that their carrying amounts may not be realised. If any such indication exists, the Group 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 recognised in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the revised recoverable amount, subject to maximum of the depreciated historical cost.

2.8 Dividends

Provision is made for the amount of any dividend declared on or before the end of the reporting period but not distributed at the end of the reporting period, being appropriately authorised and no longer at the discretion of the Group. The final dividend on shares is recorded as a liability on the date of approval by the shareholders, and interim dividends are recorded as a liability on the date of declaration by the Group's Board of Directors.

2.9 Revenue recognition

Revenue (other than for those items to which Ind AS 109 Financial Instruments is applicable) is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of goods and services tax ('GST') and amounts collected on behalf of third parties. Ind AS 115 Revenue from Contracts with Customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes previous revenue recognition guidance found within Ind AS.

The Group recognises revenue from contracts with customers based on a five-step model as set out in Ind 115:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Specific policies for the Group's different sources of revenue are explained below:

(A) Income from lending business

Interest income

Interest income on a financial asset at amortised cost is recognised on a time proportion basis taking into account the amount outstanding and the effective interest rate ('EIR'). The EIR is the rate that exactly discounts estimated future cash flows of the financial asset through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount of the financial instrument. The internal rate of return on financial asset after netting off the fees received and cost incurred approximates the effective interest rate method of return for the financial asset. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for ECLs).

Other financial charges

Cheque bouncing charges, late payment charges, foreclosure charges and application money are recognised on a point-in-time basis, and are recorded when realised since the probability of collecting such monies is established when the customer pays.

(B) Income from BPO services and other financial charges

Income from BPO services comprise of sales support services, back office, operations, processing support, running collection call centres and collecting overdue amounts from borrowers. Performance obligations are satisfied over time and revenue is recorded on a monthly basis.

(C) Income from direct assignment

Gains arising out of direct assignment transactions comprise the difference between the interest on the loan portfolio and the applicable rate at which the direct assignment is entered into with the assignee, also known as the right of excess interest spread (EIS). The future EIS basis the scheduled cash flows on execution of the transaction, discounted at the applicable rate entered into with the assignee is recorded upfront in the profit and loss statement.

2.10 Employee benefits

(A) Provident fund

Retirement benefit in the form of provident fund, is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognises contribution payable to the provident fund scheme as an expense, when an employee renders the related service.

(B) ESIC and Labour welfare fund

The Group's contribution paid/payable during the year to ESIC and Labour welfare fund are recognised in the statement of profit or loss.

(C) Gratuity

The Group operates a defined benefit gratuity plan that provides for gratuity benefit to all employees. The Group makes annual contributions to a fund administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. 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 cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the consolidated statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non- routine settlements; and
- Net interest expense or income

(D) Compensated absences

The Group 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 Group's liability towards compensated advances is based on an independent external actuarial valuation as at the balance sheet date using the projected unit credit method.

(E) Share-based payments

The Group recognizes compensation expense relating to share-based payments in net profit using fair value in accordance with Ind AS 102 - Share-based Payment. The estimated fair value of awards is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards with a corresponding increase to share options outstanding amount.

2.11 Provisions and contingences

The Group recognises a provision when there is a 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. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of the time value of money is material, the Group determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current market assessments of the time value of money and the risks specific to the liability.

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 best estimates. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that may arises from past events but probably will not require an outflow of resources to settle the obligation.

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 neither recognised nor disclosed in the financial statements.

2.12 Operating Lease accounting

Lease payments for assets taken on operating lease are recognised as an expense on a straight-line basis in the statement of profit and loss over the period of the lease unless the payments are structured to increase in line with expected general inflation, in which case lease payments are recognised based on contractual terms.

2.13 Goods and services tax paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the goods and services tax paid, except when the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables, respectively, in the balance sheet.

2.14 Income tax

(A) Current tax

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 in respect of taxable income for the year and any adjustment to the tax payable or receivable in respect of previous years.

(B) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

2.15 Exceptional items

When items of income and expense within profit or loss from ordinary activities are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period, the nature and amount of such items is disclosed separately as Exceptional items.

2.16 Earnings per share

The Group reports basic and diluted earnings per equity share. 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.

2.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The Managing Director (‘MD’) of the Group has been identified as the CODM as defined by Ind AS 108 Operating Segments, who assesses the financial performance and position of the Group and makes strategic decisions.

Operating segments identified by the Group comprises as under:

- Lending services
- BPO services

The accounting policies consistently used in the preparation of the financial statements are also applied to item of revenue and expenditure in individual segments. 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’. Segment assets and segment liabilities represent assets and liabilities in respective segments. Tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as ‘Unallocated’.

2.18 Collateral

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements.

To the extent possible, the Group uses active market data and external valuers for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models or through external valuers. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

The Group physically repossess and take into custody properties or other assets and also engages external agents to recover funds, to settle outstanding debt. Any surplus funds are returned to the customers/ obligors.

2.19 Statement of cash flows

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

2.20 First time adoption of Ind AS

The transition to Ind AS has resulted in changes in the presentation of the financial statements, disclosures in the notes thereto and accounting policies and principles. The accounting policies set out in Note 2 above have been applied in preparing the financial statements for the year ended March 31, 2019 and the comparative information. An explanation of how the transition from previous GAAP to Ind AS has affected the Group's Balance Sheet and Statement of Profit and Loss, is set out in Note 30.

Ind AS 101 allows first time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Group has accordingly availed of the following optional exemptions while preparing its financial statements:

- Business combinations prior to the Ind AS transition date of 1 April 2017 are recorded using previous GAAP principles, consequently the requirements of Ind AS 103 are not applied
- Property, plant and equipment and intangible assets are measured at their previous GAAP carrying value. The Group has assessed that the previous GAAP accounting approximates, at 1 April 2017, the accounting that would have resulted, had Ind-AS been applied retrospectively.
- The Group has elected not to apply the requirements of Ind AS 102 (Share-based payments) to equity instruments that vested before the date of transition to Ind AS.

The Group has elected to apply the derecognition criteria under Ind AS with retrospective effect.

2.21 Standards issued but not yet effective

In March 2019, the Ministry of Corporate Affairs notified Ind AS 116 Leases, which is applicable to the Group for accounting periods beginning April 1, 2019. This standard changes the classification and accounting for leases, and also provides transition guidance. The Group expects the new standard to affect the accounting for assets that it has taken on operating lease. The Group is currently assessing the impact of this standard on its transactions

3 Critical accounting estimates and judgements

In the process of applying the Group's accounting policies, management has made the following estimates and judgements, which have a significant impact on the carrying amounts of assets and liabilities at each balance sheet date.

(A) Fair value of financial instruments

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value measurements under Ind AS are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at measurement date
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs) that the Group can access at measurement date

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 41.

(B) Expected credit loss

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and credit assessment and including forward looking information.

The inputs used and process followed by the Group in determining the ECL have been detailed in Note 43 .

(C) Effective interest rate

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected behavioural life of the financial asset to the gross carrying amount of the financial asset.

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges) as well expected changes to the base rate and other transaction costs and fees paid or received that are integral parts of the instrument.

(D) Business model assessment

Classification and measurement of financial assets depends on the results of the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(E) Useful life and expected residual value of assets

Property, plant and equipment and other intangible assets represent a significant proportion of the assets of the Group. Depreciation and amortisation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Group's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

(F) Deferred Tax

Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences become deductible. The Group considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

(G) Defined benefit plans

The cost of the defined benefit plans and the present value of the defined benefit obligation are based on actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

(H) Provisions and contingences

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in statutory litigation in the ordinary course of the Group's business. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

(Currency : Indian Rupees in crore)

4 Cash and cash equivalents

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Cash on hand	**40.97**	17.73	13.67
Balances with banks	**278.38**	33.22	41.66
Demand drafts on hand	**15.37**	10.66	14.70
Total	**334.72**	**61.61**	**70.03**

5 Bank balances Other than cash and cash equivalents

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Deposits with bank	**-**	-	8.40
Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments.	**151.96**	75.42	110.27
Interest accrued but not due on fixed deposits	**1.83**	0.37	2.07
Total	**153.79**	75.79	120.74

6 Trade receivables

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Unsecured			
Low Credit Risk	**116.45**	110.24	112.36
Significant increase in Credit Risk	**2.20**	15.12	1.87
Credit impaired	**0.87**	1.08	1.21
	119.52	126.44	115.44

No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person, or from firms or private companies respectively in which any director is a partner, a director or a member.

7 Loans

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Term Loans in India - at amortised cost			
- Public sector	**-**	-	-
- Others			
Secured (Secured by tangible assets)	**42,969.97**	35,399.80	27,559.38
Unsecured	**11,739.44**	8,868.51	6,511.56
Total	**54,709.41**	44,268.31	34,070.94

Credit quality of assets

The table below shows the credit quality and the maximum exposure to credit risk based on year-end stage classification. The amounts presented are gross of Impairment loss allowance.

	Stage	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Low credit risk	**Stage 1**	**52,537.04**	42,777.44	32,795.13
Significant increase in credit risk	**Stage 2**	**1,171.99**	753.27	631.53
Credit-Impaired	**Stage 3**	**1,000.38**	737.60	644.28
Total		**54,709.41**	44,268.31	34,070.94

HDB FINANCIAL SERVICES

(Currency : Indian Rupees in crore)

8 **Investments**

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Recorded at Fair value through profit and loss account			
In India			
Mutual fund units	**326.86**	400.55	400.11
364 Days Treasury Bill maturing on 14-11-2019	**240.55**	-	-
Unquoted equity shares	**0.95**	0.95	1.31
Total	**568.36**	401.50	401.42

9 **Other financial assets**

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Capital advances	**1.27**	2.64	2.41
Security deposits at fair value (Unsecured, considered good)	**16.77**	16.05	15.07
Prepaid Rent (Security deposits, Unsecured, considered good)	**7.92**	7.16	8.39
Deferred Gain on sale of receivable	**34.65**	-	-
Upfront Servicers fees booked on Assignment	**8.64**	-	-
Advances recoverable in cash or in kind (Unsecured, considered good)	**40.54**	38.86	14.13
Total	**109.79**	64.71	40.00

10 **Current tax assets (Net)**

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Current tax assets			
Advance tax and tax deducted at source (Net of provision for tax)	**36.74**	15.37	24.41
Total	**36.74**	15.37	24.41

11 **Deferred tax assets (Net)**

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Deferred Tax Asset/(Liabilities) Net			
Deferred Tax Asset			
Depreciation and amortisation	**17.73**	9.19	4.88
Provision for employee benefits	**9.35**	8.33	6.00
Provision for diminution of investment	**0.46**	0.46	0.35
Loans - Impairment	**291.19**	217.89	177.15
Loans - DSA	**78.37**	65.60	56.49
Borrowings	**(8.86)**	(3.87)	(3.33)
Investments - MTM and others	**(0.59)**	(0.19)	(0.04)
Securitization	**(2.69)**	(1.64)	(2.95)
Deferred Tax Asset	**384.96**	295.77	238.57
Movement in Net deferred tax Asset during the year	**89.19**	57.20	

HDB FINANCIAL SERVICES

(Currency : Indian Rupees in crore)

The components of income tax expense for the years ended 31 March 2019 and 2018 are:

	As at 31 March 2019	As at 31 March 2018
Current tax:		
In respect of current year	648.99	558.34
In respect of prior years	9.17	-
Deferred Tax:		
Deferred tax relating to origination and reversal of temporary differences	(87.34)	(55.25)
In respect of prior years	-	-
Total Income Tax recognised in profit or loss	570.81	503.09
Current tax	658.16	558.34
Deferred tax	(87.34)	(55.25)

Income Tax recognised in Other comprehensive income (Currency : Indian Rupees in crore)

	As at 31 March 2019	As at 31 March 2018
Deferred tax related to items recognised in Other comprehensive income during the year:		
Income tax relating to items that will not be reclassified to profit or loss	1.84	1.95
Total Income tax recognised in Other comprehensive income	1.84	1.95

The reconciliation of estimated income tax expense at tax rate to income tax expense reported in profit or loss is as follows: (Currency : Indian Rupees in crore)

	As at 31 March 2019	As at 31 March 2018
Profit before tax	1,724.06	1,436.11
Applicable income tax rate (%)	34.94	34.94
Income tax expense calculated at applicable income tax rate	602.46	501.83
Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense:		
Effect of income exempt from tax	-	-
Effect of expenses/provisions not deductible in determining taxable profit	46.54	56.50
Effects of income not considered as taxable on compliance of condition	-	-
Income tax for earlier year	9.17	-
Income tax expense recognised in profit and loss	658.16	558.33
Actual effective income tax rate (%)	38.17	38.88

