

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the Eighth Annual Report on the business and operations of the Company together with audited accounts for the year ended 31 March 2008.

FINANCIAL RESULTS

	(Rs. in Crores)	
	Year ended 31 March 2008	Year ended 31 March 2007
Total Income	130.21	67.04
Total Expenses	94.67	48.67
Profit before depreciation	35.54	18.37
Depreciation	8.42	6.88
Profit before tax	27.12	11.49
Provision for Tax	11.52	4.27
Profit after tax	15.60	7.22
Balance brought forward	21.43	14.21
Less : Transitional adjustment for Employee benefits	0.17	-
Balance carried to Balance Sheet	36.86	21.43

OPERATIONS

During the period under review, the Company's net brokerage income increased by 80% from Rs. 61.12 crores to Rs. 109.89 crores, on account of strong growth in retail and institutional segment. Aided by sharp increase in new acquisition of clients, the total income increased from Rs. 67.04 crores to Rs. 130.21 crores. Consequently, the profit after tax increased by 116% from Rs. 7.22 crores to Rs.15.60 crores.

PROSPECTS AND OUTLOOK FOR THE FUTURE

Economic Outlook

The amount of FDI inflows during the year 2007-08 (from April 2007 to December 2007) increased by 22% to Rs 51,243 crores as against Rs 42,138 crores in the previous year.

The salient features of India's BoP that emerged at the end of Q3 of 2007-08 were:

- sharp rise in trade deficit due to rise in imports,
- significant increase in invisible surplus mainly led by remittances from overseas Indians and software services, and
- substantial increase in portfolio investment under the capital account.

Due to a combination of factors like cost pressures, rising crude oil and commodity (including agri) prices, slowdown in the US, turmoil in the forex markets globally, appreciating Rupee and expected impact on various currencies and high base effect, the GDP growth rate in India may slow down in the next few quarters.

India's economy may grow at a slower pace in the next twelve months as global slowdown may reduce foreign investment and exports and companies deal with a lower topline growth combined with higher interest rates and rising input prices. This has led to a lot of Banks cutting their estimate of GDP growth for India in FY08 and FY09 from their earlier estimates of 8.0-8.5%.

Rising inflation hovering around 7% remains a key concern. Realising the unacceptable high rate of inflation, RBI has taken various measures to curb inflation by controlling the money supply, credit growth etc. that may help control the inflation rate thus sustaining growth and stability in India.

Despite the recent volatility, the Indian growth story, led by an upsurge in investments and domestic consumption remains largely intact. India's economy has expanded an average 8.7 percent since 2003 to 2007, the fastest pace since independence in 1947. The economy continues to be in fine fettle and given the upswing in investment cycle, a 7.5 to 8% GDP growth CAGR looks sustainable. Indian economy has enough dynamism to overcome the latest fears over slip in industrial production figures, threat of inflation, turbulence in financial markets around the world, high interest rates, zooming oil and commodity prices.

Capital Market Outlook

The Indian Capital Market attained further depth and width during the year under review. The BSE Sensex scaled an all time high of 21,207 and NSE Index rose to 6,357. Both the indices rose more than six times between 2003-07. Volumes in the markets too kept rising with months of October 2007 and January 2008 witnessing huge volumes. However post January 21, 2008, the indices and volumes in the markets have fallen.

The fiscal year closed with an adverse impact of the US sub-prime crisis engulfing the global stock markets. After scaling up net investments in equities from US\$ 7.96 billion in 2006 to US\$ 17.24 billion in 2007, foreign institutional investors (FIIs) became net sellers of more than US\$ 3 billion in January-March 2008. As a result, the BSE Sensex tumbled by about 31% from its top of 21,207 before recovering a little.

Domestic-investor participation in the equity market is rising rapidly, with favourable demographics, changing consumer preferences driving offtake of long-term saving products offered by life insurance companies. Rising non-institutional participation (domestic corporate and retail) has been witnessed in the market over the past few months.

India will continue to attract a rising share of global funds' asset allocation, given superior long-term prospects of the economy and the fact that the market has achieved a critical mass (US\$1.9 trillion market cap, the eighth-largest in the world, more than 220 stocks of over US\$1 billion market cap) that will make it difficult to ignore.

In the short term, Indian markets may under perform due to global turmoil and local concerns. However, the medium term outlook of its 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 13 (point no. 4) of the Financial statements.

DIRECTORS

Ms. Bharat Shah and Mr. S.S. Thakur retire by rotation at the ensuing Annual General meeting and are eligible for re-appointment.

