DIRECTORS' REPORT

TO THE MEMBERS

Your Directors present the Seventh Annual Report on the business and operations of the Company together with audited accounts for the year ended 31 March 2007.

FINANCIAL RESULTS

(Rs. in Crores)

	Year ended 31 March 2007	Year ended 31 March 2006
Total Income	67.04	60.26
Total Expenses	48.67	39.84
Profit before depreciation	**18.37**	**20.42**
Depreciation	6.88	4.46
Profit after depreciation	**11.49**	**15.96**
Add : Prior period items	-	0.83
Profit before tax	**11.49**	**16.79**
Provision for Tax	4.27	5.98
Profit after tax	**7.22**	**10.81**
Balance brought forward	14.21	3.40
Amount available for Appropriation	21.43	14.21
Balance carried to Balance Sheet	**21.43**	**14.21**

OPERATIONS

The brokerage income earned by the Company increased from Rs. 48.42 crores in the previous year to Rs 61.12 crores in the current year. However, the profit after tax registered a drop of 33% to Rs. 7.22 crores against Rs. 10.81 crores in the previous year.

This fall is mainly due to a drop in Account Opening fees collected during the year as also an increase in staff cost, which was consequent to benchmarking staff salaries to market salaries. The benchmarking of staff salaries to market salaries was necessary to retain key and experienced staff.

PROSPECTS AND OUTLOOK FOR THE FUTURE

Economic Outlook

Total FDI inflows during April-December 2006 stood at US$ 9.3 billion, as compared to US$ 3.5 billion in the corresponding period last fiscal. This is consequent to India emerging as one of the most favoured private equity destination attracting US$ 12.39 billion worth investments in January 2007. The foreign exchange reserves rose from US$ 151.6 billion at end March 2006 to US$ 199.18 billion at end March 30, 2007.

The Union Finance Budget 2007-08, attempts to provide continuity to the current policy approach rather than push through any new reform agenda. The fiscal deficit of the Centre as a proportion of GDP has come down from 6.2% in 2001-02 to 3.7% in 2006-07.

However, inflation remains a key concern. RBI has taken various steps to control money supply, credit growth and inflation. It is hoped that these measures will have the desired effect soon and may not affect the growth of the economy in any significant manner.

Capital Market Outlook

The year under review was good for the capital market. Major factors positively impacting the bourses this year were

- firm global market/strong economic outlook buoyed by the increasing flow of money from foreign funds;
- global acquisitions and mergers across the country;
- focus of the Union Finance Budget on infrastructure, agriculture and farm credit, education and healthcare

However, expectations of higher growth in GDP and corporate earnings have currently made the Indian markets, the most expensive market among all emerging markets and also among all markets in Asia. Considering the liquidity pressures on the economy and the continuous uni-directional movement of the market, a short-term correction is expected. The long-term outlook of capital market remains buoyant.

DIVIDEND

With a view to utilise the reserves for expansion, no dividend is proposed for the year under review.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

A. Since the Company does not carry out any manufacturing activities, particulars to be disclosed with respect to conservation of energy and technology absorption under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable.

B. Details of earnings and expenses in foreign currency are reflected at schedule 14 (4) of the Financial statements.

DIRECTORS:

Mr. Vinod Yennemadi and Mr. C.N. Ram retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

Mr. Abhay Aima was appointed as an Additional Director with effect from 27 July 2006, and shall hold office up to the date of ensuing Annual General Meeting of the Company. The Company has received notice from a member pursuant to

Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Mr. Abhay Aima for the office of Director.

Mr. Vinod Yennemadi was appointed as part time Chairman of the Company with effect from 1 April 2007.

During the year under review, Mr. Adil Patrawala resigned as COO & Whole Time Director of the Company with effect from 7 August 2006. Board places on record its appreciation for his services to the Company.

Mr. K.N. Atmaramani's tenure as part time Chairman of the Company came to an end on 31 March 2007. Pursuant thereto, Mr. Atmaramani has relinquished his office as part time Chairman of the Company and tendered his resignation from the Directorship of the Company.

The Board places on record its sincere appreciation for the valuable services rendered by Mr. K.N. Atmaramani, during his tenure with the Company.

PUBLIC DEPOSIT:

During the year under review, the Company has not accepted any deposit pursuant to Section 58A of the Companies Act, 1956.

INFORMATION PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956:

The information required to be given under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975, is given in the Annexure enclosed.

AUDITORS:

M/s. S.B. Billimoria & Co., Chartered Accountants, Statutory Auditors of the Company will retire at the conclusion of the forthcoming Annual General Meeting. Members are requested to consider their re-appointment on a remuneration, to be decided by the Board of Directors.

DIRECTORS' RESPONSIBILITY STATEMENT:

The Board of Directors hereby state that:

1. in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March, 2007 and of the profit of the Company for the year ended on that date;
3. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. they have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT AND APPRECIATION:

Your Directors would like to place on record their gratitude for all the guidance and co-operation received from the Securities and Exchange Board of India, the Bombay Stock Exchange Limited, National Stock Exchange of India Limited, National Securities Depository Limited and Central Depository Services (India) Limited and other government and regulatory agencies.