(Currency : Indian Rupees in crore)

12 Property, Plant and Equipment (PPE) ,Other Intangible assets & Capital work-in-progress

(i) Property, Plant and Equipment (PPE) (Previous Year's figures are in italics)

Description	Office equipment	Furniture and fixtures	Leasehold improvements	Computers	Building	Motor cars	Total PPE Tangibles
Cost							
Balance as at 1st April, 2017	*38.97*	*76.01*	*52.82*	*66.91*	*0.15*	*1.22*	*236.09*
Additions during the year	*5.75*	*5.95*	*7.50*	*22.55*	*0.00*	*3.98*	*45.72*
Deductions during the year	*0.19*	*1.40*	*0.42*	*0.36*	*0.00*	*0.23*	*2.59*
Balance as at 31st March, 2018	*44.53*	*80.56*	*59.90*	*89.10*	*0.15*	*4.97*	*279.22*
Balance as at 1st April, 2018	**44.53**	**80.56**	**59.90**	**89.10**	**0.15**	**4.97**	**279.22**
Additions during the period	**4.88**	**5.83**	**8.66**	**18.66**	**0.00**	**1.90**	**39.93**
Disposals during the period	**1.37**	**1.49**	**0.65**	**0.68**	**0.00**	**0.19**	**4.38**
Balance as at 31st March, 2019	**48.04**	**84.90**	**67.91**	**107.08**	**0.15**	**6.68**	**314.77**
Accumulated Depreciation/impairment							
Accumulated Depreciation/impairment as at 1st April, 2017	*20.61*	*33.55*	*16.72*	*38.56*	*0.01*	*0.83*	*110.29*
Depreciation charge for the period	*7.19*	*7.88*	*7.32*	*18.41*	*0.00*	*0.70*	*41.50*
Disposals during the period	*0.18*	*1.23*	*0.33*	*0.33*	*0.00*	*0.23*	*2.29*
Accumulated Depreciation/impairment as at 31st March, 2018	*27.62*	*40.20*	*23.71*	*56.64*	*0.01*	*1.30*	*149.50*
Accumulated Depreciation/impairment as at 1st April, 2018	**27.62**	**40.20**	**23.71**	**56.64**	**0.01**	**1.30**	**149.50**
Depreciation charge for the period	**6.86**	**16.12**	**7.64**	**23.38**	**0.01**	**1.30**	**55.30**
Disposals/Adjustments during the period	**1.26**	**1.15**	**0.63**	**0.68**	**0.00**	**0.19**	**3.91**
Accumulated Depreciation/impairment as at 31st March, 2019	**33.22**	**55.17**	**30.72**	**79.35**	**0.02**	**2.41**	**200.89**
Net carrying amount							
Net carrying amount as at 1st April, 2017	*18.36*	*42.46*	*36.10*	*28.35*	*0.14*	*0.39*	*125.80*
Net carrying amount as at 31st March, 2018	*16.91*	*40.36*	*36.19*	*32.46*	*0.14*	*3.67*	*129.72*
Net carrying amount as at 31st March, 2019	14.82	29.73	37.19	27.73	0.13	4.27	113.89

(ii) Capital work-in-progress

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Capital work-in-progress	**-**	-	0.24
Total	**-**	-	0.24

(iii) Other Intangible assets (Previous Year's figures are in italics)

Description	Software and System development	Total Other Intangibles
Cost		
Balance as at 1st April, 2017	***12.04***	***12.04***
Additions during the year	*5.92*	*5.92*
Deductions during the year	*0.00*	*0.00*
Balance as at 31st March, 2018	***17.96***	***17.96***
Balance as at 1st April, 2018	**17.96**	**17.96**
Additions during the period	**8.47**	**8.47**
Disposals during the period	**0.00**	**0.00**
Balance as at 31st March, 2019	**26.44**	**26.44**
Accumulated Depreciation/impairment		
Accumulated Depreciation/impairment as at 1st April, 2017	*6.86*	*6.86*
Depreciation charge for the period	*3.81*	*3.81*
Disposals during the period	*0.00*	*0.00*
Accumulated Depreciation/impairment as at 31st March, 2018	*10.67*	*10.67*
Accumulated Depreciation/impairment as at 1st April, 2018	**10.67**	**10.67**
Depreciation charge for the period	**6.63**	**6.63**
Disposals/Adjustments during the period	**0.00**	**0.00**
Accumulated Depreciation/impairment as at 31st March, 2019	**17.30**	**17.30**
Net carrying amount		
Net carrying amount as at 1st April, 2017	*5.18*	*5.18*
Net carrying amount as at 31st March, 2018	*7.30*	*7.30*
Net carrying amount as at 31st March, 2019	*9.14*	*9.14*

(Currency : Indian Rupees in crore)

13 Trade Payables

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Trade payables			
i) total outstanding dues to micro and small enterprises		-	-
ii) total outstanding dues of creditors other than micro and small enterprises	**394.91**	279.50	193.68
Total	**394.91**	279.50	193.68

13.1 Trade Payables includes ₹ Nil (Previous Years: ₹ Nil, ₹ 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.

14 Debt Securities

(₹ in crore)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
At Amortised Cost			
Secured			
Privately placed redeemable non convertible debenture	**20,396.53**	17,494.97	13,201.21
Secured by pari passu charge by mortgage of Company's Office no.319 , 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and receivables under financing activity.			
Unsecured			
Commercial paper	**3,723.14**	2,915.39	2,020.54
Total	**24,119.67**	20,410.36	15,221.75
Debt securities in India	**24,119.67**	20,410.36	15,221.75
Debt securities outside India	**-**	-	-
Total	**24,119.67**	20,410.36	15,221.75

14.1 No non convertible debentures, non convertible perpetual debentures and any other borrowing is guaranteed by directors and/or others.

14.2 Terms of repayment of privately placed redeemable non convertible debenture.

Previous Year and preceding previous year figures are in (brackets)

Rate of interest (%)	0-1 years	1-3 years	3-5 years	>5 years	Total
	814.97	**1699.72**	**-**	**-**	**2514.69**
7.0-7.5	(329.97)	(2514.45)	-	-	(2844.42)
	-	-	-	-	-
	3121.77	**4900.90**	**-**	**-**	**8022.67**
7.5-8.5	(2509.81)	(5980.69)	(816.71)	-	(9307.21)
	-	(5895.53)	-	-	(5895.53)
	2295.85	**5707.04**	**1706.28**	**-**	**9709.17**
8.5-9.5	(3857.74)	(995.85)	-	-	(4853.59)
	(1064.92)	(4853.08)	-	-	(5918.00)
	150.00	**-**	**-**	**-**	**150.00**
9.5-10.5	(339.77)	(149.98)	-	-	(489.75)
	(897.98)	(489.70)	-	-	(1387.68)
	6382.59	**12307.66**	**1706.28**	**-**	**20396.53**
Total	(7037.29)	(9640.97)	(816.71)	-	(17494.97)
	(1962.90)	(11238.31)	-	-	(13201.21)

(Currency : Indian Rupees in crore)

14.3 All the above non convertible debentures are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year (Refer Note 69).

15 Borrowings (Other than Debt Securities)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
At Amortised Cost			
Borrowings (other than debt securities)			
Secured			
(a) External commercial borrowings (ECB) from International Financial Corporation against hypothecation of Receivables under financing activity	965.57	-	-
(b) Term loans from banks against hypothecation of Receivables under financing activity	15,508.98	12,482.93	8,083.25
(c) Term loan from NBFC against hypothecation of Receivables under financing activity	-	-	500.00
(d) Borrowing under Securitization	1,621.10	867.42	1,922.38
Total	18,095.65	13,350.35	10,505.63
Borrowings in India	18,095.65	13,350.35	10,505.63
Borrowings outside India	-	-	-
Total	**18,095.65**	13,350.35	10,505.63

15.1 No term loans, external commercial borrowings, commercial paper and any other borrowing is guaranteed by directors and/or others.

15.2 During the period presented there were no defaults in the repayment of principal and interest.

15.3 Terms of repayment of External commercial borrowings from International Finance Corporation.

Previous Year and preceding previous year figures are in (brackets)

Rate of interest (%)	0-3 years	3-5 years	Total
8 - 9	**965.57**	**-**	**965.57**
	-	-	-
	-	-	-

15.4 Terms of repayment of Term loans from Banks.

Previous Year and preceding previous year figures are in (brackets)

Marginal Cost of Funds Based Lending Rate (MCLR) (a)	0-1 years	1-3 years	3-5 years	Total
1 Month MCLR + (0.00% to 0.75%)	**460.00**	**1415.00**	**-**	**1875.00**
	(335.00)	(1075.00)	-	(1410.00)
	-	-	-	-
3 Month MCLR + (0.00% to 1.5%)	**971.11**	**2212.01**	**502.88**	**3686.00**
	(1497.67)	(3383.17)	(1964.39)	(6845.23)
	(1300.64)	(2483.28)	-	(3783.92)

Marginal Cost of Funds Based Lending Rate (MCLR) (a)	0-1 years	1-3 years	3-5 years	Total
6 Month MCLR + (0.00% to 0.75%)	**809.09**	**427.21**		**1236.30**
	(454.55)	(136.36)	-	(590.91)
	(596.56)	(581.62)	-	(1178.18)
1 Year MCLR + (0.00% to 0.25%)	**734.09**	**1170.45**	**45.45**	**1949.99**
	(467.85)	(591.67)	-	(1059.52)
	(971.15)	(2116.67)	(33.33)	(3121.15)
1 Year MCLR + (0.25% to 1.25%)	**1386.36**	**2,563.64**	**1,299.48**	5249.48
	(227.27)	(1000.00)	-	(1227.27)
	-	-	-	-
Total (a)	**4,360.65**	**7,788.31**	**1,847.81**	**13,996.77**
	(2,982.34)	(6,186.20)	(1,964.39)	(11,132.93)
	(2,868.35)	(5,181.57)	(33.33)	(8,083.25)
Rate linked to T-Bills rates (b)	**0-1 years**	**1-3 years**	**3-5 years**	**Total**
3 Month T-Bills rates (0.00% to 2.50%)	**600.00**	**499.94**	**149.77**	**1,249.71**
	(100.00)	(850.00)	(400.00)	(1350.00)
	-	-	-	-
12 Month T-Bills rates (0.00% to 2.50%)	75.00	150.00	37.50	262.50
	-	-	-	-
	-	-	-	-
Total (b)	**675.00**	**649.94**	**187.27**	**1,512.21**
	(100.00)	(850.00)	(400.00)	(1,350.00)
	-	-	-	-
Total (a)+(b)	**5,035.65**	**8,438.25**	**2,035.08**	**15,508.98**
	(3082.34)	(7036.20)	(2364.39)	(12482.93)
	(2868.35)	(5181.57)	(33.33)	(8083.25)

15.5 Terms of repayment of Term loans from NBFC.

Previous Year and preceding previous year figures are in (brackets)

Overnight Indexed Swap based lending rate (OIS)	0-3 years	3-5 years	Total
3 Month OIS (0.00% to 2.50%)	-	-	-
	-	-	-
	(500.00)	-	(500.00)

15.6 All the above Term loans are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year.

15.7 Terms of repayment of Borrowing under Securitization

Previous Year and preceding previous year figures are in (brackets)

	0-1 years	1-3 years	3-5 years	Total
6.5 to 7.5	**828.72**	**767.47**	**24.91**	**1,621.10**
	(549.00)	(318.24)	(0.18)	(867.42)
	(965.43)	(919.34)	(37.61)	(1922.38)

16 Subordinated Liabilities

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
At Amortised Cost			
Unsecured			
(a) Privately placed subordinated (Tier II) redeemable bonds	**2,591.78**	1,992.50	1,713.46
(b) Redeemable non convertible perpetual bonds	**298.00**	-	-
Total	**2,889.78**	1,992.50	1,713.46
Subordinated Liabilities in India	**2,889.78**	1,992.50	1,713.46
Subordinated Liabilities outside India	**-**	-	-
Total	**2,889.78**	1,992.50	1,713.46

16.1 No subordinate debts and any other borrowing is guaranteed by directors and/or others.

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

Previous Year and preceding previous year figures are in (brackets)

Rate of interest	**<5 year**	**>5 years**	**Total**
	828.37	**2,061.41**	**2,889.78**
8.0-10.5	(598.45)	(1394.05)	(1992.50)
	-	(1713.46)	(1713.46)