Mr. Vinod Yennemadi resigned as Director of the Company effective 10 September 2007 and Mr. Sunil Shah's term as Managing Director of the Company concluded on 16 January 2008. The Board places on record its appreciation for the services rendered by Mr. Vinod Yennemadi and Mr. Sunil Shah during their tenure with the Company.

The Board of Directors at its meeting held on 10 January 2008 have appointed Mr. Aseem Dhru as Managing Director of the Company. This appointment was subject to prior approval of the Securities & Exchange Board of India (SEBI) through both the Exchanges viz. BSE & NSE. The Company has since received approval from both the Exchanges viz. BSE and NSE.

Mr. Santosh Haldankar, Company Secretary was appointed as Whole Time Director of the Company w.e.f. 10 January 2008.

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 and have expressed their unwillingness to continue as Auditors of the Company. M/s Deloitte Haskins & Sells have consented to act as Auditors of the Company. The Company has received a certificate from M/s Deloitte Haskins & Sells to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. Members are requested to consider the appointment of M/s Deloitte Haskins & Sells as Auditors of the Company on a remuneration to be decided by the Board of Directors in consultation with the said Auditors.

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, 2008 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 regularities; 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, Singapore for the support received from them as major shareholders.

On behalf of the Board of Directors

**Mumbai
11 April 2008**

**Bharat Shah
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. Anish Shah B.Com, ACA	41	Whole time Director	12 January 2004	41,35,764	12	Dalal & Broacha Stock Broking Pvt.Ltd. Financial Controller
Mr. Puneet Gupta MBA	34	Vice President, Retail Sales	1 July 2000	43,02,588	12	Investsmart India Ltd. Sr. Executive, Marketing
Ms. Sanju Verma, MBA (Finance)	35	Executive Director & Head, Institutional Business	9 October 2006	1,02,47,505	12	Refco-Sify Securities India Pvt Ltd. Sr. V.P. & Head - FII Equities
Mr. Deepak Jasani B.Com, LLB, FCA, CFA	43	Vice-President, Retail Research	07 April 2004	41,22,762	13	Kaji & Maulik Services Ltd. VP, Equity Research
Mitesh Dalal B.Com, MFM	38	Vice President, Branch Sales	3 May 2003	24,91,500	12	SMIFS Securities Ltd. Senior Manager
Reynu Bhat B.Sc	45	Vice President, Customer Care	15 January 2004	29,74,996	11	Microwave Communication Ltd. Sr. Manager
Uday Singh B.Com, MBA	34	Vice President, Retail Sales	21 December 2005	27,47,496	9	ICICI Prudential Life Insurance Company Ltd. Territory Manager
Biji Joseph Scaria B Tech, MMS	37	Vice President, Projects	22 July 2000	24,51,135	14	Tata Consultancy Services Business Analyst

Employed for part of the year

Mr. Sunil Shah B.Com, MBA	50	Managing Director	14 March 2002	1,53,78,697	27	Evergreen Broking Pvt. Ltd. Director
Ms. Renu Jalan B Com, ACA	36	Executive Director & Head, Risk & Statutory Affairs	22 May 2000	46,64,136	11	IIT Invest Trust Ltd. Sr. Manager – Risk & Finance
Mr. Paresh Sheth B Com, MMM	35	Vice President, Branch Sales	13 April 2007	26,22,309	7	IDBI Bank Head Distribution
Rashmi Nagori B.Com, PGDMS	36	Vice President, HR	20 December 2000	31,55,865	13	Kotak Mahindra Asset Mgmt Co. AVP

Notes:

1. Remuneration as shown above includes salary, performance bonus paid during the year, house rent allowance, medical allowance, reimbursement of telephone bills, leave travel allowance, superannuation, other taxable allowances and Company's contribution to provident fund.
2. In addition to above, employees are entitled to gratuity benefit as per Company Rules.
3. None of the above are related to any Directors of the Company.
4. Nature of employment is contractual.