Your Directors are grateful to the Company's customers and bankers for their continued support.

Your Directors would also like to take this opportunity to express their appreciation to the dedicated and committed team of employees for their contribution to the Company and rendering high quality services to the customers. The Directors also thank HDFC Bank Ltd. & J.P. Morgan Partners Advisors, Singapore for the support received from them as major shareholders.

On behalf of the Board of Directors

Place: Mumbai.
Date: 12 April 2007

Vinod Yennemadi
Chairman

Annexure

Information pursuant to Section 217(2A) of the Companies Act, 1956.

Name and Qualification	Age in yrs.	Designation/ Nature of Duties	Date of commencement of employment	Remuneration (Rs.)	Experience (No. of years)	Name of company last employed & Designation
Mr. Sunil Shah B.Com, MBA	49	Managing Director	14 March 2002	1,43,60,492	26	Evergreen Broking Private Ltd., Director
Mr.Adil Patrawala B.Sc, MMS*	37	Whole time Director & COO	27 September 2003	15,58,150	16	Refco-Sify Securities India Pvt. Ltd., VP - Strategy & Operations
Mr. Anish Shah B.Com, ACA	40	Whole time Director	12 January 2004	31,49,722	11	Dalal & Broacha Stock Broking Pvt. Ltd., Financial Controller
Mr. Puneet Gupta MBA	33	Vice President, Retail Sales	1 July 2000	39,39,976	10	Investsmart India Ltd., Sr. Executive, Marketing
Mr. Vivek Garg MMS*	36	Vice President, Projects	21 January 2004	26,18,130	15	ICICI Bank, Chief Manager
Mr. Jaideep Goswami BE, PGDM, MBA*	40	Vice President, Institutional Sales	1 February 2005	27,31,696	18	Tata TD Waterhouse Securities Ltd., Head – Equity
Ms. Sanju Verma,* MBA	36	Head – Institutional Broking	9 October 2006	36,76,859	6.5	Refco-Sify Securities India Pvt Ltd., Head – FII Equities
Ms. Renu Jalan ACA	35	Head – Risk & Statutory Affairs	22 May 2000	50,03,803	10	IIT Investtrust Ltd., Sr. Manager – Risk & Finance
Mr. Deepak Jasani B.Com, LLB, FCA, CFA	42	Vice-President, Retail Research	07 April 2004	28,05,138	12	Kaji & Maulik Services Ltd., VP Equity Research
Mr. Mahesh Jaokar ACA	36	Vice President, Finance	20 June 2005	26,22,734	13	Kotak Mahindra Bank Ltd., Financial Controller

Notes:

1. Remuneration as shown above includes salary, performance bonus, house rent allowance, medical allowance, reimbursement of telephone bills, leave travel allowance, other taxable allowances, Company's contribution to provident fund and superannuation.
2. Value of perquisites is as per the Income Tax Rules, 1962.
3. In addition to above, employees are entitled to gratuity benefit as per Company rule.
4. None of the above are related to any Directors of the Company.
5. Asterisk against a name indicates that employee was in service for part of the year.

AUDITORS' REPORT
TO THE MEMBERS OF
HDFC SECURITIES LIMITED

1. We have audited the attached Balance Sheet of **HDFC SECURITIES LIMITED** as at 31 March, 2007, the Profit and Loss Account, and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Without qualifying our opinion, we draw attention to Note 3 of Schedule 14 regarding remuneration to whole time directors which is subject to the approval of the Shareholders and the Central Government.

5. Further to our comments in the Annexure referred to in paragraph 3 above :

   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) in our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

   (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2007;

      (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and

      (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

6. On the basis of the written representations from the directors as on 31 March, 2007 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2007 from being appointed as a director under Section 274 (1)(g) of the Companies Act, 1956.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

Nalin M. Shah
Partner
(Membership No. 15860)

MUMBAI, 12th April, 2007

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

(i) The nature of the Company's business / activities during the year is such that clauses (ii), (viii), (x), (xiii), (xiv), (xv), (xvi), (xviii), (xix) and (xx) of CARO are not applicable.

(ii) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets were physically verified during the year, by the Management in accordance with a programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification during the year.

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposals have, in our opinion, not affected the going concern status of the Company.

(iii) According to the information and explanations given to us, there are no loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act 1956.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. During the course of our audit, we have not observed any major weaknesses in such internal control systems.

(v) To the best of our knowledge and belief and according to the information and explanations given to us, there were no contracts or arrangements that needed to be entered in the Register maintained under Section 301 of the Companies Act, 1956.

(vi) The Company has not accepted any deposits from the public within the meaning of Section 58A and Section 58AA of the Companies Act, 1956.

(vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.

(viii) According to the information and explanations given to us in respect of statutory dues :

(a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Wealth Tax, Service Tax, Cess and any other material statutory dues with the appropriate authorities during the year.

(b) There were no undisputed amounts payable on account of the above dues, outstanding as at 31 March, 2007 for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, details of disputed income tax, customs duty, wealth tax, Service tax and cess which have not been deposited as on 31st March, 2007 on account of any dispute are given below:

Name of Statute	Nature of the dues	Amount (Rs. '000)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	1,602	Assessment year 2004-05	Commissioner of Income Tax (Appeals)

(ix) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.