17 Other financial liabilities

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Interest accrued	**1,300.90**	1,049.90	745.75
Overdrawn balances in current account with banks	**1,203.24**	1,150.91	713.85
Loans repayable on demand from banks (overdraft)	**0.00**	0.24	-
Deposits (not as defined in Section 2(31) of Companies Act, 2013)	**9.98**	9.85	9.85
Creditors for other expenses	**54.03**	16.12	14.00
Statutory liabilities	**55.65**	52.24	16.40
Total	**2,623.80**	2,279.28	1,499.85

18 Current tax liabilities (Net)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Provisions for tax (Net of advance tax)	**56.12**	38.35	48.89
Total	**56.12**	38.35	48.89

(Currency : Indian Rupees in crore)

19 Provisions

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Provision for employee benefits			
Gratuity (funded)	**38.94**	30.22	19.98
Compensated absence (unfunded)	**21.07**	19.39	17.37
Salary, bonus and reimbursements	**190.71**	187.18	139.78
Contribution to provident fund	**17.48**	14.46	8.50
	268.20	251.25	185.63
Provision for Impairment loss allowance			
Impairment loss allowance (loan)	**828.24**	702.91	568.31
Impairment loss allowance (Trade receivables)	**5.10**	9.89	2.80
	833.34	712.80	571.11
Total	**1,101.54**	964.05	756.74

An analysis of changes in the Impairment loss allowance in relation to Loans is, as follows:

Analysis of changes in the Impairment loss allowance

	As at 31 March 2019				As at 31 March 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance - opening balance	**343.52**	**115.51**	**243.88**	**702.91**	266.23	103.98	198.10	568.31
Originated or new	**151.30**	**18.99**	**37.43**	**207.72**	146.05	11.87	18.53	176.45
Matured or repaid (excluding write offs)	**(162.50)**	**(61.33)**	**266.71**	**42.88**	(117.23)	(46.09)	214.20	50.88
Transfers to Stage 1	**41.11**	**(20.22)**	**(20.89)**	**-**	42.94	(21.96)	(20.99)	-
Transfers to Stage 2	**(26.08)**	**35.86**	**(9.78)**	**-**	(17.03)	22.05	(5.02)	-
Transfers to Stage 3	**(27.60)**	**(34.80)**	**62.40**	**-**	(17.39)	(24.17)	41.57	-
Remeasurement	**38.62**	**94.17**	**259.69**	**392.47**	39.95	69.84	174.15	283.93
Amounts written off (net of recovery)	**-**	**-**	**(517.75)**	**(517.75)**	-	-	(376.66)	(376.66)
Impairment loss allowance - closing balance	**358.37**	**148.18**	**321.69**	**828.24**	343.52	115.51	243.88	702.91

Reconciliation of impairment Loss allowance on trade receivables:

	As at 31 March 2019	As at 31 March 2018
Balance as at beginning of the year	**9.89**	2.80
Increase during the year	**2.29**	7.51
Decrease during the year	**(7.09)**	(0.42)
Balance at end of the year	**5.10**	9.89

(Currency : Indian Rupees in crore)

20 Other non-financial liabilities

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Other payables	**15.33**	12.27	8.55
Provision for expenses	**65.04**	79.51	55.37
Total	**80.37**	91.78	63.92

21 Equity Share capital

	Face Value ₹ each	**As at 31 March 2019**	**As at 31 March 2018**	**As at 01 April 2017**	**As at 31 March 2019**	**As at 31 March 2018**	**As at 01 April 2017**
		Number of shares					
Authorised equity shares	10	**1,001,550,000**	1,001,550,000	1,001,550,000	**1001.55**	1001.55	1001.55
Issued, Subscribed & Paid up equity shares fully paid up	10	**785,700,306**	782,936,256	780,244,296	**785.70**	782.94	780.24
Total					**785.70**	782.94	780.24

21.1 Reconciliation of the number of shares

	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
	Number	**Amount**	Number	Amount	Number	Amount
Equity shares of ₹10 fully paid up						
Shares outstanding at the beginning of the year	**782,936,256**	**782.94**	780,244,296	780.24	780244296	780.24
Shares issued - exercised for ESOP scheme	**2,764,050**	**2.76**	2,691,960	2.70	-	-
Shares outstanding at the end of the year	**785,700,306**	**785.70**	782,936,256	782.94	780,244,296	780.24

21.2 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.

(Currency : Indian Rupees in crore)

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

Particulars	**As at 31 March 2019**		As at 31 March 2018		As at 01 April 2017	
	No. of Shares held	**% of Holding**	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity shares of ₹ 10 fully paid up						
HDFC Bank Limited (Holding Company)	750,596,670	95.53	750,596,670	95.87	750,596,670	96.20

21.4 Number of shares reserved for ESOPs

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Equity shares of ₹10 fully paid up			
Number of Shares reserved for ESOPs (Refer note 33)	**4,230,300**	6,269,950	5,878,660

21.5 Pursuant to the Scheme of Amalgamation of erstwhile Atlas Documentary Facilitators Company Pvt Ltd & HBL Global Pvt Ltd, 7,560,985 shares of face value ₹10 each were issued during the previous year to the shareholders of erstwhile Atlas Documentary Facilitators Company Pvt Ltd & HBL Global Pvt Ltd for consideration other than cash.

22 Interest Income

	For the year ended 31 March 2019	**For the year ended 31 March 2018**
At amortised cost		
Interest on Loans	**6,697.62**	5,325.63
Interest on deposits with Banks	**14.50**	5.66
Total	**6,712.12**	**5,331.29**

23 Net gain/ (loss) on fair value changes

	For the year ended 31 March 2019	**For the year ended 31 March 2018**
Net gain/ (loss) on financial instruments at fair value through profit or loss (FVTPL)		
Mutual fund units & Treasury Bill	**32.93**	2.52
Unquoted equity shares	**-**	(0.35)
	32.93	2.16
Net gain/ (loss) on financial instruments at fair value through profit or loss (FVTPL)		
Realised	**31.25**	1.97
Unrealised	**1.68**	0.20
Total	**32.93**	2.16

(Currency : Indian Rupees in crore)

24 Finance Costs

	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest expenses on financial liabilities measured at amortised cost		
Interest on borrowings	**1,328.82**	695.83
Interest on debt securities	**1,587.45**	1,322.75
Interest on subordinated liabilities	**215.43**	166.92
Discount on commercial paper	**189.33**	256.25
Other borrowing costs	**12.30**	7.32
Total	**3,333.33**	2,449.07

25 Impairment on financial instruments

	For the year ended 31 March 2019	For the year ended 31 March 2018
Impairment on financial instruments at amortised cost		
Loans	**641.73**	517.69
Trade receivables	**(4.79)**	7.09
Total	**636.94**	**524.78**

26 Employee benefits expense

	For the year ended 31 March 2019	For the year ended 31 March 2018
Salaries and wages (including bonus)	**2,353.78**	2,049.51
Contribution to provident and other funds	**153.20**	145.75
Employee share based payment expenses	**15.36**	14.53
Staff welfare expenses	**29.40**	18.50
Total	**2,551.74**	2,228.29

27 Other expenses

	For the year ended 31 March 2019	For the year ended 31 March 2018
Rent	**57.59**	60.89
Rates and taxes	**0.28**	0.55
Telephone	**23.91**	21.79
Power and fuel	**21.63**	23.29
Repairs and maintenance- premises	**1.69**	2.90
Repairs and maintenance-others	**1.96**	1.58
Credit report charges	**46.78**	51.89
Commission and brokerage	**3.00**	2.31
Auditor's remuneration (Refer Note 29)	**0.76**	0.54
Insurance	**0.68**	0.81
Loss on sale of asset	**0.28**	0.15
Expenses towards Corporate Social Responsibility Initiative (Refer Note 39)	**22.65**	11.44
Others administrative expenses	**235.61**	165.42
Total	**416.82**	**343.56**

(Currency : Indian Rupees in crore)

28 **Earning per share**

	For the year ended 31 March 2019	For the year ended 31 March 2018
Net Profit (₹ in crore)	1,153.24	933.02
Continuing Operations		
Weighted average number of equity shares		
Basic	783,832,157	781,201,590
Diluted	784,830,145	782,513,957
Earnings per share (₹)		
Basic	14.71	11.94
Diluted	**14.69**	**11.92**
Face value per share (₹)	**10.00**	**10.00**

The dilutive effect on the earnings per share is caused by the potential shares that would be issued upon the exercise of the ESOP Options. As a result of the dilution, the denominator increased by 9,97,988 shares (Previous Year 13,12,367 shares).

29 **Auditor's Remuneration**

	For the year ended 31 March 2019	For the year ended 31 March 2018
As Auditor		
Statutory audit	0.59	0.45
Tax audit	0.03	0.03
Others	0.06	-
For certificates	0.02	0.02
Sub Total	0.70	0.50
GST	0.06	0.04
Total	0.76	0.54

30 **First-time adoption of Ind AS**

These financial statements, for the year ended 31 March 2019, are the first financial statements the Group has prepared in accordance with Ind AS. For periods up to and including the year ended 31 March 2018, the Group prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013.

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on 31 March 2019, together with the comparative period data as at and for the year ended 31 March 2018, as described in the significant accounting policies. In preparing these financial statements, the group's opening balance sheet was prepared as at 1 April 2017, the group's date of transition to Ind AS. This note explains the principal adjustments made by the group in restating its Indian GAAP financial statements, including the balance sheet as at 1 April 2017 and the financial statements as at and for the year ended 31 March 2018.

An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following notes & tables.

Effective interest rate (EIR) method - Previous GAAP did not require loans to be recorded using the EIR method. Under Ind AS, the EIR method calculates the amortised cost of a financial instrument and allocates such interest over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Expected credit loss (ECL) - Previous GAAP provisions for credit losses were primarily based on RBI guidelines. Under Ind AS, the ECL allowance is based on the credit losses expected to arise from all possible default events over the expected life of the financial asset ('lifetime ECL'), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The ECL approach, under Ind AS, is also applied to loan commitments after first determining the credit conversion factor.

Income recognition on credit-impaired loans - RBI guidelines required income on NPAs to be reversed. Under Ind AS, income continues to be recognised on credit impaired loans, by applying the effective interest rate to the net amortised cost of loans (i.e. net of allowance for loan losses).

Write-off of certain credit-impaired loans - Unlike under previous GAAP, the Ind AS framework requires an explicit write-off policy. The Group determines write-offs when it has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Borrowing costs - Previous GAAP did not require amortised cost accounting for liabilities. Under Ind AS, the Group determines the effective interest rate of its borrowings and records interest expense on that basis.

Investments - Under Previous GAAP, the Group classified its investments into current and non-current, the former being recorded at the lower of cost and net realisable value and the latter at cost. Provisions were recorded in case of other than temporary diminution in the value of non-current investments. Under Ind AS, the Group has classified its investments at fair value through profit or loss, which requires re-measurement at fair value at the balance sheet date and the recording of fair value movements in the profit and loss account.

Security deposits - Previous GAAP did not require the fair valuation of financial instruments at initial recognition. Under Ind AS, the Group records security deposits provided to landlords at fair value, with corresponding adjustments to interest expense and rental expense.

Employee retirement benefit plans - Previous GAAP required actuarial experience adjustments relating to defined benefit plans, i.e. gratuity and compensated absences, to be recorded in the profit and loss account. By contrast, under Ind AS, the Group records such adjustments in OCI.

Share-based payment transactions - Under Previous GAAP, the Group recorded its ESOP grants at intrinsic value while under Ind AS, the grants are recorded at fair value.

Deferred tax - Previous GAAP required the recognition of deferred tax on the basis of timing differences, i.e. differences in the timing of recognising items of income and expense between the books and under current tax regulations. On the other hand, under Ind AS, the Group records deferred tax computed on balance sheet basis differences between the books and under current tax regulations.

Securitisation of loans - Previous GAAP permitted the de-recognition of certain financial assets that Ind AS does not. As a result, the Group retains certain securitised loans on its balance sheet with a corresponding recognition of collateralised borrowings.

Ind AS 101 exemptions - The Group has used certain available exemptions under Ind AS 101 for first-time adoption, and accordingly has retained the accounting under Previous GAAP for transactions that occurred prior to the Ind AS transition date. These optional exemptions relate to business combinations, property plant and equipment, intangible assets and vested ESOP grants.

Cash flow statement - There are no significant differences in the principles used for presenting cash flows between the previous GAAP and Ind AS.