**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, 2008, 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. 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 account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) the Balance Sheet, the 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, 2008;
 - (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.
5. On the basis of the written representations from the directors as on 31st March, 2008 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2008 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, 11th April, 2008

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), (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 systems 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 weakness 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 31st March, 2008 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, 2008 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	1,724	Assessment year 2004-05	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	16,695	Assessment year 2005-06	Commissioner of Income Tax (Appeals)
Finance Act, 1994	Service Tax	377	Financial years 2005 and 2006	Commissioner of Central Excise (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) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, *prima facie*, applied by the Company during the year for the purposes for which the loans were obtained.
- (xii) 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.
- (xiii) 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, 11th April, 2008

Balance Sheet as at 31 March, 2008

(Rs '000)

	Schedule	As at 31 March, 2008		As at 31 March, 2007	
Sources of funds					
Shareholders' funds					
Share Capital	1	150,010		150,010	
Reserves and Surplus	2	640,239	790,249	485,929	635,939
Deferred Tax Liability			16,942		25,593
Total			807,191		661,532
Application of funds					
Fixed assets					
Gross Block	3	477,084		421,170	
Less: Depreciation and Amortisation		294,021		212,538	
Net Block			183,063		208,632
Capital Work-in-Progress			4,410		5,095
Investments	4		10		10
Current assets, Loans and advances					
Sundry Debtors	5	366,950		186,917	
Cash and Bank balances	6	888,712		604,536	
Loans and Advances	7	295,697		85,248	
		1,551,359		876,701	
Less:					
Current liabilities and Provisions					
Current liabilities	8	904,301		427,056	
Provisions		27,350		1,850	
		931,651		428,906	
Net Current assets			619,708		447,795
Total			807,191		661,532

The attached notes form part of the Accounts 13

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**BHARAT SHAH**
Chairman**ASEEM DHURU**
Managing Director**SANTOSH HALDANKAR**
Whole Time Director &
Company SecretaryPlace : Mumbai
Date : 11 April, 2008

Profit and Loss Account for the year ended 31 March, 2008

(Rs '000)

	Schedule	Year ended 31 March, 2008	Year ended 31 March, 2007
Income			
Brokerage income		1,098,803	611,158
Fee Income		157,803	28,912
Other income	9	45,514	30,342
		<u>1,302,120</u>	<u>670,412</u>
Expenditure			
Payments to and provisions for employees	10	370,790	230,727
Operating expenses	11	553,342	247,721
Finance charges	12	22,579	8,250
		<u>946,711</u>	<u>486,698</u>
Profit before depreciation and tax		355,409	183,714
Less: Depreciation and Amortisation		84,183	68,877
Profit before tax		<u>271,226</u>	<u>114,837</u>
Provision for taxation			
Current tax [See Note 9 (a)]		119,820	31,500
Fringe Benefit Tax		3,170	2,625
Deferred tax		(7,775)	8,525
Profit after Tax		<u>156,011</u>	<u>72,187</u>
Add: Balance brought forward from previous year		214,347	142,160
Transitional adjustment for Employee Benefits [See Note 5 (a)]		(1,701)	-
Balance carried to Balance Sheet		<u>368,657</u>	<u>214,347</u>
Earnings per Share (Basic & Diluted) (Rs)		<u>10.40</u>	<u>4.81</u>

(Face Value Rs 10)- (See Note 8)

The attached notes form part of the Accounts **13**

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

BHARAT SHAH
Chairman

ASEEM DHURU
Managing Director

SANTOSH HALDANKAR
Whole Time Director &
Company Secretary

Place : Mumbai

Date : 11 April, 2008

Cash Flow Statement for the year ended 31 March, 2008

Particulars	(Rs. '000)	
	Year ended 31 March, 2008	Year ended 31 March, 2007
(A) Cash flows from Operating activities :		
Net Profit before taxation	271,226	114,837
Adjustments for :		
Interest earned on Loans and Deposits	(1,393)	(5,134)
Loss / (Profit) on sale of Fixed Assets	(170)	138
Excess provision for doubtful debts written back	-	(160)
Bad debts written off	21	80
Dividend received	(125)	(73)
Provision for Doubtful Debts	1,078	18
Provision for Wealth Tax	38	32
Depreciation and Amortisation	84,183	68,877
Interest paid	12,341	2,947
Operating profit before working capital changes	367,199	181,562
Adjustments for changes in working capital :		
Sundry Debtors	(180,453)	180,041
Loans and advances	(211,128)	162,161
Fixed deposits with Scheduled Banks under Lien	(347,751)	49,051
Current liabilities and provisions	479,382	(512,180)
Cash generated from Operations	107,249	60,635
Direct taxes paid (net of refunds)	(102,229)	(41,344)
Net Cash from Operating activities	5,020	19,291
(B) Cash flows from Investing activities :		
Additions to Fixed Assets and Capital work in progress	(59,615)	(111,743)
Repayment of Loans given	159,815	544,777
Loans given	(159,815)	(534,391)
Proceeds from sale of Fixed Assets	1,857	1,313
Interest received	1,379	6,733
Dividend received	125	73
Net Cash used in Investing activities	(56,254)	(93,238)
(C) Cash flows from Financing activities :		
Interest paid	(12,341)	(2,947)
Net Cash used in Financing activities	(12,341)	(2,947)
Net decrease in cash and cash equivalents	(63,575)	(76,894)
Cash and cash equivalents at the beginning of the year	324,712	401,606
Cash and cash equivalents at the end of the year	261,137	324,712
Reconciliation		
Cash and cash equivalents at the end of the year	261,137	324,712
Add: Fixed deposits with Scheduled Banks under Lien	627,575	279,824
Cash and cash equivalents at the end of the year as per Schedule 6	888,712	604,536