(x) In our opinion the Company has maintained adequate documents and records where it has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xi) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on short term basis have, *prima facie*, not been used during the year for long term investment.

(xii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

Nalin M. Shah
Partner
(Membership No. 15860)

MUMBAI, 12th April, 2007

Balance Sheet as at 31 March 2007

(Rs '000)

	Schedule		As at 31 March 2007		As at 31 March 2006
Sources of funds					
Shareholders' funds					
Share Capital	**1**	**150,010**		150,010	
Reserves and Surplus	**2**	**485,929**	**635,939**	413,742	563,752
Deferred Tax Liability			**25,593**		17,068
	Total		**661,532**		580,820
Application of funds					
Fixed assets	**3**				
Gross Block		**421,170**		316,496	
Less: Depreciation and Amortisation		**212,538**		152,691	
Net Block			**208,632**		163,805
Capital Work-in-Progress			**5,095**		8,508
Investments	**4**		**10**		10
Current assets, Loans and advances					
Sundry Debtors	**5**	**186,917**		366,894	
Cash and Bank balances	**6**	**604,536**		730,481	
Loans and Advances	**7**	**85,248**		259,394	
		876,701		1,356,769	
Less:					
Current liabilities and Provisions	**8**				
Current liabilities		**427,056**		939,892	
Provisions		**1,850**		8,380	
		428,906		948,272	
Net current assets			**447,795**		408,497
	Total		**661,532**		580,820
The attached notes form part of the Accounts	**14**				

In terms of our report of even date attached.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

For and on behalf of the Board

NALIN M. SHAH	**VINOD YENNEMADI**	**SUNIL SHAH**	**SANTOSH HALDANKAR**
Partner	*Chairman*	*Managing Director*	*Company Secretary*

Place : Mumbai
Date : 12 April 2007

Profit and Loss Account for the year ended 31 March 2007

(Rs '000)

	Schedule	Year ended 31 March 2007	Year ended 31 March 2006
Income			
Brokerage income		**611,158**	484,207
Fee Income		**28,883**	99,362
Other income	**9**	**30,369**	19,008
		670,410	602,577
Expenditure			
Payments to and provisions for employees	**10**	**229,985**	138,645
Operating expenses	**11**	**248,461**	255,286
Finance charges	**12**	**8,250**	4,451
		486,696	398,382
Profit before depreciation and tax		**183,714**	204,195
Less: Depreciation and Amortisation		**68,877**	44,582
Profit before Prior Period Item		**114,837**	159,613
Add: Prior Period Item	**13**	-	8,351
Profit before tax		**114,837**	167,964
Provision for taxation			
Current tax [See Note 8(a)]		**31,500**	53,500
Fringe Benefit Tax		**2,625**	1,665
Deferred tax		**8,525**	4,660
Profit after Tax		**72,187**	108,139
Add: Balance brought forward from previous year		**142,160**	34,021
Balance carried to Balance Sheet		**214,347**	142,160
Earnings per Share (Basic & Diluted) (Rs) (Face Value Rs 10)- (See Note 7)		**4.81**	7.21
The attached notes form part of the Accounts	**14**		

In terms of our report of even date attached.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

For and on behalf of the Board

NALIN M. SHAH	**VINOD YENNEMADI**	**SUNIL SHAH**	**SANTOSH HALDANKAR**
Partner	*Chairman*	*Managing Director*	*Company Secretary*

Place : Mumbai
Date : 12 April 2007

Cash Flow Statement for the year ended 31 March 2007

(Rs. '000)

	Particulars	Year ended 31 March 2007	Year ended 31 March 2006
(A)	**Cash flows from Operating activities :**		
	Net Profit before taxation	**114,837**	167,964
	Adjustments for :		
	Interest earned on Loans and Deposits	**(5,134)**	(2,576)
	Excess provision for doubtful debts written back	**(160)**	-
	Bad debts written off	**80**	-
	Dividend received	**(73)**	-
	Interest on Income Tax Refund	**-**	(23)
	Loss on sale of Assets	**138**	7
	Provision for Doubtful Debts	**18**	822
	Provision for Wealth Tax	**32**	40
	Depreciation and Amortisation	**68,877**	44,582
	Miscellaneous expenditure written off	**-**	944
	Interest paid	**2,947**	1,546
	Operating profit before working capital changes	**181,562**	213,306
	Adjustments for changes in working capital :		
	Sundry Debtors	**180,041**	(293,930)
	Loans and advances	**162,161**	(200,379)
	Fixed deposits with Scheduled Banks under Lien	**49,051**	(30,000)
	Current liabilities and provisions	**(512,180)**	736,365
	Cash generated from Operations	**60,635**	425,362
	Direct taxes paid (net of refunds)	**(41,344)**	(47,442)
	Net Cash from Operating activities	**19,291**	377,920
(B)	**Cash flows from Investing activities :**		
	Additions to Fixed Assets and Capital work in progress	**(111,743)**	(103,487)
	Loans given	**(534,391)**	(141,990)
	Repayment of Loans given	**544,777**	263,201
	Proceeds from sale of Fixed Assets	**1,313**	331
	Sale of Investments	**-**	(10)
	Interest on Income Tax Refund received	**-**	23
	Interest received	**6,733**	1,834
	Net Cash from/(used in) Investing activities	**(93,311)**	19,902
(C)	**Cash flows from Financing activities :**		
	Proceeds from borrowings	**630**	574,000
	Repayments of borrowings	**(630)**	(698,608)
	Dividend received	**73**	-
	Interest paid	**(2,947)**	(1,605)
	Net Cash used in Financing activities	**(2,874)**	(126,213)
	Net increase/(decrease) in cash and cash equivalents	**(76,894)**	271,609
	Cash and cash equivalents at the beginning of the year	**401,606**	129,997
	Cash and cash equivalents at the end of the year	**324,712**	401,606
	Reconciliation		
	Cash and cash equivalents at the end of the year	**324,712**	401,606
	Add: Fixed deposits with Scheduled Banks under Lien	**279,824**	328,875
	Cash and cash equivalents at the end of the year as per Schedule 7	**604,536**	730,481