HDB FINANCIAL SERVICES

(Currency : Indian Rupees in crore)

30 First -time adoption of Ind AS

Reconciliation of balance sheet (including equity) as previously reported under IGAAP to Ind AS

	As at 01 April 2017			As at 31 March 2018		
	Previous GAAP	Adjustment	Ind AS	Previous GAAP	Adjustment	Ind AS
ASSETS						
Financial Assets						
(a) Cash and cash equivalents	70.03	-	70.03	61.61	-	61.61
(b) Bank balances Other than cash and cash equivalents	120.74	-	120.74	75.79	-	75.79
(c) Trade receivables	115.44	-	115.44	126.44	-	126.44
(d) Loans	32,291.81	1,779.14	34,070.94	43,572.71	695.60	44,268.31
(e) Investments	464.06	(62.64)	401.42	429.36	(27.86)	401.50
(f) Other financial assets	40.00	(0.01)	40.00	64.72	(0.02)	64.71
	33,102.08	1,716.49	34,818.57	44,330.64	667.72	44,998.36
Non-financial Assets						
(a) Current tax assets (Net)	24.41	-	24.41	15.37	-	15.37
(b) Deferred tax assets (Net)	138.45	100.12	238.57	185.67	110.10	295.77
(c) Property, Plant and Equipment	125.80	-	125.80	129.72	-	129.72
(d) Capital work-in-progress	0.24	-	0.24	-	-	-
(e) Other Intangible assets	5.18	-	5.18	7.30	-	7.30
	294.08	100.12	394.20	338.06	110.10	448.16
TOTAL ASSETS	33,396.16	1,816.61	35,212.77	44,668.70	777.82	45,446.52
LIABILITIES AND EQUITY						
Liabilities						
Financial Liabilities						
(a) Trade Payables						
(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	283.27	(89.59)	193.68	339.92	(60.43)	279.50
(b) Debt Securities	15,224.84	(3.09)	15,221.75	20,413.94	(3.57)	20,410.36
(c) Borrowings (Other than Debt Securities)	8,583.25	1,922.38	10,505.63	12,482.93	867.42	13,350.35
(d) Subordinated Liabilities	1,720.00	(6.54)	1,713.46	2,000.00	(7.50)	1,992.50
(e) Other financial liabilities	1,496.65	3.19	1,499.85	2,277.50	1.78	2,279.28
	27,308.01	1,826.36	29,134.37	37,514.28	797.70	38,311.99
Non-Financial Liabilities						
(a) Current tax liabilities (Net)	48.89	-	48.89	40.02	(1.67)	38.35
(b) Provisions	612.44	144.30	756.74	820.38	143.66	964.05
(c) Other non-financial liabilities	63.92	-	63.92	91.78	-	91.78
	725.25	144.30	869.55	952.19	141.99	1,094.18
Equity						
(a) Equity Share capital	780.24	-	780.24	782.94	-	782.94
(b) Other Equity	4,582.66	(154.05)	4,428.61	5,419.29	(161.88)	5,257.41
	5,362.90	(154.05)	5,208.86	6,202.23	(161.88)	6,040.35
TOTAL LIABILITIES AND EQUITY	33,396.16	1816.61	35,212.77	44,668.70	777.82	45,446.52

(Currency : Indian Rupees in crore)

Reconciliation statement of profit and loss as previously reported under IGAAP to Ind AS

		For the year ended 31 March 2018		
		Previous GAAP	Adjustment	Ind AS
1	**Revenue from operations**			
	(a) Interest income	5,146.05	185.24	5,331.29
	(b) Sale of services	1,529.00	-	1,529.00
	(c) Other financial charges	386.58	(221.90)	164.67
	(d) Net gain on fair value changes	1.72	0.44	2.16
	Total Revenue from operations	7,063.35	(36.23)	7,027.12
2	**Expenses**			
	(a) Finance Costs	2,357.12	91.95	2,449.07
	(b) Impairment on financial instruments	519.00	5.78	524.78
	(c) Employee Benefits Expenses	2,219.34	8.95	2,228.29
	(d) Depreciation, amortization and impairment	45.31	-	45.31
	(e) Others expenses	456.35	(112.78)	343.56
	Total Expenses	5,597.11	(6.11)	5,591.01
3	**Profit/(loss) before tax**	1,466.24	(30.13)	1,436.11
4	**Tax Expense:**			
	(a) Current tax	560.00	(1.66)	558.34
	(b) Deferred tax (credit)	(47.22)	(8.03)	(55.25)
	(c) Income tax for earlier year	0.00	0.00	0.00
	Total Tax expense	512.78	(9.69)	503.09
5	**Profit/(loss) for the period from continuing operations**	953.46	(20.44)	933.02
6	**Other Comprehensive Income**			
	(a) Items that will not be reclassified to profit or loss			
	- Remeasurement gain/(loss) on defined benefit plan	-	(5.59)	(5.59)
	(b) Income tax relating to items that will not be reclassified to profit or loss	-	1.95	1.95
	Other Comprehensive Income	-	(3.63)	(3.63)
7	**Total Comprehensive Income for the period**	953.46	(24.08)	929.38

31 Operating leases

i. Future minimum lease payments under non-cancellable operating leases

Period	**31 March 2019**	**31 March 2018**
Not later than one year	55.09	48.85
Later than one year, but less than five years	198.36	173.36
More than five years	88.74	77.29

ii. Lease payments recognized in the Statement of Profit and Loss ₹ 56.47 crore (Previous year ₹ 59.83 crore).

iii. Future sub lease income receivable is ₹ 0.63 crore (Previous year ₹ 0.75 crore).

iv. General description of leasing arrangement

a) Leased Assets: Premises and Computers.

b) Future lease rentals are determined on the basis of agreed terms, that include inflated related adjustments.

c) 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.

32 Dividend distributed to equity shareholders

The Board has recommended a final dividend of ₹1.80 per equity share for financial year ended 31 March 2019 in the Board of Directors meeting held on 18 April 2019.

33 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 ESOP-8 on 14 July 2015, ESOP-9 on 18 October 2016, ESOP-10 on 13 October 2017 and ESOP-11 on 15 January 2019. 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-8 and maximum of four years from the date of vesting for ESOP-9, ESOP-10 and ESOP-11.

Method used for accounting for shared based payment plan.

The Company uses fair 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 for the year ended 31 March 2019

Particulars	Options	Exercise Price (₹)
Options outstanding, beginning of year	6,269,950	168.41
Granted during the year	910,500	274.00
Exercised during the year	2,764,050	141.22
Forfeited/lapsed during the year	186,100	159.37
Options outstanding, end of year	4,230,300	209.36

Movement in the options outstanding under the Employees Stock Options Plan for the year ended 31 March 2018

Particulars	Options	Exercise Price (₹)
Options outstanding, beginning of year	5,878,660	112.46
Granted during the year	3,340,250	213.00
Exercised during the year	2,691,960	106.74
Forfeited/lapsed during the year	257,000	114.01
Options outstanding, end of year	6,269,950	168.41

Following summarizes the information about stock options outstanding as at 31 March 2019

Plan	Exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life (in years)
ESOP - 8	88	34,500	1.50
ESOP - 9	137	874,200	4.53
ESOP - 10	213	2,414,200	5.06
ESOP - 11	274	907,400	5.94

Following summarizes the information about stock options outstanding as at 31 March 2018

Plan	Exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life (in years)
ESOP - 8	88	1,115,000	2.47
ESOP - 9	137	1,844,200	5.02
ESOP - 10	213	3,310,750	5.69

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 based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model for the stock options granted by the Company are:

Particulars	31 March 2019	31 March 2018
Dividend yield	0.66%	0.70%
Expected volatility	0.35	0.43
Risk-free interest rate	7.23%	6.44%
Expected life of the option	3.01 years	3.05 years

During the year ended 31 March 2019, the Company recorded an employee stock compensation expense of ₹15.36 crore (previous year ₹14.53 crore) in the Statement of Profit and Loss.

34 Segment reporting

(₹ in crore)

S.N.	Particulars	31 March 2019	31 March 2018
i.	**Segment Revenue**		
	Lending business	7,076.70	5,492.67
	BPO Services	1,648.12	1,529.19
	Unallocated	-	-
	Income from Operations	**8,724.81**	**7,021.86**
ii.	**Segment Results**		
	Lending business	1,720.62	1,427.00
	BPO Services	73.21	69.00
	Unallocated	(69.76)	(59.88)
	Profit before tax	**1,724.06**	**1,436.12**
	Income Tax expenses		
	Current tax	648.99	558.34
	Deferred tax Asset	(87.34)	(55.25)
	Income tax for earlier year	9.17	-
	Net Profit	**1,153.25**	**933.04**
iii.	**Capital Employed**		
	Segment assets		
	Lending business	56,002.12	45,014.11
	BPO Services	110.42	117.16
	Unallocated	427.77	315.25
	Total Assets	**56,540.31**	**45,446.52**
	Segment Liabilities		
	Lending business	49,050.57	39,092.20
	BPO Services	184.17	179.49
	Unallocated	127.10	134.49
	Total Liabilities	**49,361.84**	**39,406.18**
	Net Segment assets/(liabilities)	7,178.47	6,040.34
iv.	**Capital Expenditure (including net CWIP)**		
	Lending business	33.17	40.43
	BPO Services	10.75	10.74
	Unallocated	4.49	0.47
	Total	**48.41**	**51.64**

S.N.	Particulars	31 March 2019	31 March 2018
v.	**Depreciation**		
	Lending business	48.66	34.25
	BPO Services	10.61	10.36
	Unallocated	2.65	0.70
	Total	**61.92**	**45.31**
vi.	**Other non cash expenditure**		
	Lending business	636.95	524.43
	BPO Services	-	-
	Unallocated	-	0.35
	Total	**636.95**	**524.78**

a) Chief Operating Decision Maker

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Maker (CODM). The Managing Director ('MD') of the Company has been identified as the CODM as defined by Ind AS 108 Operating Segments, who assesses the financial performance and position of the Company and makes strategic decisions.

b) Operating Segment

The Company is organised primarily into two operating segments, i.e. Lending business and BPO services. Lending business includes providing finance to retail customers for a variety of purposes like purchase of commercial equipment and commercial vehicles, personal purposes, enterprise loans, etc. Revenue from lending business includes (i) interest income and processing fees net of loan origination costs, (ii) collection-related charges like cheque bouncing charges, late payment charges and foreclosure charges, and (iii) insurance commission. BPO services comprises of sales support services, back office, operations, processing support, running collection call centres and collecting overdue amounts from borrowers.

c) 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 enterprise as a whole and are not allocable to a segment on a reasonable basis have been disclosed as 'Unallocated'.

d) Segment Assets and Liabilities

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

e) Accounting Policies

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

35 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:

Aditya Puri (Chairman & Non Executive Director)
Bhavesh Zaveri (Non Executive Director)
Jimmy Tata (Non Executive Director)
Smita Affinwalla (Independent Director)
Venkatraman Srinivasan (Independent Director)
G Ramesh (Managing Director and CEO)

Other related parties :

HDFC Ergo General Insurance Company Limited
HDFC Life Insurance Company Limited
HDFC Trustee Company Limited

Details of Related Party Transactions for the Year: (₹ in crore)

Related party	Nature of transaction	31 March 2019	31 March 2018
HDFC Bank Limited	Bank charges	8.39	5.93
	Charges for back office support services received/recoverable	691.56	643.07
	Charges for sales support services received/recoverable	1,070.35	992.57
	Commission on sourcing of credit cards received/recoverable	-	0.02
	Corporate logo license fees	11.98	-
	Dividend paid	52.54	112.59
	Fixed deposits placed	135.00	94.50
	Interest paid on non-convertible debentures	80.29	-
	Interest paid on term loan and OD account	214.24	104.83
	Interest received on fixed deposits	4.56	2.63
	Investment banking fees paid	1.97	1.21
	IPA charges	0.02	0.04
	Reimbursement of IT Expenses	0.09	-
	Reimbursement of R & M charges received /receivable	-	0.73
	Rent paid for premises taken on sub-lease	3.31	2.97
	Rent received/receivable for premises given on sub-lease	-	0.80
	Securities purchased during the year	2,181.00	1,885.00
	Securitisation	963.22	-
	Term loan availed during the year	2,150.00	1,000.00
	Term loan paid during the year	640.91	587.27
	Tele collection charges/field collection charges received/ recoverable for collection services rendered	154.97	133.44
HDFC Securities Limited	Commission on sourcing of loans	-	0.01
	Rent received/receivable for premises given on sub-lease	0.11	0.12
Key Management Personnel	Director sitting fees and commission paid	0.46	0.38
	Dividend paid	0.28	0.18
	Salary including perquisites and allowances	3.72	3.47
	Stock Options	0.91	-
	Others Contribution to Funds*	0.10	0.09
	Non Covertible Debentures issued	1,921.90	1,483.00
Other related parties	Insurance commission received/receivable	25.32	15.09
	Insurance premium paid	1.73	-
	Rent received/receivable for premises given on sub-lease	0.02	0.19
	Rent paid/payable	0.05	0.03

* excludes amounts pertaining to gratuity and compensated absences, which are actuarially valued at the Company level.