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

BHARAT SHAH
Chairman

ASEEM DHURU
Managing Director

SANTOSH HALDANKAR
Whole Time Director &
Company Secretary

Place : Mumbai
Date : 11 April, 2008

Schedules forming part of the Accounts

(Rs. '000)

As at
31 March, 2008

As at
31 March, 2007

Schedule 1 - Share Capital

Authorised 20,000,000 Equity shares of Rs. 10 each	200,000	200,000
Issued, Subscribed and Paid-up 15,001,000 Equity shares of Rs.10 each fully paid up. (includes 12,000,800 shares allotted as fully paid-up by way of bonus shares out of securities premium account) [8,849,839 (previous year 8,250,000) shares are held by the Holding Company - HDFC Bank Ltd.]	150,010 150,010	150,010 150,010

Schedule 2 - Reserves and Surplus

Securities Premium	271,582	271,582
Profit and Loss Account	368,657	214,347
	640,239	485,929

Schedule 3 - Fixed assets

	Gross Block				Depreciation / Amortisation				Net Block	
	As at 01-04-2007	Additions during the year	Deletions/ Adjustments during	As at 31 -03- 2008	As at 01-04-07	Charge for the year	on deletions during the year	As at 31-03-2008	As at 31-03-2008	As at 31-03-2007
<u>Intangible Assets</u>										
Bombay Stock Exchange Card	28,816	-	-	28,816	19,327	2,882	-	22,209	6,607	9,489
Computer Software	131,769	7,190	-	138,959	59,085	22,150	-	81,235	57,724	72,684
Website Costs	4,241	-	-	4,241	4,241	-	-	4,241	-	-
<u>Tangible Assets</u>										
Leasehold Improvements	38,469	7,779	-	46,248	19,065	6,548	-	25,613	20,635	19,404
Furniture & Fixtures	2,574	1,097	-	3,671	2,148	1,017	-	3,165	506	426
Computer Hardware	166,071	26,294	274	192,091	89,620	36,671	271	126,020	66,071	76,451
Office Equipments*	41,616	14,641	2,195	54,062	16,127	12,726	1,057	27,796	26,266	25,489
Motor Cars	7,614	3,298	1,916	8,996	2,925	2,189	1,372	3,742	5,254	4,689
Total	421,170	60,299	4,385	477,084	212,538	84,183	2,700	294,021	183,063	208,632
Previous year	316,496	115,156	10,482	421,170	152,691	68,877	9,030	212,538	208,632	163,805

* Office Equipments includes assets held for disposal, costing Rs. 9,253 thousand which have been valued as NIL.

Schedules forming part of the Accounts (contd.)

		(Rs. '000)
	As at <u>31 March, 2008</u>	As at <u>31 March, 2007</u>
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
	<u>10</u>	<u>10</u>
Schedule 5 - Sundry Debtors		
Outstanding for a period exceeding six months		
Secured - Considered Good	10	26
Unsecured - Considered Doubtful	35	18
Less : Provision for Doubtful Debts	35	18
Outstanding for a period of less than six months		
Secured - Considered Good	364,815	63,534
Unsecured - Considered Good	2,125	123,357
Unsecured - Considered Doubtful	381	-
Less : Provision for Doubtful Debts	381	-
	<u>366,950</u>	<u>186,917</u>
Schedule 6 - Cash and Bank Balances		
Cash on hand	3	7
In current accounts with Scheduled Banks	261,134	254,305
Fixed deposits with Scheduled Banks	627,575	350,224
[Including deposits under lien Rs 627,575 thousand (previous year Rs 279,824 thousand)]		
	<u>888,712</u>	<u>604,536</u>
Schedule 7 - Loans and Advances		
Unsecured, Considered Good		
Advances recoverable in cash or in kind or value to be received	68,259	40,010
Deposit with Stock Exchanges	226,138	43,938
Margin monies with clearing member	1,300	1,300
Unsecured, Considered Doubtful	679	-
Less : Provision for doubtful advances	679	-
	<u>295,697</u>	<u>85,248</u>

Schedules forming part of the Accounts (contd.)