In terms of our report of even date attached.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

For and on behalf of the Board

NALIN M. SHAH
Partner

VINOD YENNEMADI
Chairman

SUNIL SHAH
Managing Director

SANTOSH HALDANKAR
Company Secretary

Place : Mumbai
Date : 12 April 2007

Schedules forming part of the Accounts

(Rs '000)

	As at 31 March 2007	As at 31 March 2006
Schedule 1 - Share Capital		
Authorised		
20,000,000 Equity shares of Rs. 10 each	**200,000**	200,000
Issued, Subscribed and Paid-up	**150,010**	150,010
15,001,000 Equity shares of Rs.10 each fully paid up. (includes 12,000,800 shares alloted as fully paid-up by way of bonus shares out of securities premium account) (8,250,000 shares are held by the Holding Company - HDFC Bank Ltd.)	**150,010**	150,010
Schedule 2 - Reserves and Surplus		
Securities Premium	**271,582**	271,582
Profit and Loss Account	**214,347**	142,160
	485,929	413,742

Schedule 3 - Fixed assets

	Gross block				Depreciation / Amortisation				Net block	
	As at 01-04-2006	Additions during the year	Deletions/ Adjustments during the year	As at 31-03-2007	As at 01-04-2006	Charge for the year	On deletions during the year	As at 31-03-2007	As at 31-03-2007	As at 31-03-2006
Intangible Assets										
Bombay Stock Exchange Card	28,816	-	-	**28,816**	16,445	2,882	-	**19,327**	**9,489**	12,371
Computer Software	90,285	41,484	-	**131,769**	39,642	19,443	-	**59,085**	**72,684**	50,643
Website Costs	4,241	-	-	**4,241**	4,241	-	-	**4,241**	-	-
Tangible Assets										
Leasehold Improvements	33,676	4,793	-	**38,469**	13,378	5,687	-	**19,065**	**19,404**	20,298
Furniture & Fixtures	2,430	295	151	**2,574**	1,995	304	151	**2,148**	**426**	435
Computer Hardware	116,810	56,601	7,340	**166,071**	65,610	31,350	7,340	**89,620**	**76,451**	51,200
Office Equipments	32,615	9,520	519	**41,616**	9,289	7,128	290	**16,127**	**25,489**	23,326
Motor Cars	7,623	2,463	2,472	**7,614**	2,091	2,083	1,249	**2,925**	**4,689**	5,532
Total	**316,496**	**115,156**	**10,482**	**421,170**	**152,691**	**68,877**	**9,030**	**212,538**	**208,632**	**163,805**
Previous year	**211,627**	**105,479**	**610**	**316,496**	**108,381**	**44,582**	**272**	**152,691**	**163,805**	**103,246**

Schedule 4 - Investments

Unquoted: (non trade) (at cost)				
Equity Shares (Long Term)				
10,000 Equity Shares of Re 1/- each fully paid-up of Bombay Stock Exchange Limited		**10**		10
		10		10
Schedule 5 - Sundry Debtors				
Outstanding for a period exceeding six months				
Secured - Considered Good		**26**		-
Unsecured - Considered Doubtful	**18**		-	
Less : Provision for Doubtful Debts	**18**	**-**	-	-
Outstanding for a period of less than six months				
Secured - Considered Good	**63,534**		115,465	
Unsecured - Considered Good	**123,357**	**186,891**	251,429	366,894

Schedules forming part of the Accounts (contd.) (Rs '000)