Balances outstanding:

Related party	Nature of transaction	31 March 2019	31 March 2018	01 April 2017
HDFC Bank Limited	Securitisation	878.20	115.18	575.88
	Balance in current accounts	282.68	42.82	49.65
	Balance receivable	83.69	85.39	105.75
	Balance payable	12.22	-	-
	Fixed deposit	134.96	58.42	68.67
	Security deposit paid	0.20	0.20	0.20
	Security deposit received	9.85	9.85	9.85
	Term loan outstanding	3,100.00	1,590.90	1,180.15
	Non convertible debentures issued	965.00	1,120.00	675.00
	Outstanding lending commitments by HDFC Bank	1,000.00	-	-
HDFC Securities Ltd.	Balance receivable	0.17	0.14	0.14
Other related parties**	Balance payable	1,646.90	1,483.00	783.00
	Balance receivable	5.13	6.42	0.57

** excludes amounts pertaining to insurance premiums payable that are in the nature of pass through.

36 Employee benefits

Defined contribution plan

The contribution made to various statutory funds is recognized as expense and included in Note 26 'Employee benefits expense' under 'Contribution to provident and other funds' in Statement of Profit and Loss.

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 and Life Insurance Corporation of India Limited (LIC). HDFC Life and LIC have certified the Fair Value of the Plan Assets .

Details of Actuarial Valuation as at March 31, 2019 : (₹ in crore)

	Particulars	31 March 2019	31 March 2018	01 April 2017
A.	**Change in defined benefit obligation**			
1	Defined benefit obligation at beginning of period	63.37	52.96	40.12
2	Service cost			
	a. Current service cost	15.24	12.04	11.27
	b. Past service cost	0.57	-	-
	c. (Gain)/loss on settlements	-	-	-
3	Interest expenses	4.19	3.14	2.78
4	Cash flows			
	a. Benefit payments from plan	(9.59)	(8.35)	(6.54)
	b. Benefit payments from employer	-	-	-
	c. Settlement payments from plan	-	-	-
	d. Settlement payments from employer	-	-	-

	Particulars	31 March 2019	31 March 2018	01 April 2017
5	Remeasurements			
	a. Effect of changes in demographic assumptions	(0.91)	0.59	0.56
	b. Effect of changes in financial assumptions	0.35	(0.70)	0.64
	c. Effect of experience adjustments	3.67	3.67	4.13
6	Transfer In /Out			
	a. Transfer In	-	-	-
	b. Transfer out	-	-	-
7	Defined benefit obligation at end of period	76.88	63.37	52.96
B.	**Change in fair value of plan assets**			
1	Fair value of plan assets at beginning of period	33.18	30.01	25.17
2	Interest income	2.55	2.04	2.09
3	Cash flows			
	a. Total employer contributions			
	(i) Employer contributions	14.11	8.01	10.46
	(ii) Employer direct benefit payments	-	-	-
	(iii) Employer direct settlement payments	-	-	-
	b. Participant contributions	-	-	-
	c. Benefit payments from plan assets	(9.59)	(8.35)	(6.54)
	d. Benefit payments from employer	-	-	-
	e. Settlement payments from plan assets	-	-	-
	f. Settlement payments from employer	-	-	-
4	Remeasurements			
	a. Return on plan assets (excluding interest income)	(2.17)	(2.02)	(1.17)
5	Transfer In /Out			
	a. Transfer In	-	3.49	-
	b. Transfer out	-	-	-
6	Fair value of plan assets at end of period	38.09	33.18	30.01
C.	**Amounts recognized in the Balance Sheet**			
1	Defined benefit obligation	76.88	63.37	52.96
2	Fair value of plan assets	(38.09)	(33.18)	(30.01)
3	Funded status	38.79	30.19	22.95
4	Effect of asset ceiling	-	-	-
5	Net defined benefit liability (asset)	38.79	30.19	22.95
D.	**Components of defined benefit cost**			
1	Service cost			
	a. Current service cost	15.24	12.04	11.27
	b. Past service cost	0.57	-	-
	c. (Gain)/loss on settlements	-	-	-
	d. Total service cost	15.80	12.04	11.27
2	Net interest cost			
	a. Interest expense on DBO	4.19	3.14	2.78
	b. Interest (income) on plan assets	2.55	2.04	2.09
	c. Interest expense on effect of (asset ceiling)	-	-	-
	d. Total net interest cost	1.64	1.11	0.70

	Particulars	31 March 2019	31 March 2018	01 April 2017
3	Remeasurements (recognized in OCI/ Retained Earnings)			
	a. Effect of changes in demographic assumptions	(0.91)	0.59	0.56
	b. Effect of changes in financial assumptions	0.35	(0.70)	0.64
	c. Effect of experience adjustments	3.67	3.67	4.13
	d. Return on plan assets (excluding interest income)	(2.17)	(2.02)	(1.17)
	e. Changes in asset ceiling (excluding interest income)	-	-	-
	f. Total remeasurements included in OCI/ Retained Earnings	5.27	5.59	6.49
4	Total defined benefit cost recognized in P&L and OCI	22.72	18.74	18.46
E.	**Re-measurement**			
	a. Actuarial Loss/(Gain) on DBO	3.11	3.57	5.33
	b. Returns above Interest Income	(2.17)	(2.02)	(1.17)
	c. Change in Asset ceiling	-	-	-
	Total Re-measurements (OCI/Retained Earnings)	5.27	5.59	6.49
F.	**Employer Expense (P&L)**			
	a. Current Service Cost	15.24	12.04	11.27
	b. Interest Cost on net DBO	1.64	1.11	0.70
	c. Past Service Cost	0.57	-	-
	d. Total P&L Expenses	17.45	13.15	11.97
G.	**Net defined benefit liability (asset) reconciliation**			
1	Net defined benefit liability (asset)	30.19	22.95	14.95
2	Defined benefit cost included in P&L	17.45	13.15	11.97
3	Total remeasurements included in OCI/ Retained Earnings	5.27	5.59	6.49
4	a. Employer contributions	(14.11)	(8.01)	(10.46)
	b. Employer direct benefit payments	-	-	-
	c. Employer direct settlement payments	-	-	-
5	Net transfer	-	(3.49)	-
6	Net defined benefit liability (asset) as of end of period	38.79	30.19	22.95
H.	**Reconciliation of OCI (Re-measurement)**			
1	Recognised in OCI at the beginning of period	2.60	-	-
2	Recognised in OCI during the period	5.27	5.59	6.49
3	Recognised in OCI/Retained Earnings at the end of the period	7.87	5.59	6.49
I.	**Sensitivity analysis - DBO end of Period**			
1	Discount rate +100 basis points	75.85	61.92	51.97
2	Discount rate -100 basis points	77.96	64.50	53.95
3	Salary Increase Rate +1%	77.58	64.20	53.67
4	Salary Increase Rate -1%	76.20	62.18	52.23
5	Attrition Rate +1%	76.66	63.03	52.70
6	Attrition Rate -1%	77.11	63.32	53.18

	Particulars	31 March 2019	31 March 2018	01 April 2017
J.	**Significant actuarial assumptions**			
1	Discount rate Current Year (p.a.)	6.84% - 6.92%	7.00%	6.42% - 6.54%
2	Discount rate Previous Year (p.a.)	7.00%	6.42% - 6.54%	7.51% - 7.75%
3	Salary increase rate (p.a.)	5.00% - 8.00%	5.00% - 7.00%	5.00% - 7.50%
4	Attrition Rate (%)	27%-92%	30%-90%	25%-95%
5	Retirement Age (years)	60	60	60
6	Pre-retirement mortality	IALM (2012-14) Ultimate	IALM (2006-08) Ultimate	IALM (2006-08) Ultimate
7	Disability	Nil	Nil	Nil
K.	**Data**			
1	No.	88,713	72,889	65,463
2	Average age (yrs.)	28-30	28-30	28-30
3	Average past service (yrs.)	2-3	2-3.5	2-3
4	Average salary monthly (₹)	6,944 - 8,966	7,179 - 8,766	7,221 - 8,526
5	Future service (yrs.)	31.33	31.33	31.33
6	Weighted average duration of DBO	2.67	3.00	3.00
L.	**Defined benefit obligation at end of period**			
	Current Obligation	25.15	19.69	19.12
	Non-Current Obligation	51.73	43.68	33.85
	Total	76.88	63.37	52.96
M.	**Expected cash flows for following year**			
1	Expected contributions/Addl. Provision Next Year	37.76	24.86	17.28
2	Expected total benefit payments			
	Year 1	42.90	19.69	19.12
	Year 2	17.15	16.70	13.39
	Year 3	9.25	11.07	7.61
	Year 4	5.36	7.70	4.92
	Year 5	3.18	5.21	3.46
	Next 5 years	4.20	9.29	6.67

Category of Plan asset	**% of Fair value to total planned assets (as at 31 March 2019)**
Government securities and corporate bonds/debentures	98.01%
Money market instruments and fixed deposits	0.19%
Net current assets and other approved security	1.80%
Total	**100.00%**

The Company's gratuity plan obligation is determined by actuarial valuation and is funded by investments in government securities. As such, the valuation and the funding are exposed to certain risks, including mainly salary increments, attrition levels, interest rates and investment yields. If salaries and interest rates rise faster than assumed or if the attrition rates are lower than assumed, then the company's gratuity obligation would rise faster in future periods and an increase in market yields of government securities would reduce the value of the plan's investments, leading to higher future funding requirements. The Company monitors plan obligations and investments regularly with a view to ensuring that there is adequate funding on an ongoing basis, thus mitigating any potential adverse consequences of the risks described.

37 Contingent liabilities **(₹ in crore)**

S.N.	Particulars	31 March 2019	31 March 2018	01 April 2017
1	Claims against the Company not acknowledged as debt (Refer Note 37.1)	93.73	92.75	92.41
2	Estimated amount of contracts remaining to be executed on capital account and not provided for: (Net of Advances amounting to ₹ 1.27 crore, previous year ₹ 2.94 crore)	19.53	3.44	11.42
3	Undrawn committed sanctions to borrowers	31.70	114.08	107.34

37.1 Claims against the Company not acknowledged as debt (₹ in crore)

Particulars	31 March 2019	31 March 2018	01 April 2017
Suit filed by borrowers	3.54	2.56	1.43
Other contingent liabilities in respect of :			
1. Provident Fund matter - (see (a) below)	50.14	50.14	50.14
2. Payment of Bonus (Amendment) Act, 2015 - (see (b) below)	34.88	34.88	34.88
3. Income tax matter	4.85	4.85	4.85
4. Service tax demands	-	-	0.79
5. Payment of Labour Welfare Fund	0.32	0.32	0.32
Total	**93.73**	**92.75**	**92.41**

a) Provident Fund matter

The Company has received a notice of demand from the Provident Fund department amounting to ₹ 50.14 crore. The Company had filed an appeal challenging the Provident Fund Commissioner's order before the Provident Fund Appellate Tribunal, wherein the Company had received a favorable outcome. However, a sum of ₹ 1 crore has been deposited under protest with the Provident Fund Appellate Authority. This amount is shown under Other financial assets in Note 9.

The Provident Fund department has challenged order of the appellate authority in the High Court. The management of the Company is of the view that no material losses will arise in respect of the legal claim and accordingly the same has been disclosed as a contingent liability. 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) There are numerous interpretative issues relating to the Supreme Court judgement dated 28th February, 2019, relating to components/allowances paid that need to be taken into account while computing an employer's contribution of provident fund under the EPF Act. The Company is in the process of evaluating the method of computation of its PF contribution prospectively and would record any further effect in its financial statements, on receiving additional clarity on the subject.

c) Payment of Bonus (Amendment) Act, 2015

As per the amendment to the Payment of Bonus (Amendment) Act, 2015 vide notification number DL-(N)04/70007/2003-16 issued on 1 January 2016 by Government of India, the Company would be required to pay statutory bonus to all eligible employees as per the amendments specified thereunder, with effect from 1 April 2014. However, various High Courts have granted a stay on retrospective effect of Payment of Bonus (Amendment) Act, 2015 from financial year 2014-15. In light of the above, the Company has decided to disclose such bonus amounting to ₹ 34.88 crore as a contingent liability.

37.2 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.

37.3 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.