		(Rs. '000)
	As at <u>31 March, 2008</u>	As at <u>31 March, 2007</u>
Schedule 8 - Current Liabilities and Provisions		
Current Liabilities		
Sundry Creditors [See Note 11]	888,578	418,816
Other Liabilities	8,949	3,096
Advance Fees	6,774	5,144
	<u>904,301</u>	<u>427,056</u>
Provisions		
For taxes [Net]	20,805	19
For employee benefits	6,545	1,831
	<u>27,350</u>	<u>1,850</u>
	<u>931,651</u>	<u>428,906</u>
Schedule 9 - Other Income		
Interest on fixed deposits [TDS - Rs. 8,723 thousand (previous year Rs. 5,783 thousand)]	42,324	24,891
Interest on loans and deposits [TDS - Rs. 14 thousand (previous year Rs. 10 thousand)]	1,393	5,134
Other Interest	952	-
Profit on sale of Fixed assets [Net]	170	-
Excess Provision for Doubtful Debts Written Back	-	160
Dividend on Long Term Investments	125	73
Miscellaneous income	550	84
	<u>45,514</u>	<u>30,342</u>
Schedule 10 - Payments to and provisions for employees (See Note 3)		
Salaries, Wages and Bonus	348,766	212,613
Contribution to provident and other funds	8,667	7,202
Staff training and welfare expenses	11,824	10,912
Staff on Deputation	1,533	-
	<u>370,790</u>	<u>230,727</u>

Schedules forming part of the Accounts (contd.)

			(Rs. '000)
	As at		As at
	<u>31 March, 2008</u>		<u>31 March, 2007</u>
Schedule 11 - Operating Expenses			
Stamp, registration and trading expenses	135,552		45,855
Outsourcing and Professional fees [See Note 3]	116,657		32,689
Directors' sitting fees	265		215
Repairs and maintenance - Buildings	10,598	7,327	
- Others	<u>66,137</u>	<u>24,204</u>	31,531
Rent	31,351		27,072
Rates and taxes	1,084		1,053
Membership and Subscriptions	3,334		2,148
Advertisement and Marketing	31,970		14,803
Commission	32,047		3,493
Electricity	13,157		8,666
Auditors' Remuneration			
Audit fees	600		600
Other matters	49		54
Out of pocket expenses	7		6
Website maintenance expenses	11,054		1,947
Printing and stationery	11,632		7,088
Insurance	996		1,129
Travelling and Conveyance expenses	10,055		5,449
Postage & communication expenses	69,871		59,101
SEBI turnover fees	958		364
Wealth Tax	38		32
Bad Debts written off	22	743	
Less: Provision for doubtful debts	<u>1</u>	<u>663</u>	80
Provision for doubtful debts	1,078		18
Loss on Sale of Fixed Assets	-		138
Miscellaneous expenses	4,831		4,190
	<u>553,342</u>		<u>247,721</u>
Schedule 12 - Finance Charges			
Bank Guarantee Charges	9,395		4,887
Bank charges	843		416
Interest paid - others	12,341		2,947
	<u>22,579</u>		<u>8,250</u>

Schedules forming part of the Accounts (contd.)

Schedule 13 – Notes appended to and forming part of the Accounts for the year ended 31 March, 2008

1. Contingent liabilities

- Bank Guarantees Rs. 10,25,000 thousand (previous year - Rs. 4,50,000 thousand). These are issued in favour of the Exchanges to meet margin requirements.
- Claims against the Company not acknowledged as debt: For disputed trades – Rs. 1,058 thousand (previous year – Rs. 12,193 thousand).
- Income tax demands, net of amounts provided for, in respect of which appeals are pending – Nil (previous year – Rs. 7,130 thousand).
- Service tax demands, net of amounts paid for, in respect of which appeals are pending Rs. 377 thousand (previous year – Nil).

2. Pending capital commitments

As at 31 March, 2008 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. 5,402 thousand (previous year - Rs 9,023 thousand).

3. Managerial Remuneration

(Rs. '000)

	FY 2007-08	FY 2006-07
Salary & incentive	12,354	16,114
Provident Fund	291	337
Superannuation	886	270
Gratuity	350	0
Perquisites	2015	2,347
Total	15,896	19,068

Managerial remuneration excludes provision for gratuity and leave availment, since it is provided on actuarial valuation of the Company's liability to all its employees. Further, it also excludes incentives for two whole time directors since it is not yet ascertainable. Remuneration amounting to Rs. 197 thousand is subject to the approval of the shareholders.