		As at 31 March 2007		As at 31 March 2006
Unsecured - Considered Doubtful	**-**		822	-
Less : Provision for Doubtful Debts	**-**	-	(822)	-
		186,917		366,894
Schedule 6 - Cash and Bank Balances				
Cash on hand		**7**		3
In current accounts with Scheduled Banks		**254,305**		401,603
Fixed deposits with Scheduled Banks		**350,224**		328,875
[Including deposits under lien Rs 279,824 thousand (Rs 328,875 thousand previous year)]				
		604,536		730,481
Schedule 7 - Loans and Advances				
Secured Loans Considered Good		**-**		10,386
Unsecured, Considered Good				
Advances recoverable in cash or in kind or value to be received		**40,010**		45,370
Deposit with Stock Exchanges		**43,938**		202,338
Margin monies with clearing member		**1,300**		1,300
		85,248		259,394
Schedule 8 - Current Liabilities and Provisions				
Current Liabilities				
Sundry Creditors (other than small scale industrial undertaking)	**418,816**		839,480	
Other Liabilities	**3,096**		91,238	
Advance Fees	**5,144**		9,174	
		427,056		939,892
Provisions				
For tax (Net)	**19**		7,207	
For retirement benefits	**1,831**		1,173	
		1,850		8,380
		428,906		948,272
Schedule 9 - Other Income				
Interest on fixed deposits [TDS - Rs 5,783 thousand (previous year Rs. 3,335 thousand)]		**24,891**		16,349
Interest on loans and deposits [TDS - Rs 10 thousand (previous year Rs. 10 thousand)]		**5,134**		2,576
Interest on Income Tax Refund		**-**		23
Excess Provision for Doubtful Debts Written Back		**160**		-
Dividend on Long Term Investments		**73**		-
Miscellaneous income		**111**		60
		30,369		19,008
Schedule 10 - Payments to and provisions for employees (See Note 3)				
Salaries		**211,871**		128,459
Contribution to provident and other funds		**7,128**		4,210
Staff training and welfare expenses		**10,986**		5,976
		229,985		138,645

Schedules forming part of the Accounts (contd.)

(Rs '000)

		As at 31 March 2007		As at 31 March 2006
Schedule 11 - Operating Expenses				
Stamp, registration and trading expenses		**45,853**		64,250
Outsourcing and Professional fees (See Note 3)		**33,431**		14,201
Directors' sitting fees		**215**		230
Repairs and maintenance - Buildings	**7,327**		5,097	
- Others	**24,204**	**31,531**	10,363	15,460
Rent		**27,072**		23,313
Rates and taxes		**1,053**		1,233
Membership and subscriptions		**2,148**		1,976
Advertisement and Marketing		**10,817**		10,886
Commission		**3,493**		45,753
Electricity		**8,666**		7,011
Auditors' Remuneration				
Audit fees		**600**		450
Other matters		**54**		45
Out of pocket expenses		**6**		1
Website maintenance expenses		**1,947**		1,949
Printing and stationery		**9,792**		12,416
Insurance		**1,129**		249
Travelling and Conveyance expenses		**5,449**		3,744
Postage & communication expenses		**60,383**		47,118
Preliminary expenses written off		**-**		32
Deferred revenue expenses written off		**-**		912
SEBI turnover fees		**364**		317
Wealth Tax		**32**		40
Bad Debts written off	**743**		2	
Less: Provision for doubtful debts	**663**	**80**	-	2
Provision for doubtful debts		**18**		822
Loss On Sale Of Fixed Assets		**138**		7
Miscellaneous expenses		**4,190**		2,869
		248,461		255,286
Schedule 12 - Finance Charges				
Bank Guarantee Charges		**4,887**		2,805
Bank charges		**416**		100
Interest paid - others		**2,947**		1,546
		8,250		4,451
Schedule 13 - Prior Period Item				
Sebi Turnover Fees Written Back		**-**		8,351
		-		**8,351**

Schedules to the Accounts (contd.)

Schedule 14 - Notes appended to and forming part of the Accounts for the year ended 31 March 2007

1. Contingent liabilities

a) Bank Guarantees Rs.450,000 thousand (previous year - Rs. 395,000 thousand). These are issued in favour of the Exchanges to meet Exchange margin requirements.

b) Claims against the Company not acknowledged as debt: For disputed trades – Rs. 12,193 thousand (previous year – Rs. 4,374 thousand).This includes a claim of Rs. 3,046 thousand for which Management estimates, the cost of settling in favour of the counter party, as per bye law 244 of Bombay Stock Exchange Ltd. would not exceed Rs. 84 thousand. The balance claims are in respect of matters which are under arbitration/investor grievance proceedings with the Exchanges. During the year, similar disputed trades have been decided by the Arbitrator in favour of the Company. Management is, therefore, of the opinion that the Company will not incur any liability on account of these arbitration proceedings.

c) Income tax demands, net of amounts provided for, in respect of which appeals are pending - Rs. 7,130 thousand (previous year - Rs. 1,437 thousand). In recent past, the Income Tax Appellate Tribunal has decided similar cases in favour of the assessees. The Management is therefore of the opinion that the pending appeals will be decided in favour of the Company.

2. Pending capital commitments

As at 31 March, 2007 the Company has contracts remaining to be executed on capital account and not provided for. The estimated amount of contracts (net of advances) towards fixed assets is Rs. 9,023 thousand (previous year - Rs 50,280 thousand).