38 Maturity analysis of assets & liabilities

(₹ in crore)

Particulars	31 March 2019		31 March 2018		01 April 2017	
	Current	Non Current	Current	Non Current	Current	Non Current
ASSETS						
Financial Assets						
(a) Cash and cash equivalents (CCE)	334.72	-	61.61	-	70.03	-
(b) Bank balances other than CCE	153.79	-	75.79	-	120.74	-
(c) Trade receivables	119.52	-	126.44	-	115.44	-
(d) Loans	16,988.23	37,721.18	12,917.16	31,351.15	8,944.00	25,126.94
(e) Investments	567.41	0.95	400.55	0.95	400.11	1.31
(f) Other financial assets	40.54	69.25	38.88	25.83	14.14	25.86
	18,204.21	37,791.38	13,620.43	31,377.93	9,664.46	25,154.11
Non-financial Assets						
(a) Current tax assets (Net)	36.74	-	15.37	-	24.41	-
(b) Deferred tax assets (Net)	-	384.96	-	295.77	-	238.57
(c) Property, plant and equipment	-	113.89	-	129.72	-	125.80
(d) Capital work-in-progress	-	-	-	-	-	0.24
(e) Other intangible assets	-	9.14	-	7.30	-	5.18
	36.74	507.99	15.37	432.79	24.41	369.79
TOTAL ASSETS	18,240.95	38,299.37	13,635.80	31,810.72	9,688.87	25,523.90
LIABILITIES						
Financial Liabilities						
(a) Trade payables	394.91	-	279.50	-	193.68	-
(b) Debt securities	10,105.73	14,013.94	9,952.68	10,457.68	3,983.40	11,238.35
(c) Borrowings other than debt securities	5,864.37	12,231.28	3,631.34	9,719.01	3,833.78	6,671.85
(d) Subordinated liabilities	-	2,889.78	-	1,992.50	-	1,713.46
(e) Other financial liabilities	2,303.28	320.52	2,145.83	133.45	1,348.65	151.20
	18,668.29	29,455.52	16,009.35	22,302.64	9,359.51	19,774.86

Particulars	31 March 2019		31 March 2018		01 April 2017	
	Current	Non Current	Current	Non Current	Current	Non Current
Non-Financial Liabilities						
(a) Current tax liabilities (net)	56.12	-	38.35	-	48.89	-
(b) Provisions	242.93	858.61	237.15	726.90	169.29	587.45
(c) Other non-financial liabilities	65.04	15.33	79.51	12.27	55.37	8.55
	364.09	873.94	355.01	739.17	273.55	596.00
TOTAL LIABILITIES	19,032.38	30,329.46	16,364.36	23,041.81	9,633.06	20,370.86
NET	(791.43)	7,969.91	(2,728.56)	8,768.91	55.81	5,153.04

39 The average profit before tax of the Company for the last three financial years was ₹1,121 crore, basis which the Company was required to spend ₹22.42 crore towards Corporate Social Responsibility (CSR) activities for the current financial year. The Company has spent ₹22.85 crore towards CSR for the year.

Amount spent during the year on:

(₹ in crore)

Particulars	31 March 2019			31 March 2018		
	Amount Spent	Amount Unpaid/ provision	Total	Amount Spent	Amount Unpaid/ provision	Total
Construction/acquisition of any asset				-	-	-
On purpose other than (i) above	22.85 *	-	22.85	11.55 *	-	11.55

* including administrative charges for CSR activities amounting to ₹0.20 crore (previous year 0.11 crore).

40. 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	31 March 2019	31 March 2018	01 April 2017
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.

41 Fair value measurement

a) Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained below:

b) Total financial assets measured at fair value on a recurring basis

The following tables show an analysis of the fair value of financial assets by level of the fair value hierarchy.

Investments	Category	Fair value hierarchy	Fair Value		
			31 March 2019	31 March 2018	01 April 2017
Mutual fund units	FVTPL	Level 1	326.86	400.55	400.11
Unquoted equity shares	FVTPL	Level 3	0.95	0.95	1.31
Treasury bills	FVTPL	Level 1	240.55	-	-

Observable inputs (Level 1):

Units held in mutual funds are measured based on their published net asset value (NAV), taking into account redemption and/or other restrictions.

Treasury bills are valued based on market quotes.

Unobservable inputs (Level 3):

Unquoted equity shares are measured at fair value using suitable valuation models.

c) The table below presents information pertaining to the fair values and carrying values of the Company's financial assets and liabilities.

Particulars	Category	31 March 2019		31 March 2018		01 April 2017	
		Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial Assets							
(a) Cash and cash equivalents (CCE)		334.72	334.72	61.61	61.61	70.03	70.03
(b) Bank balances other than CCE		153.79	153.79	75.79	75.79	120.74	120.74
(c) Trade receivables		119.52	119.52	126.44	126.44	115.44	115.44
(d) Loans	Level 2	54,709.41	51,552.08	44,268.31	42,457.54	34,070.94	32,833.27
(e) Investments - Mutual funds and Treasury bills		567.41	567.41	400.55	400.55	400.11	400.11
Investments - Unquoted equity shares	Level 3	0.95	0.95	0.95	0.95	1.31	1.31
(f) Other financial assets		109.79	109.79	64.71	64.71	40.00	40.00
		55,995.59	**52,838.26**	**44,998.36**	**43,187.59**	**34,818.57**	**33,580.90**

Particulars	Category	31 March 2019		31 March 2018		01 April 2017	
		Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial Liabilities							
(a) Trade payables		394.91	394.91	279.50	279.50	193.68	193.68
(b) Debt securities	Level 2	24,119.67	18,230.59	20,410.36	21,373.12	15,221.75	15,775.71
(c) Borrowings other than Securitization	Level 2	16,474.55	18,545.44	12,482.93	11,942.92	8,583.25	8,299.53
Borrowings under Securitization	Level 2	1,621.10	1,759.70	867.42	918.38	1,922.38	2,070.18
(d) Subordinated liabilities	Level 2	2,889.78	4,808.56	1,992.50	2,090.83	1,713.46	1,849.01
(e) Other financial liabilities		2,623.80	2,623.80	2,279.28	2,279.28	1,499.85	1,499.85
		48,123.81	**46,363.00**	**38,311.99**	**38,884.03**	**29,134.37**	**29,687.96**

(i) Short-term and other financial assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than twelve months) and for other financial assets and other financial liabilities that are insignificant in value, the carrying amounts, net of impairment, if any, are a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, bank balances other than cash and cash equivalents, trade receivables, trade payables, other financial assets and other financial liabilities.

(ii) Loans

These financial assets are recorded at amortised cost, the fair values of which are estimated at portfolio level using a discounted cash flow model based on contractual cash flows discounted using market rates incorporating the counterparties' credit risk.

(iii) Debt securities, borrowings and subordinated liabilities

Fair value is estimated at portfolio level by a discounted cash flow model incorporating market interest rates and the company's own credit risk or based on market-observable data such as secondary market prices for its traded debt, as relevant.

42 Capital Management

The primary objective of the Company's capital management policy is to ensure compliance with regulatory capital requirements. In line with this objective, the Company ensures adequate capital at all times and manages its business in a way in which capital is protected, satisfactory business growth is ensured, cash flows are monitored, borrowing covenants are honoured and ratings are maintained.

Regulatory capital-related information is presented as part of the RBI mandated disclosures. The RBI norms require capital to be maintained at prescribed levels. In accordance with such norms, Tier I capital of the company comprises of share capital, share premium, reserves and perpetual debt, Tier II capital comprises of subordinated debt and provision on loans that are not credit-impaired. There were no changes in the capital management process during the periods presented.

43 Risk Management

While risk is inherent in the company's activities, it is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, subject to risk limits and other controls.

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Supervisory Board.

The Company's Treasury is responsible for managing its assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the company.

a) Credit risk

The company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Financial assets measured on a collective basis

The company splits its exposure into smaller homogeneous portfolios, based on shared credit risk characteristics, as described below in the following order:

- Secured/unsecured i.e. based on whether the loans are secured
- Nature of security i.e. the nature of the security if the loans are determined to be secured
- Nature of loan i.e. based on the nature of loan

Significant increase in credit risk

The company considers an exposure to have significantly increased in credit risk when the borrower crosses 30 DPD but is within 90 DPD.

Impairment assessment

The company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower crosses 90 days past due on its contractual payments.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Loss given default

The credit risk assessment is based on a standardised LGD assessment framework that incorporates the probability of default and subsequent recoveries, discounted.

Current economic data and forward-looking economic forecasts and scenarios are used in order to determine the Ind AS 109 LGD rate. The company uses data obtained from third party sources and combines such data with inputs to the Company's ECL models including determining the weights attributable to the multiple scenarios.

Analysis of risk concentration

The following table shows the risk concentration of the Company's loans.

	31 March 2019	31 March 2018	01 April 2017
Carrying value of Loans	**54,709.41**	44,268.31	34,070.94
Mortgage backed loans	**18,423.54**	18,257.57	16,804.92
Other assets backed loans	**22,696.06**	15,463.96	10,101.11
Personal loans	**11,719.07**	8,854.52	6,511.56
Others	**1,870.74**	1,692.26	653.35
Total	**54,709.41**	44,268.31	34,070.94

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

- For corporate and small business lending, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees
- For retail lending, mortgages over residential properties

The company also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

Collateral coverage - credit impaired loans

Loan to Value (LTV) range	31 March 2019	31 March 2018	01 April 2017
Upto 50 % Coverage	**554.64**	403.81	346.27
51-75 % Coverage	**298.15**	227.76	190.59
76-100 % Coverage	**120.78**	71.38	74.07
Above 100% Coverage	**26.81**	34.65	33.35
Total	**1,000.38**	737.60	644.28

b) Liquidity risk and funding management

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. To limit this risk, management has arranged for diversified funding sources, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

Maturity profile of financial liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31st March.

31 March 2019	Less than 1 year	1 years to 3 years	3 years to 5 years	5 years and above	Total
Debt securities	11,989.00	13,937.48	2,192.24	-	28,118.72
Borrowings	6,268.93	10,664.27	2,195.14	-	19,128.34
Borrowings under Securitization	918.43	817.38	25.39	-	1,761.20
Subordinated liabilities	271.96	543.56	1,314.48	2,705.97	4,835.97
Total	**19,448.32**	**25,962.69**	**5,727.25**	**2,705.97**	**53,844.23**

31 March 2018	Less than 1 year	1 years to 3 years	3 years to 5 years	5 years and above	Total
Debt securities	8,549.10	10,976.23	1,006.38	-	20,531.71
Borrowings	4,003.47	7,900.95	2,613.84	-	14,518.26
Borrowings under Securitization	595.38	323.36	0.16	-	918.90
Subordinated liabilities	187.24	374.63	974.60	1,769.44	3,305.91
Total	**13,335.19**	**19,575.17**	**4,594.98**	**1,769.44**	**39,274.78**

01 April 2017	Less than 1 year	1 years to 3 years	3 years to 5 years	5 years and above	Total
Debt securities	5,129.38	12,762.24	-	-	17,891.62
Borrowings	5,202.50	3,812.30	308.22	-	9,323.02
Borrowings under Securitization	1,136.10	899.17	36.60	-	2,071.87
Subordinated liabilities	163.80	327.32	327.40	2,135.04	2,953.56
Total	**11,631.78**	**17,801.03**	**672.22**	**2,135.04**	**32,240.07**

c) **Market risk**

Market risk represents the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being constant) of the Company's statement of profit and loss.