In the current year, the Company paid Rs. 1,200 thousand as remuneration to Mr. Bharat Shah, non-executive chairman, for services rendered by him. This is reflected as "Professional fees" in these financial statements. The Company has received permission from Central Government for the said payment.

4. a) Expenditure in Foreign Currency

(Rs. '000)

	FY 2007-08	FY 2006-07
Travelling Expenses	366	264
Legal & Professional charges	1,200	66
Others	940	499
Total	2,506	829

b) Earnings in Foreign Currency

(Rs. '000)

	FY 2007-08	FY 2006-07
Consultancy Fees	902	673

- Consequent to implementation of the Revised Accounting Standard 15 on Employee Benefits (AS-15) as notified by the Companies Accounting Standard Rules, 2006, the following disclosures have been made as required by the standard:

- An amount of Rs. 1,701 thousand (net of deferred tax effect of Rs.876 thousand) being the difference between the liability as on 31 March, 2007 on employee benefits including defined benefit plans determined based on the revised AS 15 and the liability as per Company's previous accounting policy, has been adjusted against the opening balance of Profit and Loss Account, in terms of AS 15.
- The charge to the Profit and Loss Account for the year towards employee benefits is higher by Rs. 2,409 thousand as compared to the expense as per the Company's previous accounting policy.
- The Company has recognised Rs. 7,788 thousand in Profit and Loss Account under Company's Contribution to Provident Fund, which is maintained with the office of Regional Provident Fund Commissioner.
- The Company operates funded post retirement defined benefit plans for gratuity, details of which are as follows:

(i). Reconciliation of Defined Benefit Obligation

(Rs. '000)

Particulars	
Opening Defined Benefit Obligation	2,578
Current Service Cost	985
Interest Cost	243
Actuarial Losses	556
Benefits paid	(1,053)
Closing Defined Benefit Obligation	3,309

(ii). Reconciliation of Fair value of Plan Assets

(Rs. '000)

Particulars	
Opening Fair value of Plan Assets	1,828
Expected return on Plan Assets	168
Contributions	800
Benefits paid	(1,053)
Actuarial gain	8
Closing Fair value of Plan Assets	1,751

(iii). **Amount to be recognised in Balance Sheet and movement in net liability**

(Rs. '000)

Particulars	
Present Value of Funded Obligation	3,309
Fair Value of Plan Assets	1,751
Net Liability Recognised in the Balance Sheet under 'Provision for employee benefits'	(1,558)

(iv). **Expenses recognised in the Profit and Loss Account**

(Rs. '000)

Particulars	
Current Service Cost	985
Interest Cost	243
Expected return on Plan Assets	(168)
Actuarial Losses (net)	548
Net gratuity expenses included in 'Payments to and provisions for employees'	1,608

(v). **Description of Plan Assets**

Particulars	% Invested
Insurer Managed Funds	100
Grand Total	100

(vi). **Summary of Actuarial Assumptions**

Particulars	
Discount Rate	8 %
Expected rate of return on Assets	8 %
Salary Escalation Rate	5 %
Mortality	Published notes under the LIC (1994-96) mortality tables

The estimates of future salary increase considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors. The above information is certified by the actuary and relied upon by the Auditors. This being the first year of implementation, previous year figures have not been given.

6. As per Accounting Standard on 'Related Party Disclosures' (AS-18) as notified by the Companies Accounting Standard Rules, 2006, the related parties of the Company are as follows:

1. **Holding Company:**

HDFC Bank Limited.

2. **Key Management Personnel:**

Mr. Sunil Shah, Managing Director – (upto 16 January, 2008)

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

Mr. Anish Shah, Whole Time Director

Mr. Santosh Haldankar, Whole Time Director. (w.e.f. 10 January, 2008)

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

(Rs. in '000)