3. Managerial Remuneration

(Rs. '000)

	2006-07	2005-06
Salary and Incentives	**16,114**	17,478
Provident Fund	**337**	397
Superannuation	**270**	270
Perquisites	**2,347**	220
Total	**19,068**	18,365

Managerial remuneration excludes provision for gratuity, since it is provided on actuarial valuation of the Company's liability to all its employees. Remuneration amounting to Rs.7,300 thousand is subject to the approval of the shareholders and Rs. 10,524 thousand (including Rs. 250 thousand in respect of a resigned Director) is subject to the approval of the Central Government.

In the current year, the Company paid Rs. 972 thousand as remuneration (including Rs. 20 thousand towards contribution to Provident Fund and Rs. 200 thousand towards perquisites) to Mr. K. N. Atmaramani, part time Chairman, for services rendered by him. This is reflected as 'Payments to and provisions for Employees' in these Financial Statements. The Company has received permission from the Central Government for such payment. In the previous year, based on the approval of the Central Government, an amount of Rs. 900 thousand was paid to him towards advisory fees, for services rendered by him, which was reflected as 'Professional Fees'.

4. Expenditure in Foreign Currency

(Rs. '000)

	2006-07	2005-06
Travelling Expenses	**264**	-
Legal & Professional Fees	**66**	-
Others	**499**	-
Total	**829**	**-**

Earnings in Foreign Currency

(Rs. '000)

	2006-07	2005-06
Consultancy Fees	**673**	-

5. As per Accounting Standard on 'Related Party Disclosures' (AS-18) issued by the Institute of Chartered Accountants of India, the related parties of the Company are as follows:

1. Parent:

HDFC Bank Limited (The Company was an Associate of the Bank till September 27, 2005 and thereafter became a subsidiary)

2. Enterprise having significant influence:

Housing Development Finance Corporation Limited (upto September 27, 2005)

3. Key Management Personnel:

Mr. Sunil Shah, Managing Director

Mr. Adil Patrawala, Whole Time Director - (upto 7 August 2006)

Mr. Anish Shah, Whole Time Director

The following transactions were carried out with the related parties in the ordinary course of business:

(Rs. in '000)

Nature of Transaction	Parent	Enterprises having Significant Influence	Key Management Personnel
Placement of fixed deposits	74,375 (131,875)	Nil (Nil)	**Nil** (Nil)
Refund of fixed deposits	86,875 (189,375)	Nil (Nil)	**Nil** (Nil)
Rendering of services	Nil (69)	Nil (Nil)	**Nil** (Nil)
Receiving of services	16,344 (29,662)	Nil (225)	**Nil** (Nil)
Interest received	4,841 (6,206)	Nil (Nil)	**Nil** (Nil)
Purchase of fixed assets	Nil (4,903)	Nil (Nil)	**Nil** (Nil)
Remuneration to Key Personnel Sunil Shah Adil Patrawala Anish Shah	Nil	Nil	 **14,360** (11,596) **1,558** (4,787) **3,150** (1,982)
Balances outstanding As on 31 March, 2007:			
Receivables	1,161 (1,161)	Nil (Nil)	**Nil** (Nil)
Payables	11,496 (23,729)	Nil (Nil)	**Nil** (Nil)
Bank Balances	252,775 (400,376)	Nil (Nil)	**Nil** (Nil)
Fixed Deposits	83,875 (96,375)	Nil (Nil)	**Nil** (Nil)
Accrued Interest on Fixed Deposit - Receivable	1,181 (686)	Nil (Nil)	**Nil** (Nil)
Amounts payable Sunil Shah Adil Patrawala Anish Shah	Nil	Nil	 **5,300** (5,000) **Nil** (2,000) **939** (800)

Figures in brackets pertain to the previous year.

6. Disclosures as required by Accounting Standard 19, 'Leases', issued by the Institute of Chartered Accountants of India, are given below:

The Company has taken various office premises under leave and licence agreements, which range between 33 months and 9 years. The Company has given refundable interest free security deposits under certain agreements.

Lease payments are recognised in the Profit and Loss Account under 'Rent' in Schedule 11.

The future minimum lease payments are as follows**:**

(Rs. '000)

	2006-2007	2005-06
Not later than one year	**24,294**	20,428
Later than one year but not later than five years	**56,075**	60,538
Later than five years	**19,169**	25,070

7. In accordance with the Accounting Standard on 'Earnings Per Share' (AS 20), issued by the Institute of Chartered Accountants of India:

(i) The Earnings Per Share is computed by dividing the Net Profit After Tax by the weighted average number of equity shares.

(ii) The Company has not issued any potential equity shares, hence the weighted average number of Equity Shares for computation of Basic and Diluted Earnings Per Share would be 15,001,000.