	% Increase in rate		Increase/(decrease) in profit	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
Borrowings that are re-priced	0.25%	0.25%	(31.21)	(38.77)
Loans that are re-priced	0.25%	0.25%	39.62	41.16

44 A Disclosure relating to securitisation pursuant to Reserve Bank of India notification DNBS. PD. No. 301/3.10.01/2012-13 dated 21 August 2012 and DNBR (PD) CC. No.029/03.10.001/ 2014-15 dated 10 April 2015*

(₹ in crore)

Sr. No	Particulars	31 March 2019	31 March 2018
1	No of SPVs sponsored by the NBFC for securitisation transactions	5.00	4.00
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	1,680.34	895.84
3	Total amount of exposures retained by the NBFC to comply with MRR		
	a) Off-balance sheet exposures		
	* First loss	51.03	87.14
	* Others	-	-
	b) On-balance sheet exposures		
	* First loss	211.20	103.83
	* Others	-	-
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitisations		
	* First loss	-	-
	* loss	-	-
	ii) Exposure to third party securitisations		
	* First loss	-	-
	* Others	-	-
	b) On-balance sheet exposures		
	i) Exposure to own securitisations		
	* First loss	-	-
	* Others	-	-
	ii) Exposure to third party securitisations		
	* First loss	-	-
	* Others	-	-

44 B Disclosure relating to Securitisation pursuant to Reserve Bank of India notification DBOD. No.BP. 1502/21.04.048/ 2004-05 dated 1 February 2006*

(₹ in crore)

Sr. No	Particulars	31 March 2019	31 March 2018
i)	Total number of contracts for loan assets securitised during the year	19,782.00	Nil
ii)	Book value of Loan assets securitised during the year	1,600.33	Nil
iii)	Sale consideration received for securitised assets during the year	1,600.33	Nil
iv)	Gain/ Loss (if any) on sale on securitised loan assets	Nil	Nil
v)	Quantum (Outstanding value) of service provided: Credit Enhancement (Fixed Deposit)	101.96	Nil

44 C Disclosure of financial assets sold to securitisation company pursuant to Reserve Bank of India notification DNBR (PD) CC. No.029/03.10.001/2014-15 dated 10 April 2015*

a) Details of Financial assets sold to Securitization/Reconstruction Company (SC/RC) for Asset Reconstruction

Sr. No	Particulars	31 March 2019	31 March 2018
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	31 March 2019	31 March 2018
i)	Number of Accounts	1,567.00	Nil
ii)	Aggregate value (net of provisions) of account sold	832.57	Nil
iii)	Aggregate consideration	832.57	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

* The securitised loans disclosed in the above notes, i.e. 44A, 44B and 44C do not qualify for de-recognition under Ind AS. Nevertheless, the information in the notes is presented to ensure compliance with the RBI disclosure requirements.

45 Total fixed deposits stands at ₹ 151.96 crore (previous year ₹ 75.42 crore) on account of securitisation transaction outstanding till 31st March 2019.

46 Loan against gold portfolio to Total assets is 1.12 % (Previous year 1.02%).

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

Details of Gold auctions conducted*

(₹ in crore)

Particulars	31 March 2019	31 March 2018
No of loan accounts	1,649	1,578
Outstanding loan amount	8.38	7.67
Sale Consideration of gold **	14.17	12.67

* 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 10 April 2015

48 A Movement of Credit impaired loans under Ind AS

(₹ in crore)

S.N.	Particulars	31 March 2019	31 March 2018
(i)	Net impaired loss allowance to Net loans (%)	1.26%	1.13%
(ii)	Movement of Credit impaired loans under Ind AS (Gross)		
	a) Opening balance	737.60	644.28
	b) Additions during the year	1,404.12	922.72
	c) Reductions during the year	1,141.33	829.40
	d) Closing balance	1,000.38	737.60
(iii)	Movement of Net impaired loss		
	a) Opening balance	493.72	446.18
	b) Additions during the year	1,044.60	688.47
	c) Reductions during the year	859.62	640.93
	d) Closing balance	678.70	493.72
(iv)	Movement of impairment loss allowance on credit impaired loans		
	a) Opening balance	243.88	198.10
	b) Impairment loss allowance made during the year	359.51	234.24
	c) Write-off/write-back of excess allowance	281.72	188.47
	d) Closing balance	321.68	243.88

48 B Movement of impairment loss allowance for low credit risk loans and significant increase in credit risk loans

(₹ in crore)

S.N.	Particulars	31 March 2019	31 March 2018
(i)	Movement of impairment allowance for low credit risk loans and significant increase in credit risk loans		
	a) Opening balance	459.03	370.21
	b) Additions during the year	333.75	293.70
	c) Reductions during the year	286.24	204.89
	d) Closing balance	506.55	459.03

49 Concentration of Loan, Exposures & Credit impaired loan

a) Concentration of Loan

(₹ in crore)

Particulars	31 March 2019	31 March 2018
Total Advances to Twenty Largest Borrowers	254.29	382.63
Percentage of advances to twenty largest borrowers to Total Advances	0.46%	0.86%

b) Concentration of Exposures

(₹ in crore)

Particulars	31 March 2019	31 March 2018
Total Exposure to Twenty Largest Borrowers	254.29	382.63
Percentage of exposures to twenty largest borrowers to Total Exposures	0.46%	0.86%

c) **Concentration of credit impaired loans**

(₹ in crore)

Particulars	31 March 2019	31 March 2018
Total Exposure of Top four NPA Accounts	19.33	27.66

d) **Sector-wise distribution of credit impaired loans**

Sr. No.	Sector	Percentage of Impairment loss allowance to Total credit impaired loans in that sector	
		31 March 2019	31 March 2018
1	Agriculture & allied activities	1.64%	1.62%
2	MSME	-	-
3	Corporate borrowers	2.59%	2.12%
4	Services	1.68%	1.27%
5	Unsecured personal loans	1.31%	1.17%
6	Auto loans	-	-
7	Other personal loans	-	-
8	Others	2.06%	1.96%

50 Details of credit impaired financial assets purchased/sold

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

51 Customer Complaints

S.N.	Particulars	31 March 2019	31 March 2018
a)	No. of Complaints Pending at the beginning of the year	2	1
b)	No. of Complaints received during the year	1,976	184
c)	No. of Complaints redressed during the year	1,685	183
d)	No. of Complaints Pending at the end of the year	293	2

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

52 Investments

(₹ in crore)

S.N.	Particulars	31 March 2019	31 March 2018
1	**Value of Investments***		
i)	Gross value of Investments	568.03	402.30
ii)	Unrealised fair value movement	0.33	0.80
iii)	Fair value of Investments	568.36	401.50
	* Please note that all investments are held in India		
2	Movement of unrealised fair value movement on investments		
i)	Opening Balance	(0.80)	(0.91)
ii)	Add : increase in unrealised fair value during the year	1.13	0.11
iii)	Less : decrease in unrealised fair value during the year	-	-
iv)	Closing Balance	0.33	(0.80)

53 Exposure to Capital Market

(₹ in crore)

Sr. No.	Particulars	31 March 2019	31 March 2018
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;	60.13	235.42
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;	149.69	366.10
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;	-	-
vi)	Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
vii)	Bridge loans to companies against expected equity flows/ issues;	-	-
viii)	All exposures to Venture capital funds (both registered and unregistered).	-	-
	Total Exposure to Capital Market	**212.12**	**603.82**

54 Capital Adequacy Ratio

The Company's capital adequacy ratio, calculated in accordance with the Reserve Bank of India guidelines and disclosed using Ind AS terminology, is as follows:

Particulars	31 March 2019	31 March 2018
CRAR%	17.91%	18.01%
CRAR - Tier I Capital %	12.78%	12.79%
CRAR - Tier II Capital %	5.13%	5.22%
Amount of Subordinated Debt raised as Tier-II capital	2,600	2,000
Amount Raised by the issue of Perpetual Debt Instruments	NIL	NIL

55 Exposure to Real Estate Sector

(₹ in crore)

Categories	31 March 2019	31 March 2018
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;	12,131.43	12,675.15
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)	6,317.09	5,709.63
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).	-	-

56 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	17.00	1,939.29	567.41	1,477.12	-
	-	*(1,356.97)*	*(400.55)*	*(1,426.07)*	-
Over one month to 2 months	-	1,497.69	-	1,149.80	-
	-	*(1,124.43)*	-	*(1,359.70)*	-
Over 2 months upto 3 months	-	1,467.06	-	1,332.37	-
	-	*(1,089.97)*	-	*(1,266.45)*	-
Over 3 months to 6 months	-	4,291.75	-	4,847.03	-
	-	*(3,219.42)*	-	*(3,428.05)*	-
Over 6 months to 1 year	134.96	7,792.43	-	8,564.28	-
	(58.79)	*(6,126.37)*	-	*(7,339.78)*	-
Over 1 year to 3 years	-	22,400.16	-	22,492.21	-
	(17.00)	*(17,769.32)*	-	*(16,997.42)*	-
Over 3 years to 5 years	-	7,434.81	-	4,596.51	-
	-	*(6,637.54)*	-	*(3,781.57)*	-
Over 5 years	-	7,886.21	0.95	2,070.00	-
	-	*(6,160.25)*	*(0.95)*	*(1,400.00)*	-
Total	151.96	54,709.41	568.36	46,529.32	-
	(75.79)	*(43,484.27)*	*(401.50)*	*(36,999.04)*	-

*** Long-Term Investment in Clayfin Technologies Private Limited (Erstwhile Vayana Private Limited) are shown at book value in "over 5 year"**

57 Disclosure on restructuring pursuant to Reserve Bank of India notification DNBS.CO. PD. No. 367/03.10.01/2013-14 dated 23rd January 2014

(₹ in crore)

Sl No	Type of Restructuring		Under CDR Mechanism			Under SME Debt Restructuring Mechanism			Others			Total		
	Asset Classification Details		Low credit risk & Significant increase in credit risk	Credit-Impaired	Total	Low credit risk & Significant increase in credit risk	Credit-Impaired	Total	Low credit risk & Significant increase in credit risk	Credit-Impaired	Total	Low credit risk & Significant increase in credit risk	Credit-Impaired	Total
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of borrowers	-	-	-	-	-	-	-	2.00	2.00	-	2.00	2.00
									-	*4.00*	*4.00*	*-*	*4.00*	*4.00*
		Amount outstanding	-	-	-	-	-	-	-	0.03	0.03	-	0.03	0.03
									-	*0.52*	*0.52*	*-*	*0.52*	*0.52*
		Provision thereon	-	-	-	-	-	-	-	0.00	0.00	-	0.00	0.00
									-	*0.04*	*0.04*	*-*	*0.04*	*0.04*
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-
									-	*2.00*	*2.00*	*-*	*2.00*	*2.00*
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-
									-	*0.03*	*0.03*	*-*	*0.03*	*0.03*
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-
									-	*0.00*	*0.00*	*-*	*0.00*	*0.00*
3	Upgradations to restructured Low credit risk & Significant increase in credit risk during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-
									-	*-*	*-*	*-*	*-*	*-*
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-
									-	*-*	*-*	*-*	*-*	*-*
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-
									-	*-*	*-*	*-*	*-*	*-*
4	Restructured Low credit risk & Significant increase in credit risk loan 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 Low credit risk & Significant increase in credit risk loan at the beginning of the next FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-
									-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-
									-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-
									-	-	-	-	-	-
5	Downgradations of restructures accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	(2.00)	(2.00)	-	(2.00)	(2.00)
									-	*(4.00)*	*(4.00)*	*-*	*(4.00)*	*(4.00)*
		Amount outstanding	-	-	-	-	-	-	-	(0.03)	(0.03)	-	(0.03)	(0.03)
									-	*(0.52)*	*(0.52)*	*-*	*(0.52)*	*(0.52)*
		Provision thereon	-	-	-	-	-	-	-	(0.00)	(0.00)	-	(0.00)	(0.00)
									-	*(0.04)*	*(0.04)*	*-*	*(0.04)*	*(0.04)*
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-
									-	*-*	*-*	*-*	*-*	*-*
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-
									-	*-*	*-*	*-*	*-*	*-*
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-
									-	*-*	*-*	*-*	*-*	*-*
7	Restructured Accounts as on March 31 of the FY (closing figures)*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-
									-	*(2.00)*	*(2.00)*	*-*	*(2.00)*	*(2.00)*
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-
									-	*(0.03)*	*(0.03)*	*-*	*(0.03)*	*(0.03)*
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-
									-	*(0.00)*	*(0.00)*	*-*	*(0.00)*	*(0.00)*

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable)
Previous year figures are presented in italics.

58 Schedule to the Balance Sheet of a non deposit taking Non-Banking Financial Company (as required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

(₹ in crore)

S.N.	Particulars	31 March 2019	31 March 2018
	Liabilities side:		
1	Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:		
	(a) Debentures		
	- Secured	21,491.60	18,468.45
	- Unsecured	3,010.03	2,067.14
	(other than falling within the meaning of public deposits)		
	(b) Deferred Credits	-	-
	(c) Term Loans	16,557.33	12,502.68
	(d) Inter-Corporate Loans and Borrowings	-	-
	(e) Other Loans	5,344.24	3,782.82
	(Represents Working Capital Demand Loans and Cash Credit from Banks)		
	Assets side:		
2	Break-up of Loans and Advances including Bills Receivables [other than those included in (4) below]:		
	(a) Secured	20,273.91	19,935.84
	(b) Unsecured	11,739.44	8,868.51
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	53.82	32.60
	b) Loans other than (a) above	22,642.24	15,431.36
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	326.86	400.55
	iv. Government Securities	-	-
	v. Others (please specify)	-	-
	II. Unquoted:		
	i. Shares		

S.N.	Particulars	31 March 2019	31 March 2018
	a) Equity	0.95	0.95
	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	-	-
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (Pass through certificates)	-	-
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	54,709.41	44,268.31
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	568.36	401.50
7	Other Information		
	(i) Gross credit impaired assets		
	a. Related party	-	-
	b. Other than related party	1,000.38	737.60
	(ii) Net credit impaired assets		
	(a) Related party	-	-
	(b) Other than related party	678.70	493.72
	(iii) Assets Acquired in Satisfaction of Debt	-	-

59 Penalties imposed by RBI and Other Regulators

No penalties have been imposed by RBI and Other Regulators during current year (Previous year - NIL).