Nature of Transaction	Holding Company	Key Management Personnel
Placement of fixed deposits	6,23,975 (74,375)	Nil (Nil)
Refund of fixed deposits	5,72,975 (86,875)	Nil (Nil)
Rendering of services	23,467 (Nil)	Nil (Nil)
Receiving of services	1,43,998 (16,344)	Nil (Nil)
Interest received	3,702 (4,841)	Nil (Nil)
Interest paid	2,059 (Nil)	Nil (Nil)
Loan received	15,30,000 (Nil)	Nil (Nil)
Loan repaid	15,30,000 (Nil)	Nil (Nil)
Sale of fixed assets	1,100 (Nil)	Nil (Nil)
Remuneration to Key Management Personnel	Nil	
Sunil Shah		12,358 (14,360)
Adil Patrawala		Nil (1,558)
Anish Shah		3,342 (3,150)
Santosh Haldankar		197 (Nil)
Balances outstanding As on 31 March, 2008:		
Receivables	27,124 (1,161)	Nil (Nil)
Payables	1,26,177 (11,496)	Nil (Nil)
Bank Balances	2,57,425 (252,775)	Nil (Nil)
Fixed Deposits	1,34,875 (83,875)	Nil (Nil)
Accrued Interest on Fixed Deposit-Receivable	2,480 (1,181)	Nil (Nil)
Amounts payable:	Nil	
Sunil Shah		3,500 (5,300)
Adil Patrawala		Nil (Nil)
Anish Shah		Nil (939)
Santosh Haldankar		Nil (Nil)

Figures in brackets pertain to the previous year.

7. Disclosures as required by Accounting Standard 19, “Leases”, as notified by the Companies Accounting Standard Rules, 2006, are given below:

The Company has taken various office premises under leave and license 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)

	FY 2007-08	FY 2006-07
Not later than one year	27,351	24,294
Later than one year but not later than five years	49,137	56,075
Later than five years	11,371	19,169

8. In accordance with the Accounting Standard on ‘Earnings Per Share’ (AS 20), as notified by the Companies Accounting Standard Rules, 2006:

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

		FY 2007-08	FY 2006-07
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 1,56,011	72,187
c.	Basic & Diluted earnings per share of Rs.10 each	Rs. 10.40	4.81

9. Taxation

- Provision for current tax includes interest Rs. 1,116 thousand (previous year Rs. 240 thousand) and earlier year’s tax liability of Rs.18,564 thousand (previous year – Nil).
- Deferred Tax
The components of deferred tax assets and liabilities arising on account of timing differences are:

(Rs. '000)

	31 March, 2008	31 March, 2007
<u>Assets</u>		
Provision for employee benefits	1,093	622
Provision for Doubtful debts	368	6
Total	1,461	628
<u>Liabilities</u>		
Depreciation	18,403	26,221
Total	18,403	26,221
Net Deferred tax liability	16,942*	25,593

* After consideration of Rs. 876 thousand, deferred tax on account of Transitional Adjustment on Employee Benefits. Also see Note 5 (a).

10. 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), as notified by the Companies Accounting Standard Rules, 2006.

11. On the basis of the intimation received from ‘suppliers’ regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 there are no suppliers registered under the said Act.

12. Comparative figures

The previous year’s figures are regrouped and rearranged wherever necessary to conform to 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 the 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. The 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.

4

Employee benefits

(a) Provident Fund:

The Company's Contribution to Recognised Provident Fund (maintained and managed by the Office of Regional Provident Fund Commissioner) paid/payable during the year is recognised in the Profit and Loss Account.

(b) Gratuity Fund:

The Company makes annual contributions to funds administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The Company accounts for the net present value of its obligations for gratuity benefits based on an independent external actuarial valuation determined on the basis of the projected unit credit method (PUCM) carried out annually. Actuarial gains and losses are immediately recognised in the Profit and Loss Account.

(c) Compensated Absences:

The Company has scheme of compensated absences for employees. The liability for which is determined on the basis of an Actuarial valuation as at the end of the year in accordance with AS-15.

(d) Other Employee Benefits:

Other benefits are determined on an undiscounted basis and recognised based on the likely entitlement thereof on accrual basis.

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

BHARAT SHAH
Chairman

ASEEM DHURU
Managing Director

SANTOSH HALDANKAR
Whole Time Director &
Company Secretary

Place : Mumbai
Date : 11 April, 2008

PART IV

Balance Sheet abstract and a Company's General Business Profile

I Registration Details

Registration No.	:	152193	State Code:	:	11
Balance Sheet Date	:	31-03-08			

II Capital Raised during the period (Amount in Rs. '000)

Public Issue	:	N I L	Rights Issue	:	N I L
Bonus Issue	:	N I L	Private Placement	:	N I L

III Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)

Total Liabilities	:	807,191	Total Assets	:	807,191
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Sources of Funds (Amount in Rs. '000)

Paid-up Capital	:	150,010	Reserves & Surplus	:	640,239
Secured Loans	:	N I L	Unsecured Loans	:	N I L
Deferred Tax Liability	:	16,942			

Application of Funds (Amount in Rs. '000)

Net Fixed Assets	:	187,473	Investments	:	10
Net Current Assets	:	619,708	Misc. Expenditure	:	N I L
Accumulated losses	:	N I L			