			2006-07	2005-06
a.	Calculation of weighted average number of equity shares:			
	Number of shares at the beginning of the year	Nos.	**15,001,000**	15,001,000
	Additions during the year	Nos.	**-**	-
	Number of shares at the end of the year	Nos.	**15,001,000**	15,001,000
b.	Net profit after tax available for equity shareholders	Rs. in '000	**72,187**	108,139
c.	Basic and Diluted earnings per share of Rs. 10 each	Rs.	**4.81**	7.21

8. Taxation

a) Provision for current tax includes interest Rs. 240 thousand (previous year Rs. 582 thousand).

b) Deferred Tax

The components of deferred tax assets and liabilities arising on account of timing differences are:

(Rs. '000)

	31 March 2007	31 March 2006
Assets		
Provision for Retirement benefits	**622**	395
Provision for Doubtful debts	**6**	277
Total	**628**	672

Liabilities		
Depreciation	**26,221**	17,740
Total	**26,221**	17,740
Net Deferred tax liability	**25,593**	17,068

9. Segment Reporting

The Company's business is to provide broking services to its clients in the capital market in India. All other activities of the Company revolve around the main business. As such, there are no reportable segments, as per the Accounting Standard on Segment Reporting (AS-17), issued by the Institute of Chartered Accountants of India.

10. The Company has not received any intimation from 'suppliers' regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act have not been given.

11. Comparative figures

The previous year's figures are regrouped and rearranged wherever necessary to conform with current year's presentation.

Principal accounting policies

A. Basis of preparation

The accounts are prepared on historical cost convention, on accrual basis of accounting, and conform to accounting principles generally accepted in India.

The preparation of the accounts requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the accounts and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the accounts are prudent and reasonable. Future results could differ due to these estimates and differences between actual results and estimates are recognised in the periods in which the results are known/ materialise.

B. Significant accounting policies

1 Revenue recognition

a) Income from brokerage activities is recognised as income on the trade date of the transaction. Brokerage is stated net of rebate.

b) Income from other services is recognised on completion of services.

2 Fixed assets and depreciation/amortisations

Fixed assets are capitalised at cost. Cost includes cost of purchase and all expenditure like site preparation, installation costs, and professional fees incurred for construction of the assets, etc. Subsequent expenditure incurred on assets put to use is capitalised only where it increases the future benefit/functioning capability from/of such assets.

Costs incurred for the development/customisation of the Company's website, Front-office System software and Back-office system software are capitalised.

Depreciation is charged over the estimated useful life of the fixed asset on a straight-line basis as under:

• Leasehold improvements	Over the primary period of lease.
• Computer Hardware – Personal Computers	3 years
• Computer Hardware – Others	4 years
• Computer Software	5 years
• Office equipments	6 years
• Furniture and Fixture	15 years
• Website Cost	5 years
• Motor cars	4 years
• Bombay Stock Exchange Card	10 years

Fixed assets costing less than Rs. 5,000 are fully depreciated in the year of purchase.

3 Investments

All investments of long-term nature are valued at cost. Provision is made to recognise a decline, other than temporary, in the value of Long-Term investments. Current investments are valued at cost or market value, whichever is lower.

4 Retirement benefits

The Company provides for gratuity covering all employees. The Company makes annual contributions to a fund administered by the trustees and managed by HDFC Standard Life Insurance Company Ltd. for an amount notified by HDFC Standard Life Insurance Company Ltd. The Company accounts for the liability for future gratuity benefits based on an actuarial valuation carried out as at the end of the year.

Contribution to the provident fund is recognised when due. Provision for Superannuation is on accrual basis. The Company does not have a Leave Encashment policy.

5 Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year, using applicable tax rates and laws.

Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. They are measured using substantively enacted tax rates and tax regulations.

For and on behalf of the Board

VINOD YENNEMADI
Chairman

SUNIL SHAH
Managing Director

SANTOSH HALDANKAR
Company Secretary

Place : Mumbai
Date : 12 April 2007

PART IV

Balance Sheet abstract and a Companys' General Business Profile

I. Registration details

Registration no.	:	152193	State code	:	11
Balance Sheet date	:	31-03-07			

II. Capital raised during the period (amount in Rs.'000)

Public issue	:	NIL	Rights issue	:	NIL
Bonus issue	:	NIL	Private placement	:	NIL

III. Position of mobilisation and deployment of funds (amount in Rs.'000)

Total liabilities	:	661,533	Total assets	:	661,533

Sources of funds (amount in Rs.'000)

Paid-up capital	:	150,010	Reserves & Surplus	:	485,930
Secured loans	:	NIL	Unsecured loans	:	NIL
Deferred tax liability	:	25,593			

Application of funds (amount in Rs.'000)

Net fixed assets	:	213,730	Investments	:	10
Net current assets	:	447,795	Miscellaneous expenditure	:	NIL
Accumulated losses	:	NIL			

IV. Performance of the Company (amount in Rs.'000)

Turnover and other income	:	670,409	Total expenditure	:	555,571
Profit/(loss) before tax	:	114,838	Profit/(loss) after tax	:	72,188
Earning per share in Rs.	:	4.81	Dividend rate (%)	:	Nil

V. Generic name of principal products/services of the Company (as per monetary terms)

Item code no. (ITC code) : -
Product description : Stock broking and related services

CORPORATE GOVERNANCE
REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

PHILOSOPHY OF THE COMPANY ON THE CODE OF CORPORATE GOVERNANCE

The philosophy on Corporate Governance of your Company envisages the attainment of the highest level of transparency, accountability and equity in all facets of its operations and in all its interactions with its shareholders, customers, employees, stock exchanges and all regulatory bodies.