60 Disclosure on frauds pursuant to RBI Master direction

The frauds detected and reported for the year amounted to ₹0.40 crore (Previous year ₹ 1.89 crore).

61 Details of Financing of Parent Company Products

There is no financing during the current year.

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

The Company has not exceeded the single borrower limits/group borrower limits as set as by Reserve Bank of India.

63 Advances against Intangible Securities

The Company has not given any loans against intangible securities.

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

There are no overseas asset owned by the Company.

65 Draw Down from Reserves

The Company has made no drawdown from existing reserves.

66 Off-balance Sheet SPVs sponsored

The Company is now required to provide its financial statements under Ind AS, which requires all securitization related SPV's to be consolidated in the books of the originator (the Company). Accordingly, these SPV's stand consolidated and none of the SPV's sponsored are off-balance sheet.

67 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	31 March 2019		31 March 2018	
	CARE	CRISIL	CARE	CRISIL
Bank facilities	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
Non-convertible debentures	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
Short term debt program	A1+	A1+	A1+	A1+
Subordinated bond issue	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
Perpetual bond issue	AAA/Stable	AAA/Stable	-	-
Market Linked Debentures	PP-MLD AAA/Stable	PP-MLD AAAr/Stable	-	-

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

(₹ in crore)

Particulars	31 March 2019	31 March 2018	01 April 2017
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	-	-	-

69 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 requirement of asset cover of 1.1 times.

70 Derivatives

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

71 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).

As per our report of even date attached

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

Sd/-
Manoj Kumar Vijai
Partner
Membership No. 046882

Mumbai
18 April 2019

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

Sd/-
Aditya Puri
Chairman

Sd/-
Jimmy Tata
Director

Sd/-
Venkatraman Srinivasan
Director

Sd/-
Smita Affinwalla
Director

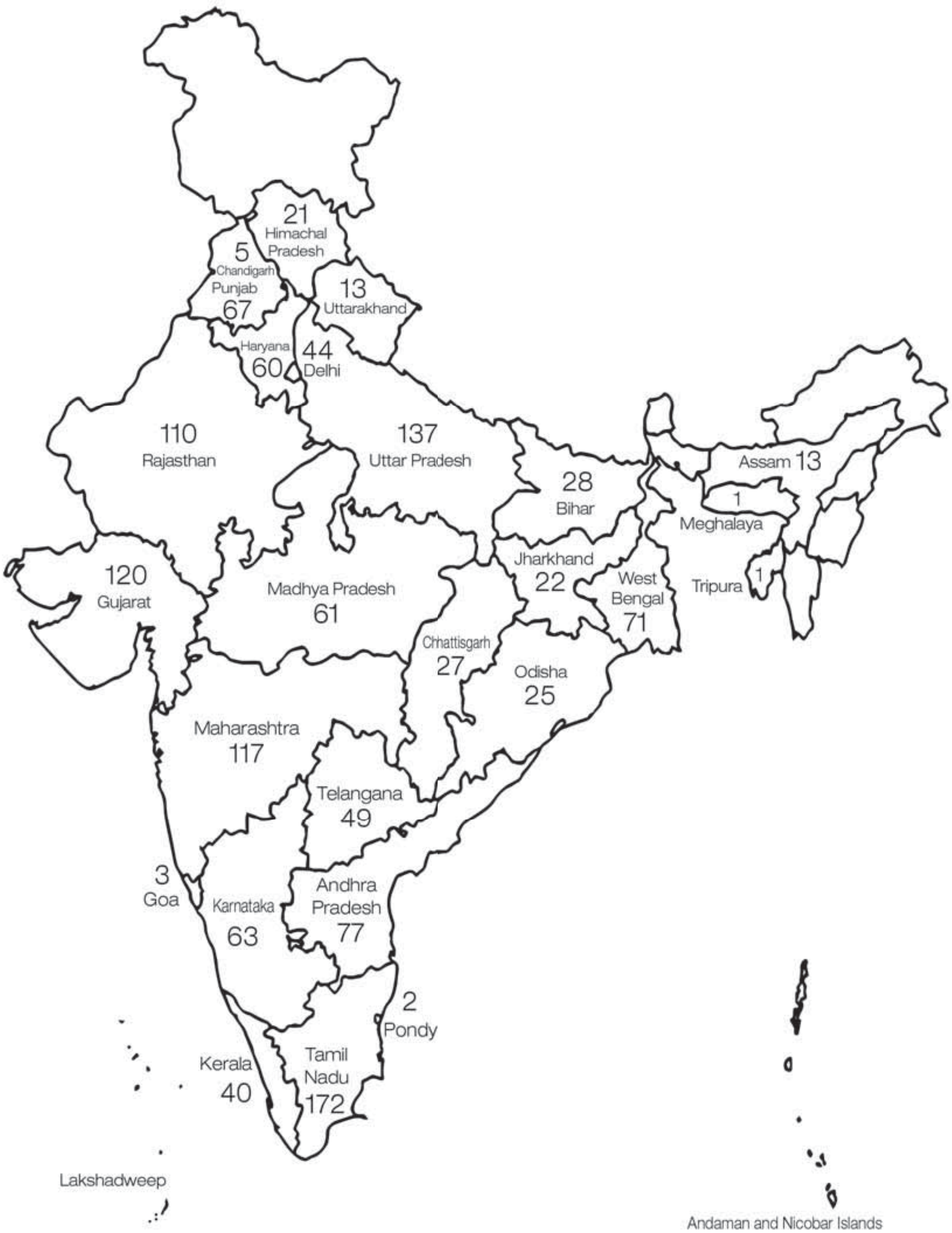
Sd/-
G Ramesh
Managing Director

Sd/-
Bhavesh Zaveri
Director

Sd/-
Dipti Khandelwal
Company Secretary

Sd/-
Haren Parekh
Chief Financial Officer

OUR BRANCH NETWORK



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

HDB Financial Services Limited
CIN: U65993GJ2007PLC051028
Regd. Office: Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad - 380 009

FORM NO. MGT - 11
PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s)	
Registered Address	
Email ID	
Folio No./ Client ID	
DP ID No.	

I/We, being the member (s) of ___________________________________ equity shares of HDB Financial Services Limited, hereby appoint

1. Name: ____, Email ID:____
   Address: ____
   Signature:____, or failing him
2. Name: ____, Email ID:____
   Address: ____
   Signature:____, or failing him
3. Name: ____, Email ID:____
   Address: ____
   Signature:____,

as my / our proxy, to attend and vote (on poll) for me / us and on my / our behalf at the 12th Annual General Meeting of the company, to be held on Friday 21st day of June 2019 at 12.00 Noon at Ahmedabad Management Association (AMA), ATIRA Campus, Dr. Vikram Sarabhai Marg, Near Panjarapole Cross roads, Vastrapur, Ahmedabad -380 015, India and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	**Brief details of the Resolution**	**Optional (Refer Note No. 4)**	
		For	**Against**
1	To receive, consider and adopt the Audited financial statements (standalone and consolidated) of the Company for the year ended March 31, 2019, including the Audited Balance Sheet as at March 31, 2019, 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;		
2	To declare final dividend on equity shares for the financial year ended on March 31, 2019;		
3	To appoint a Director in place of Mr. Aditya Puri (DIN: 00062650), who retires by rotation and being eligible, offers himself for re-appointment;		
4	Appointment of Dr. Amla Samanta as an Independent Director of the Company		
5	To approve increase in borrowing limits of the Company from ₹ 60,000 crore to ₹ 70,000 crore		
6	To approve increase in limits for creation of charge on the assets of the Company upto an amount of ₹ 70,000 crore to secure its borrowings		
7	To approve selling, assignment of its receivables / book debts upto ₹ 7,500 crore		
8	Authority to issue Redeemable Non-Convertible Debentures and / or other Hybrid Instruments on private placement basis		
9	Authority to issue Foreign Currency / Rupee Denominated Bonds		
10	To approve securitisation transaction with HDFC Bank Limited		
11	Profit related commission to Independent Directors		

Signed this _________day of __________, 2019

Signature of Shareholder ____________________________

Affix
₹ 1/-
Revenue
Stamp

Signature of Proxy holder(s) __________________________

Note:

1. 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.
2. All alterations made in the Proxy Form should be initialled.
3. In case of multiple proxies, proxy later in time shall be valid and accepted.
4. Optional. Please put a √ in the appropriate column against the resolutions indicated in the box.

HDB Financial Services Limited
CIN: U65993GJ2007PLC051028
Regd. Office: Radhika, 2nd 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 12th Annual General Meeting of the Company, convened on Friday, 21st day of June, 2019, at 12:00 Noon at Ahmedabad Management Association (AMA), ATIRA Campus, Dr. Vikram Sarabhai Marg, Near Panjarapole Cross roads, Vastrapur, Ahmedabad - 380 015.

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.

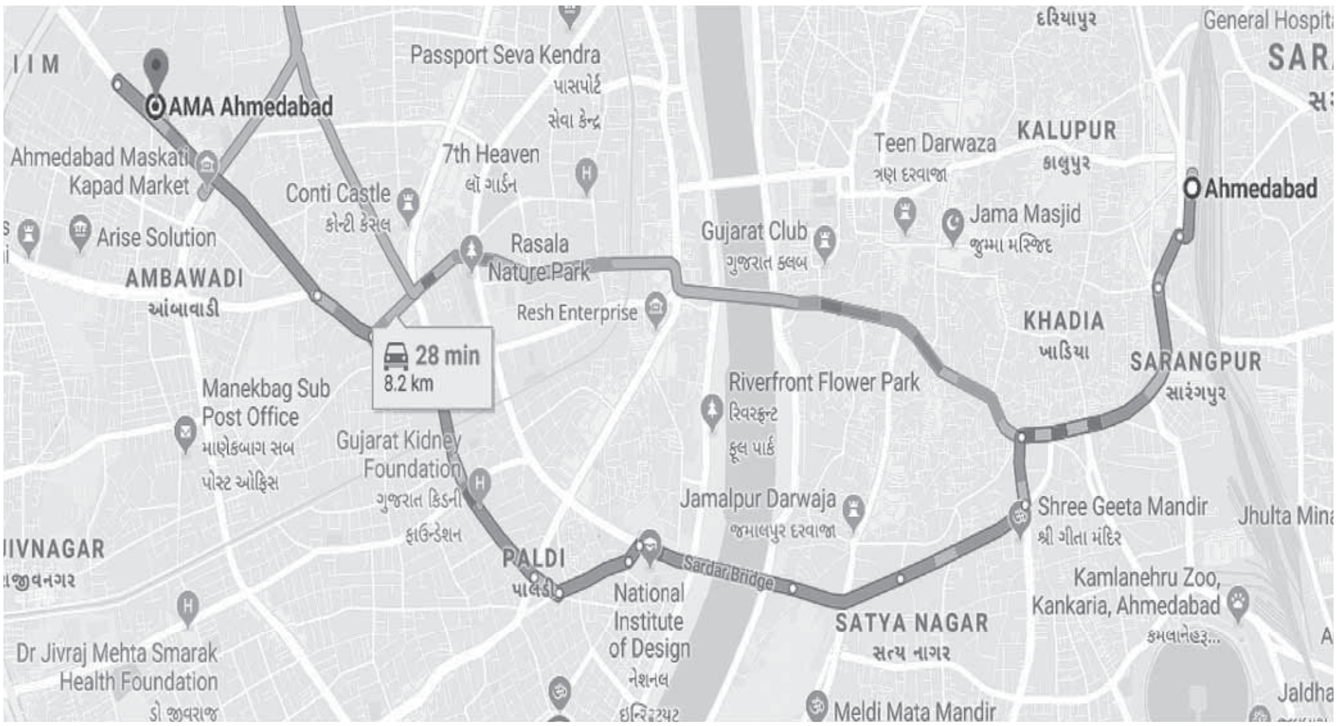
ROUTE MAP TO VENUE OF THE 12TH AGM OF HDB FINANCIAL SERVICES LIMITED

Venue: Ahmedabad Management Association (AMA), ATIRA Campus, Dr. Vikram Sarabhai Marg, Near Panjarapole Cross roads, Vastrapur, Ahmedabad - 380 015

Date: Friday, June 21, 2019

Day & Time: 12 noon

Land Mark:



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