IV Performance of Company (Amount in Rs. '000)

Turnover	:	1,302,120	Total Expenditure	:	1,030,894
Profit/Loss before Tax	:	271,226	Profit/Loss after Tax	:	156,011
Earning Per Share in Rs.:	:	10.40	Dividend Rate %	:	N I L

V Generic Names of Principal Product/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 the Board of Directors of the Company is governed by the Companies Act, 1956 & the SEBI (Stock-brokers and Sub-brokers) Regulations, 1992. The present strength of the Board comprises of 7 Directors, of which 3 are professional Whole Time Directors and 4 are Non-Executive Directors. Mr. Bharat Shah is the Non-Executive Chairman of the Company. Mr. Aseem Dhru is the Managing Director of the Company. Mr. Anish Shah and Mr. Santosh Haldankar are the Whole Time Directors of the Company. The other directors on the Board are Mr. Abhay Aima, 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 and broking.

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. Bharat Shah

Mr. Bharat Shah was appointed as the Non-Executive Chairman of the Company for a period of 5 years with effect from 1 July 2007. During the financial year 2007-08, Mr. Shah was paid remuneration (including perquisites) of Rs. 12,00,000/-.

Mr. Sunil Shah

Mr. Sunil Shah was appointed as the Managing Director of the Company for a period of 3 years with effect from 17 January 2005. Pursuant thereto, the term of Mr. Sunil Shah as Managing Director concluded on 16 January 2008.

Total remuneration (including perquisites & incentives) of Rs. 1,53,78,697/- was paid to Mr. Sunil Shah, Managing Director for the financial year 2007-08.

Mr. Anish Shah

Mr. Anish Shah was re-appointed as Whole Time Director of the Company for a period of 3 years w.e.f. 16 September 2006. Total remuneration (including perquisites & incentive) of Rs. 41,35,764/- was paid to Mr. Anish Shah for the financial year 2007-08.

Mr. Santosh Haldankar

Mr. Santosh Haldankar was appointed as Whole Time Director of the Company for a period of 3 years with effect from 10 January 2008. Total remuneration (including perquisites & incentive) of Rs. 1,96,726/- was paid to Mr. Haldankar in the capacity of Whole Time Director of the Company for the financial year 2007-08.

BOARD MEETINGS:

During the year under review, 5 Board Meetings were held on 12 April 2007, 8 May 2007, 10 August 2007, 18 October 2007 and 10 January 2008.

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

Names of Director	Attendance at the Board Meeting	Directorship of other Companies	Sitting Fees (Rs.)
Mr. Abhay Aima	4	1	20,000
Mr. Anish Shah	4	-	-
Mr. Bharat Shah	5	3	85,000
Mr. C.N. Ram	5	3	35,000
Mr. K.N. Atmaramani*	1	1	10,000
Ms. Latika Monga	1	1	15,000
Mr. S.S. Thakur	5	12	90,000
Mr. Sunil Shah*	5	1	-
Mr. Santosh Haldankar*	-	-	-
Mr. Vinod Yennemadi*	1	3	10,000

* Mr. K.N. Atmaramani ceased to be Director w.e.f. 10 August 2007.

Mr. Vinod Yennemadi ceased to be Director w.e.f. 10 September 2007.

Mr. Sunil Shah's term as Managing Director concluded on 16 January 2008

Mr. Santosh Haldankar was appointed as the Whole Time Director w.e.f. 10 January 2008.

COMMITTEES OF THE BOARD:

The various committees of the Board are as follows:

Audit Committee:

The Audit Committee is chaired by Mr. S.S. Thakur. The other members of the Committee are Mr. Bharat Shah & Ms. Latika Monga. The Committee met 7 times during the year. The terms of reference of the Audit Committee inter alia includes the following:

- 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 appointment and removal of internal & external auditor and fixing of their fees;
- d. Reviewing with management, the 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 Compensation Committee approves the HR policies, compensation to various officers of the Company (including Managing & Whole time Directors) and any other matter relating to compensation. The Committee comprises of 4 Directors viz. Mr. Bharat Shah, Mr. S.S. Thakur, Mr. Abhay Aima & Ms. Latika Monga. The committee met 4 times during the year.

CAPEX Committee

The CAPEX Committee considers and approves all capital expenditure incurred by the Company for its various projects, branch set up, etc. from time to time. The Committee consists of Mr. Bharat Shah, Mr. S.S. Thakur, Mr. C.N. Ram and Mr. Aseem Dhru. The Committee met 2 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. Bharat Shah and Mr. Aseem Dhru.