BOARD OF DIRECTORS:

The composition of Board is governed by the Companies Act, 1956 & the SEBI (Stock-brokers and Sub-brokers) Regulations, 1992. The present strength of the Board comprises of nine Directors. Mr. K.N. Atmaramani's term as part time Chairman came to an end on 31 March 2007 and Mr. Atmaramani has tendered his resignation from the Directorship of the Company. Mr. Vinod Yennemadi is the present Chairman of the Board. Mr. Sunil Shah is the Managing Director and Mr. Anish Shah is the Whole Time Director of the Company. The other directors on the Board are Mr. Abhay Aima, Mr. Bharat Shah, Mr. C.N. Ram, Mr.S.S.Thakur and Ms. Latika Monga.

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

The Company has not entered into any materially significant transactions during the year, which could have a potential conflict of interest between the Company and its Directors, management or their relatives, other than the transactions entered into in the normal course of business.

REMUNERATION OF DIRECTORS

Mr. K.N. Atmaramani, Chairman:

Mr. K.N. Atmaramani was appointed as part time Chairman of the Company for a period of one (1) year with effect from 1 April 2006. Total remuneration to Mr. Atmaramani is Rs. 9,72,800/- during the financial year 2006-07. Mr. Atmaramani has since relinquished his office as part time Chairman of the Company and tendered his resignation from Directorship of the Company.

Mr. Sunil Shah, Managing Director:

Mr. Sunil Shah was appointed as the Managing Director of the Company for a period of three (3) years with effect from 17 January 2005.

Total remuneration (including perquisites and incentives) to Mr.Sunil Shah, Managing Director for the financial year 2006-07 is Rs. 1,43,60,492/-.

Mr. Anish Shah, Whole Time Director:

Mr. Anish Shah was re-appointed as Whole Time Director of the Company for a period of three (3) years w.e.f. 16 September 2006. Total remuneration (including perquisites & incentive) to Mr. Anish Shah for the financial year 2006-07, is Rs. 31,49,722.

Mr. Adil Patrawala, Whole Time Director (resigned w.e.f. 7 August 2007)

Mr. Adil Patrawala was appointed as a Whole Time Director & COO of the Company for a period of three years with effect from 9 October 2003. Mr. Patrawala resigned as Whole Time Director & COO of the Company w.e.f 7 August 2006. Total remuneration (including perquisites & incentive) of Rs. 15,58,150/- was paid to Mr. Patrawala for part of the financial year 2006-07.

BOARD MEETINGS:

During the year under review, seven Board Meetings were held on 10 April 2006, 17 May 2006, 23 May 2006, 27 July 2006, 11 October 2006, 15 December 2006 and 30 March 2007.

Details of attendance of Directors at the Board Meetings and their Directorship in other Companies are as follows:

Names of Directors	Attendance at the Board Meeting	Directorship of other Companies	Sitting Fees (Rs.)
Mr. K.N. Atmaramani*	7	1	-
Mr. Vinod Yennemadi	6	3	50,000
Mr. Bharat Shah	7	3	45,000
Mr. C.N. Ram	4	3	20,000
Mr. S.S.Thakur	7	13	65,000
Mr. Sunil Shah	7	1	-
Mr. Adil Patrawala*	-	Nil	-
Ms. Latika Monga	2	1	20,000
Mr. Anish Shah	5	Nil	-
Mr. Abhay Aima*	3	1	15,000

* Mr. Adil Patrawala has resigned with effect from 7 August 2006.

Mr. K.N. Atmaramani ceased to be the part time Chairman with effect from 31 March 2007.

Mr. Abhay Aima was appointed as Director with effect from 27 July 2006.

COMMITTEES OF THE BOARD:

The various committees of the Board are as follows:

Audit Committee:

The Audit Committee comprised of four Directors viz. Mr. K.N. Atmaramani, Mr.Vinod Yennemadi, Mr.S.S.Thakur & Ms. Latika Monga. Mr. Atmaramani has since relinquished his office as part time Chairman and tendered his resignation as a Director of the Company. The Committee met four times during the year. The terms of reference of the Audit Committee are as follows:

a. Reviewing the adequacy of internal control systems and significant audit findings.

b. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

c. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

d. Reviewing with management the quarterly, half yearly, and annual financial statements focussing primarily on accounting policies and practices, compliances with other requirements concerning financial statements.

e. Reviewing the adequacy of the Audit and Compliance function, including their policies, procedures techniques and other regulatory requirements.

f. Review the Company's financial and risk management policies.

Compensation Committee:

The Committee approves the HR policies, compensation to various officers of the Company (including Managing Director & Whole time Director) and any other matter relating to compensation. The Committee comprised of four Directors viz. Mr.K.N. Atmaramani, Mr. Bharat Shah, Mr.S.S.Thakur & Ms. Latika Monga. Mr. Atmaramani has since relinquished his office as part time Chairman and tendered his resignation as a Director of the Company. The Committee met two times during the year.

Share Allotment and Transfer Committee:

The share Allotment and Transfer Committee approves and monitors allotments, transfers, transmission, splitting and consolidation of shares issued by the Company. The Committee consists of Mr. Vinod Yennemadi , Mr. Bharat Shah and Mr. Sunil Shah.